

## **Statement Regarding Boeing and Hughes Electronics Consent Agreement with State Department on Export Compliance**

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Hughes Electronics Corporation and Boeing Satellite Systems, Inc., formerly known as Hughes Space and Communication Co. (HSC), announced today that they have reached a settlement with the U.S. Department of State over administrative charges relating primarily to HSC's involvement in reviews of two failed launches of commercial communications satellites on Chinese rockets in 1995 and 1996. The charges of violations of the Arms Export Control Act and implementing regulations were issued by the State Department in a December 26, 2002 letter. In October 2000, Hughes sold HSC to Boeing and retained responsibility for resolving HSC pre-acquisition export matters.

The Consent Agreement between the companies and the State Department provides for a civil penalty in the amount of \$32 million, including \$4 million credited for the companies' past expenditures on export program enhancements and \$8 million that will be invested by the companies in the future to strengthen their export compliance programs. Under the terms of the agreement, the \$20 million cash portion of the penalty is to be paid in eight equal installments over the next seven years. In addition, Hughes and Boeing Satellite Systems each will appoint a separate third party to serve as a Special Compliance Officer (SCO) for export compliance. The duties of the SCO will include monitoring compliance with the Consent Agreement and oversight of exports regulated by the State Department including, in particular, exports to the People's Republic of China and several other countries.

Jack Shaw, President and Chief Executive Officer of Hughes Electronics Corporation, and Dave Ryan, Vice President and General Manager of Boeing Satellite Systems, issued the following joint statement regarding the settlement:

"Hughes Electronics Corporation and Boeing Satellite Systems acknowledge the nature and seriousness of the offenses charged by the Department of State, including the harm such offenses could cause to the security and foreign policy interests of the United States."

The companies acknowledge that HSC should have sought and obtained a State Department license before disclosing to Chinese nationals or to the international insurance community any launch failure analysis, or disclosing any information or providing any assistance pertaining to design, development, operation, maintenance, modification or repair of launch vehicles, systems, or facilities. The companies further acknowledge that assistance to a launch operator in any of these areas could aid in the development of missile system technology and, thus, have a negative impact on national security. The companies accept full responsibility and express regret for not having obtained licenses that should have been obtained, notwithstanding Hughes' prior public comments to the contrary.

Both of our companies are committed to vigorous compliance with the laws and implementing regulations and have made, and will continue to make, substantial investments in export compliance training, processes and personnel. Both companies and their employees acknowledge the critical importance to America's national security of, and the need for strict compliance with, U.S. export control laws.

We are pleased that an agreement resolving this matter has been reached with the U.S. Government. Hughes Electronics Corporation and The Boeing Company have a long history of working with the U.S. Government to prevent the unauthorized disclosures of valuable national security information and technical data to foreign persons. Furthermore, we recognize that it is crucial to the security and foreign policy of the United States to prevent the unauthorized provision of protected information or defense services that would or could promote the illicit development of missile system technology.

As the companies were informed in January 2002 by the U.S. Department of Justice that it had terminated its investigation, this settlement resolves all outstanding issues regarding these matters. The settlement does not suspend, limit or otherwise restrict the rights of either company to pursue licensed exports to China or other countries as otherwise permitted by law.

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