



U.S. Department of Justice

*United States Attorney
Western District of Virginia*

**STATEMENT OF U.S. ATTORNEY JOHN BROWNLEE
ON THE GUILTY PLEA OF ITT CORPORATION FOR
ILLEGALLY TRANSFERRING CLASSIFIED AND EXPORT
CONTROLLED NIGHT VISION TECHNOLOGY TO
FOREIGN COUNTRIES**

March 27, 2007

It is the responsibility of the United States government to provide security to the American people. A strong military, equipped with the most modern and technologically advanced war fighting systems, is critical to this effort. One of the most significant advantages of our military is its ability to effectively maneuver and fight at night. Enabled by the most advanced night vision technology in the world, our military can see and defeat the enemy in the most severe conditions of limited visibility. Keeping this important technology safe and secure, and out of the hands of our potential adversaries, is critical not only to our national security but to the safety and success of soldiers and Marines in combat today. The secrets of our night vision technologies must be protected.

Today, we announce that ITT Corporation, the 12th largest supplier of sophisticated defense systems to the United States military, will plead guilty to two felony charges, pay \$100 million in penalties and forfeitures, subject itself to independent monitoring and an

extensive remedial action program, and acknowledge that it illegally transferred classified and/or sensitive night vision technology to foreign countries – including the People’s Republic of China – in order to reduce its costs and enhance its financial bottom line. By illegally outsourcing the production of some of the most sensitive pieces of the night vision system, ITT has put in jeopardy our military’s night time tactical advantages and America’s national security. Simply put, the criminal actions of this corporation have threatened to turn on the lights on the modern battlefield for our enemies and expose American soldiers to great harm. For this, ITT Corporation must be brought to justice.

We have released a Criminal Information, Plea Agreement and Statement of Facts that will be filed in U.S. District court here in Roanoke tomorrow. ITT has agreed to plead guilty to Count One for willfully violating the Arms Export Control Act by illegally sending classified and/or export controlled information relating to night vision technology to foreign countries, including the United Kingdom, Singapore, and the People’s Republic of China. ITT will admit that between March 2001, and August 2001, it knowingly, willfully and illegally sent technical information related to a night vision counter measure – also known as a “light interference filter” – to prohibited facilities.

ITT has also agreed to plead guilty to Count Two for knowingly and willfully omitting material facts from required reports with the intent to obstruct a State Department investigation. ITT will admit that from April 2000 to October 2004 it provided false and misleading information to the State Department in an effort to hide the fact that the company

had illegally exported night vision goggles and night vision parts to foreign countries for years.

Finally, ITT will acknowledge, as part of a deferred prosecution agreement with regard to Count Three, that from January 1996 to May 2006, the company illegally sent export controlled information from the United States to China, Singapore, and Japan. The illegally exported information related to the Enhanced Night Vision Goggle System (ENVG), the newest and most powerful night vision system in the world.

As part of this plea agreement, ITT will pay \$100 million in criminal fines, penalties, and forfeitures, to be distributed as follows. First, ITT will pay a \$20 million monetary penalty to the Department of State. Second, the company will pay a statutory maximum fine of \$2 million as a part of their guilty pleas. Third, ITT will forfeit to the United States \$28 million, a portion of which will be shared with state, local, and federal law enforcement agencies for their work during this investigation. Fourth, ITT will pay \$50 million in restitution to the victims of their crimes – the American soldier.

By illegally transferring this important night vision technology to foreign countries, ITT has put in jeopardy the tactical advantages that enable our soldiers to fight effectively and more safely at night. I believe that our American soldiers are the principal victims of ITT's crimes. Therefore, we have structured the remaining \$50 million penalty to ensure that our soldiers have the best night vision equipment in the world. Accordingly, we have agreed to suspend the immediate payment of the \$50 million penalty for 5 years, subject to the

following conditions.

First, during the 5 year period, ITT must invest the \$50 million to accelerate and further the development and fielding of the most advanced night vision technology for our soldiers. Second, the dollars ITT spends on this new technology must be approved by the United States Army Night Vision & Electronic Sensors Lab located at Fort Belvoir, Virginia. Third, the United States will maintain "Government Purpose Rights" to all technology that is developed under this agreement. This arrangement allows the Government to share any technology that is developed by ITT under this agreement with any competing defense contractors for future contracts. And fourth, any part of the \$50 million penalty that remains unspent after five years must be immediately paid to the United States.

In addition to the guilty pleas and monetary penalties, the United States has directed ITT to pay for an independent monitor and staff, who will be selected by the United States, to monitor ITT's compliance with this agreement and federal law. The monitor and staff will be completely independent and there shall be no limitation on the sharing of information between the monitor, the United States and other governmental departments and agencies.

I would now like to provide to you a brief summary of the investigation and some of our findings that are representative of the pattern of regular export violations and misrepresentations uncovered during this investigation. The main violations of the law revealed by the government's criminal investigation are set forth in detail in the Statement of Facts released to you today.

The government's criminal investigation began on August 1, 2001, when Special Agents from the Department of Defense Criminal Investigative Service (DCIS) discovered that a classified United States military document relating to night vision technology had been illegally sent by employees of ITT Night Vision (ITT NV) to foreign nationals in the United Kingdom. Over the course of the next five years, a team of special agents from DCIS and the Bureau of Immigration and Customs Enforcement (ICE), along with prosecutors from my office and the National Security Division of the United States Department of Justice, conducted an in-depth investigation into potential criminal violations of our export laws by employees of ITT NV. During the course of the criminal investigation, the government discovered that ITT NV managers created an atmosphere where U.S. export laws were viewed as obstacles to getting business done. As a result, grossly inadequate resources were devoted by ITT to ensuring compliance with U.S. export laws. The combination of grossly inadequate resources and a negative attitude toward export compliance led to a regular pattern of export violations and misrepresentations to the government from 1980 to 2005.

As an example, in April 2001, an ITT NV employee illegally transferred to a Singapore company technical data relating to a military night vision laser protection device known as a "Light Interference Filter." The Singapore company subsequently sent some of this technical data to a company located in the United Kingdom and to another foreign company located in China.

On April 18, 2001, an ITT NV employee illegally transferred to a foreign company

classified military technical data designated “Secret-No Foreign” relating to the laser protection device. The “No Foreign” designation meant that this information was not to be shared with any foreign company or person, including our closest allies. These illegal transfers were done in an effort to find a new and cheaper manufacturer for the laser protection device.

Another example occurred between 2001 and 2005, when ITT NV illegally worked with a Singapore company on the design and production of the Enhanced Night Vision Goggle system. During those efforts, ITT illegally allowed a Singapore engineer to work side by side with ITT engineers at the ITT manufacturing facility located here in Roanoke. In addition, two Chinese optical engineers illegally worked on the design of the ENVG system in Singapore. Also, ITT NV went to significant lengths to set up an end run around the Department of State export licensing system by enlisting a front company to conduct their ENVG system exports.

Finally, I would like to discuss the nature and timing of our investigation. As I stated, this investigation began in August of 2001. On October 29, 2002, federal agents and local and state law enforcement executed a search warrant at ITT’s facility in Roanoke and recovered many documents and emails. Over the next 3 years, ITT and its outside corporate attorneys fought the government’s investigation and attempted to essentially run out the clock on the statute of limitations. During that time, ITT undertook a number of actions that made it difficult for the government to uncover the full truth, including asserting questionable

privileges. Despite these obstacles, we were able to develop a limited criminal case against the company. In the Fall of 2005, we informed the company we were prepared to seek an indictment. When ITT's new CEO, Mr. Steven R. Loranger, who had recently taken over as CEO, and members of ITT's Board of Directors were informed of our evidence and the government's decision to seek an indictment, Mr. Loranger quickly changed course, hired new outside corporate attorneys, and instructed the company to fully cooperate with our investigation. Mr. Loranger also ordered a complete internal investigation and directed that the findings be shared with government investigators. Mr. Loranger, once presented with our evidence, directed ITT to accept responsibility for the company's past criminal actions and subjected ITT to strict government monitoring. Mr. Loranger's cooperation and strong leadership may have saved ITT from permanent ruin. ITT has the potential to play an important role in assisting our military in the development and production of sophisticated night vision and other electronic systems which can provide the men and women of the U.S. military with a decisive advantage in battle, which they need and deserve. I believe ITT now has the opportunity to move forward in a positive way.

This agreement is the first of its kind. It is the first conviction of a major defense contractor for a violation of the Arms Export Control Act, and we have implemented one of the most extensive remedial action programs. By establishing these precedents, we will send a clear message that illegally exporting our nation's most important secrets will be prosecuted and punished. We also hope that ITT's current cooperation with this ongoing

investigation will become the standard throughout corporate America. My hope is that ITT will return to full compliance with our laws, develop the world's most advanced night vision systems for our soldiers, and become an exemplary corporate citizen.

Thank you.