

## PROPOSED CHARGING LETTER

Ms. Melissa Kelly  
Vice President & Chief Compliance Officer  
General Electric Company  
600 14<sup>th</sup> Street, NW  
Washington, DC 20005

Re: Violations of the Arms Export Control Act and the International Traffic  
in Arms Regulations by General Electric Company

Dear Ms. Kelly:

The Department of State (“Department”) charges General Electric Company, including its operating divisions, subsidiaries, and business units (collectively “Respondent”), with violations of the Arms Export Control Act (“AECA”) (22 U.S.C. 2751 *et seq.*) and the International Traffic in Arms Regulations (“ITAR”) (22 C.F.R. parts 120-130) in connection with unauthorized exports of defense articles, including to a proscribed destination listed in 22 C.F.R. 126.1; violations of terms, conditions, and provisos of Directorate of Defense Trade Controls (“DDTC”) authorizations; and failure to properly maintain its DDTC registration. A total of 116 violations are charged at this time.

The essential facts constituting the charged violations are described herein. The Department reserves the right to amend this proposed charging letter, including through a revision to incorporate additional charges stemming from the same misconduct of Respondent.

When determining the charges and penalties to pursue in this matter, the Department considered mitigating factors, including: (a) Respondent voluntarily disclosed all violations herein, a substantial portion of which predate 2023, after which Respondent implemented remedial compliance measures in an effort to prevent future similar violations; (b) Respondent fully cooperated with the Department’s requests for information; and (c) Respondent entered into multiple agreements with the Department tolling the statutory period that applies to enforcement of the AECA and the ITAR. The Department notes that had the Department not taken into consideration these mitigating factors, it would have charged Respondent with additional violations.

When determining the charges and penalties to pursue in this matter, the Department also considered aggravating factors, including: (a) harm to U.S. national security; (b) unauthorized exports to a proscribed destination listed in 22 C.F.R. 126.1; (c) unauthorized exports of defense articles, including technical data, designated as Significant Military Equipment (SME)<sup>1</sup>; and (d) the systemic nature of the violations.

This proposed charging letter describes violations for the time period from April 17, 2018, to November 14, 2024.

### JURISDICTION

Respondent is a corporation organized under the laws of New York and a U.S. person within the meaning of 22 C.F.R. 120.62. Respondent is subject to the jurisdiction of the United States.

During the period covered by the violations set forth herein, Respondent was engaged in the manufacture, brokering, and export of defense articles and was registered with DDTC as a manufacturer, exporter, and broker in accordance with section 38 of the AECA and 22 C.F.R. 122.1 and 129.3.

The described violations relate to defense articles, including technical data, controlled under Categories IV, VI, VIII, XII, and XIX of the United States Munitions List (USML), 22 C.F.R. 121.1, at the time the violations occurred. Some of the relevant defense articles are designated as SME. Pursuant to 22 C.F.R. 123.10, a DSP-83 nontransfer and use certificate is required for the export of SME, to be executed by the foreign consignee, foreign end-user, and the applicant.

### BACKGROUND

In 2024, General Electric Company completed its split into three independent businesses focused on aerospace, healthcare, and energy. General Electric Company retained the aerospace business currently operating as GE Aerospace and conducts business under the GE Aerospace name. GE Aerospace designs, manufactures, and exports a variety of ITAR-controlled defense articles, including military aircraft engines, related components, integrated systems, and

---

<sup>1</sup> As defined in 22 C.F.R. 120.36, SME means articles for which special export controls are warranted because of their capacity for substantial military utility or capability. Pursuant to 22 C.F.R. 120.10(c), technical data directly related to the manufacture or production of a defense article designated as SME is also designated as SME.

provides aftermarket services for overseas corporate and government customers in the aerospace and defense markets. Throughout this proposed charging letter, “Respondent” refers to General Electric Company, and “GE Aerospace” is used for clarity when describing violations of the ITAR.

## VIOLATIONS

The ITAR violations in this proposed charging letter are derived from 12 voluntary disclosures Respondent submitted to DDTC in accordance with 22 C.F.R. 127.12 between August 2019 and December 2024. Due in part to the large number of violations over an extended period of time, the Department provides a summary of the violations, which fall into four broad categories: 1) unauthorized exports of technical data to the People’s Republic of China (PRC); 2) failure to manage DDTC authorizations properly; 3) unauthorized exports of defense articles; and 4) failure to report material changes to Respondent’s DDTC registration. The violations demonstrate a failure to maintain effective ITAR compliance practices and require further remedial action across Respondent’s operating units and subsidiaries.

### I. Unauthorized Exports of Technical Data to the PRC

In three separate voluntary disclosures, Respondent disclosed that it exported without authorization technical data to the PRC, a proscribed destination under 22 C.F.R. 126.1(d)(1). The technical data at issue is described in USML Categories VIII(i) and XIX(g) and is related to military aircraft engines for multiple U.S. Department of War platforms, including the F/A-18, U-2, F-16, and F-15 aircraft. These violations resulted from specific deficiencies in and employees failing to follow Respondent’s policies and procedures regarding the export of technical data.

Respondent disclosed that in April 2018 an employee on temporary travel hand-carried from the United States to the PRC a company-issued laptop with at least 45 files containing USML Categories VIII(i) and XIX(g) technical data, including design data related to electrical power generation for the F-35 aircraft and the F414 military aircraft engine. After giving a presentation at a PRC university, the employee left the laptop in the custody of university officials for approximately 90 minutes while touring a campus facility. Respondent also acknowledged that the same employee previously “made other trips to China carrying the same [company-issued] device and therefore some of the same data.”

Respondent further disclosed that in January 2021, another employee exported without authorization one drawing containing USML Category XIX(g) technical data via the company's data transfer system to a PRC-based supplier as part of a request for quotation. The drawing depicted a high-pressure turbine stator seal specially designed for use on the F118 military aircraft engine. Although the data transfer system identified the drawing as ITAR-controlled, the employee improperly selected a Department of Commerce license to complete an internal export authorization certification and sent the drawing to the PRC. Respondent's investigation into the unauthorized export revealed that the employee who exported the drawing to the PRC "did not understand the distinction between ITAR and [Export Administration Regulations] controlled data."

Respondent additionally disclosed that on three occasions between April and August 2023, it exported to the PRC without authorization compact discs that stored an Interactive Electronic Technical Manual (IETM) containing USML Category XIX(g) technical data related to maintenance and repair processes for the F110 military aircraft engine. Respondent transshipped the articles through the PRC, en route to Singapore. Respondent did not configure its account with its freight forwarder to solicit information about whether the shipments containing the IETMs were ITAR-controlled and thus prohibited from transiting proscribed destinations. As a result, the freight forwarder shipped the packages containing the IETMs to Singapore via the PRC. Respondent acknowledged gaps in its export procedures that did not specifically address shipping routing.

### *Harm to U.S. National Security*

The U.S. Government reviewed copies of the technical data referenced in these three voluntary disclosures and determined that certain unauthorized exports to the PRC harmed U.S. national security. Specifically, the U.S. Government determined that the unauthorized export of the USML Category XIX(g) drawing of the high-pressure turbine stator seal provided the PRC information related to the F118 military aircraft engine. The unauthorized exports of the technical data detailed in the other two disclosures could have provided the PRC with insights into the design, manufacture, configuration, and testing of components of other military aircraft engines, including the F110 and F414 models.

## II. Mismanagement of DDTC Authorizations

Respondent submitted six voluntary disclosures from 2022-2024 involving numerous violations that demonstrated deficiencies in its ability to manage DDTC

authorizations properly. The violations described in these six disclosures are detailed below.

In 2023, Respondent reported that it had identified potential violations related to its execution of multiple authorization management requirements, including DDTC provisos. In response, Respondent conducted a review of all active authorizations from the previous five years and submitted a voluntary disclosure revealing numerous authorization management violations discovered over the course of its review. As part of that review, Respondent disclosed that the violations resulted primarily from “its lack of sufficient policies, procedures, and controls” to manage authorizations in compliance with the ITAR. Additionally, Respondent reported that, as of October 2023, it found multiple operating procedures related to authorization management had not been updated for more than 10 years and therefore did not incorporate updated requirements contained in published revisions to the ITAR and other guidance from DDTC.

Respondent submitted a voluntary disclosure in 2022 reporting that between January 2021 and February 2022, it caused retransfers without authorization of USML Category VIII(h)(16) Stores Management Processors (SMP) to the United Kingdom Ministry of Defense (UK MOD). While the UK MOD was a party and signatory to a technical assistance agreement (TAA) supporting the development and repair of SMPs, it was not listed on the TAA as an end-user. Respondent received non-conforming SMPs from an approved foreign signatory, repaired them, and then caused its foreign signatory to retransfer them without authorization to the UK MOD. Respondent acknowledged that its “misunderstanding regarding the role of the UK MOD in the [TAA]” resulted in these violations.

Between July 2019 and August 2024, Japanese parties to one of Respondent’s manufacturing license agreements (MLA) retransferred without authorization USML Category XIX(f)(2) designated as SME and XIX(f)(3) defense articles and XIX(g) technical data related to the F110 military aircraft engine to unauthorized sublicensees in Japan. Despite Respondent’s responsibilities as the authorization holder to ensure that, pursuant to 22 C.F.R. 127.1(c), its foreign signatories operate in compliance with the ITAR, Respondent relied on incomplete information provided by its supplier and subsequently identified weaknesses in its process for verifying sublicensee information. In this case, foreign parties to the MLA incorrectly determined that their sub-tier suppliers did not require authorization from DDTC to receive defense articles. As a result, the foreign signatory did not include them in the information it furnished to Respondent in support of the authorization request.

Respondent also disclosed in June 2024 that sometime in 2021 a Swedish party to a TAA reexported without authorization USML Category XIX(g) technical data involving the maintenance, overhaul, and modification for the RM12 military aircraft engine to a South African entity that was not listed on the authorization. Respondent did not identify the unauthorized South African entity as an additional party or sublicensee to the TAA when it submitted its application to DDTC due to its Swedish signatory's assessment that the entity was a component of the South African National Defense Force, which was an authorized party to the TAA.

In addition, between May 2021 and March 2024, Respondent exported without authorization USML Category XIX(g) technical data that was outside the scope authorized under the TAA related to the manufacture of electrical wiring harnesses and leads for the F119, F135, and F414 military aircraft engines to suppliers in Mexico. Respondent cited its "lack of clear internal guidance regarding the build-to-print restriction on technical data," which limited the TAA's scope.

Respondent further disclosed multiple violations related to an MLA authorizing the manufacture of USML Category XIX(f)(3) turbine blades for the T901-GE-900 gas turbine engine. Specifically, Respondent utilized the 22 C.F.R. 126.5 license exemption to export USML Category XIX(f)(3) blade castings to a sublicensee in Canada on 30 occasions between September 2020 and April 2024 in violation of a DDTC proviso that required Respondent to obtain separate licenses for the export of hardware in furtherance of the agreement. Due to its misuse of the exemption, Respondent also failed to decrement the exports against the MLA's authorized value. The Canadian sublicensee in turn reexported without authorization the blade castings to Respondent's indirect wholly-owned subsidiary in Poland on multiple occasions between March 2021 and April 2024. Additionally, Respondent furnished defense services without authorization between October 2020 and November 2024 when it engaged in technical discussions with the Canadian sublicensee. The MLA authorized neither the furnishing of defense services to the Canadian sublicensee nor the export of technical data directly from GE Aerospace to the Canadian sublicensee. In its root cause analysis, Respondent cited a "lack of a streamlined process for [International Trade Compliance (ITC)] personnel to fully assess applicable facts prior to providing export guidance," which contributed to inaccurate guidance from ITC personnel.

In connection with its voluntary disclosure related to improper authorization management, Respondent disclosed multiple violations of DDTC provisos limiting the scope of its agreements. The violations included: failure to remove a foreign party from its TAA in contravention of a proviso directing Respondent to remove the party for foreign policy reasons; failure to remove certain defense services from a TAA involving military aircraft engines; and failure to adhere to a proviso limiting the export of material and finish specifications to Norway, Poland, Spain, and the UK.

Respondent also violated provisos requiring submission of additional information prior to execution of agreements. On one occasion, Respondent failed to provide an exhaustive list of aircraft platforms in a TAA as DDTC instructed in a proviso to its amendment approval. Regarding another TAA amendment, Respondent failed to revise the TAA to include mandatory language from 22 C.F.R. 124.8(a)(5), which requires DDTC authorization for the transfer to foreign persons of technical data and defense services pursuant to an agreement.

Further, Respondent violated on eight occasions provisos to licenses requiring purchase orders prior to engaging in offshore procurement of defense articles. The provisions contained in 22 C.F.R. 124.13(d) require applicants to submit copies of purchase orders that accord with the requirements of 22 C.F.R. 124.13(c) to DDTC after issuance of an offshore procurement license. Offshore procurement arrangements are not effective until applicants meet these conditions.

Respondent disclosed other violations of terms and conditions of authorizations, including export of defense articles in excess of the authorized quantity on export licenses; failure to include key provisions on a Non-Disclosure Agreement signed by a foreign-person employee, as required for DDTC approval of a permanent export license; and failure to execute amendments to agreements, use authorized freight forwarders listed on licenses, and include correct party information on various authorizations.

Respondent's review further identified failure to comply with generally applicable ITAR provisions that relate to authorizations. For example, Respondent failed on multiple occasions to submit to DDTC required information regarding a TAA authorizing technical support for the F414-GE-39E military aircraft engine to the Swedish Armed Forces, resulting in a failure to notify the transaction to Congress, as required under 22 C.F.R. 123.15.

Respondent additionally did not provide DDTC with required information in connection with authorizations in accordance with relevant requirements of the following types:

- Notices of initial export of technical data, as required under 22 C.F.R. 123.22(b)(3);
- Purchase orders or other commercial documentation, as required under 22 C.F.R. 123.1(c)(4);
- Notifications of unexecuted agreements within one year of DDTC approval, as required under 22 C.F.R. 124.4(a);
- Copies of executed amendments to agreements within 30 days of execution, as required under 22 C.F.R. 124.4(a);
- Notification of decision not to execute an approved agreement within 60 days, as required under 22 C.F.R. 124.5;
- Notices of termination of precedent licenses for replacement by new licenses, in violation of provisos; and
- Statements clarifying the terms of agreements that authorize the coproduction or licensed production of defense articles outside of the United States, as required under 22 C.F.R. 124.4(b)

### III. Unauthorized Exports of Defense Articles

Respondent submitted a voluntary disclosure regarding the unauthorized export to Sweden of one SME USML Category XIX(f)(2) combustion liner designed for the F404-400 military aircraft engine in June 2021. Respondent had a license to export a different XIX(f)(2) combustion liner to Sweden and attached commercial documentation for the combustion liner intended for export to Sweden to the shipping box containing the F404-400 combustion liner, resulting in its unauthorized export to Sweden rather than to the intended recipient in the United States.

Respondent submitted a separate voluntary disclosure involving the unauthorized temporary export to Israel of 15 USML Category VIII(h)(1) machined chassis specially designed for the F-35 aircraft between July and September of 2020. A GE Aerospace employee improperly applied a Department of Commerce Export Control Classification Number (ECCN) to the commercial invoice for the ITAR-controlled machined chassis. Because the employee selected an ECCN that did not require a Department of Commerce export license to Israel,

Respondent's internal procedures did not require ITC to review the transaction prior to export.

#### IV. Failure to Report Material Changes to its DDTC Registration

Respondent repeatedly failed to report material changes to its Statement of Registration, as required under 22 C.F.R. 122.4. Respondent disclosed to DTCC that it "found weaknesses in the company's procedures that define requirements . . . for managing its ITAR Registration."

In sum, the violations described above demonstrate that Respondent failed to establish and adequately staff an ITAR compliance program commensurate with its global presence and extensive participation in ITAR-controlled activities.

#### RELEVANT ITAR REQUIREMENTS

The relevant period for the conduct charged is April 2018 through August 2024. The regulations effective as of the relevant period are described below.

Part 121 of the ITAR identifies the items that are designated as defense articles, technical data, and defense services pursuant to Section 38 of the AECA.

Section 122.4(a) of the ITAR requires registrants to submit to DDTC notices of material changes in their registration statements within five days of the event.

Section 123.1(a) of the ITAR provides that any person who intends to export or to import temporarily a defense article must obtain DDTC approval prior to the export or temporary import, unless the export or temporary import qualifies for an exemption under the provisions of this subchapter.

Part 125 describes that the export of technical data, including to a foreign person located in the United States, requires a license or other approval.

Section 126.1(a) of the ITAR provides that it is the policy of the United States to deny licenses and other approvals for exports and imports of defense articles and defense services, destined for or originating in certain countries, including the PRC.

Section 127.1(a) describes that without first obtaining the required license or other written approval from the Directorate of Defense Trade Controls, it is

unlawful to export, import, reexport or retransfer any defense article or technical data or to furnish any defense services for which a license or written approval is required by the ITAR.

Section 127.1(b) describes that it is unlawful to violate any of the terms or conditions of licenses or approvals granted pursuant to the ITAR, any exemption contained in the ITAR, or any rule or regulation contained in the ITAR.

### CHARGES

#### Charges 1-6: Unauthorized Exports of Technical Data to the PRC

Respondent violated 22 C.F.R. 127.1(a)(1) six times when it exported without authorization technical data controlled under USML Categories VIII(i) and XIX(g) to the PRC between April 2018 and August 2023.

#### Charges 7-109: Mismanagement of DDTC Authorizations

Respondent violated 22 C.F.R. 127.1(a)(4) six times when it caused the retransfer without authorization of USML Category VIII(h)(16) defense articles to a UK party for an end-use not authorized by the relevant TAA between January 2021 and February 2022. (Charges 7-12)

Respondent violated 22 C.F.R. 127.1(a)(4) 21 times when it caused the retransfer without authorization of USML Category XIX(g), XIX(f)(2), and XIX(f)(3) defense articles, including technical data, to 31 unauthorized entities in Japan between July 2019 and August 2024. (Charges 13-33)

Respondent violated 22 C.F.R. 127.1(a)(4) one time when it caused the reexport without authorization of technical data controlled under USML Category XIX(g) to an unauthorized party in South Africa in 2021. (Charge 34)

Respondent violated 22 C.F.R. 127.1(a)(1) one time when it exported without authorization USML Category XIX(g) technical data exceeding the build-to-print standard authorized under a TAA to suppliers in Mexico between May 2021 and March 2024. (Charge 35)

Respondent violated 22 C.F.R. 127.1(b)(1) 30 times when it exported USML Category XIX(f)(3) defense articles to Canada, in violation of a DDTC proviso, between September 2020 and April 2024. (Charges 36-65)

Respondent violated 22 C.F.R. 127.1(b)(1) one time when Respondent's Canadian sublicensee reexported without authorization USML Category XIX(f)(3) defense articles to Poland between March 2021 and April 2024. (Charge 66)

Respondent violated 22 C.F.R. 127.1(b)(1) one time when Respondent furnished USML Category XIX(g) defense services without authorization to Canada when engaging in technical discussions with its Canadian sublicensee to an MLA related to USML Category XIX(f)(3) defense articles between October 2020 and November 2024. (Charge 67)

Respondent violated 22 C.F.R. 127.1(b)(1) 42 times when it violated terms, conditions, and provisos to DDTC authorizations between 2019 and 2023. (Charges 68-109)

#### Charges 110-113: Unauthorized Exports of Defense Articles

Respondent violated 22 C.F.R. 127.1(a)(1) one time when it exported without authorization a USML Category XIX(f)(2) defense article to Sweden in June 2021. (Charge 110)

Respondent violated 22 C.F.R. 127.1(a)(1) three times when it temporarily exported without authorization USML Category VIII(h)(1) defense articles to Israel over three shipments between July 2020 and September 2020. (Charges 111-113)

#### Charges 114-116: Failure to Report Material Changes to DDTC Registration

Respondent violated 22 C.F.R. 127.1(b)(1) three times when it failed to report material changes to its DDTC registration between 2013 and 2024 as required under 22 C.F.R. 122.4.

### ADMINISTRATIVE PROCEEDINGS

Pursuant to 22 C.F.R. 128.3(a), administrative proceedings against a respondent are instituted by means of a charging letter for the purpose of obtaining an Order imposing civil administrative sanctions. The Order issued may include an appropriate period of debarment, which shall generally be for a period of three (3) years, but in any event will continue until an application for reinstatement is submitted and approved. Civil penalties, not to exceed \$1,271,078, or the amount

that is twice the value of the transaction that is the basis of the violation, per violation of 22 U.S.C. 2778, may be imposed as well, in accordance with 22 U.S.C. 2778(e) and 22 C.F.R. 127.10.

A respondent has certain rights in such proceedings as described in 22 C.F.R. part 128. This is a proposed charging letter. In the event, however, that the Department serves Respondent with a charging letter, the company is advised of the following:

You are required to answer a charging letter within 30 days after service. If you fail to answer the charging letter, your failure to answer will be taken as an admission of the truth of the charges and you may be held in default. You are entitled to an oral hearing, if a written demand for one is filed with the answer, or within seven (7) days after service of the answer. You may, if so desired, be represented by counsel of your choosing.

Additionally, in the event that the company is served with a charging letter, its answer, written demand for oral hearing (if any), and supporting evidence required by 22 C.F.R. 128.5(b), shall be in duplicate and mailed to the administrative law judge designated by the Department to hear the case at the following address:

USCG, Office of Administrative Law Judges G-CJ,  
2100 Second Street, SW  
Room 6302  
Washington, DC 20593.

A copy shall be simultaneously mailed to the Director, Office of Defense Trade Controls Compliance:

Director Jae Shin  
U.S. Department of State  
PM/DDTC  
SA-1, Room L132  
2401 E Street, NW  
Washington, DC 20522-0112.

If a respondent does not demand an oral hearing, it must transmit within seven (7) days after the service of its answer, the original or photocopies of all

correspondence, papers, records, affidavits, and other documentary or written evidence having any bearing upon or connection with the matters in issue.

Please be advised also that charging letters may be amended upon reasonable notice. Furthermore, pursuant to 22 C.F.R. 128.11, cases may be settled through consent agreements, including after service of a proposed charging letter.

The U.S. Government is free to pursue civil, administrative, and/or criminal enforcement for AECA and ITAR violations. The Department of State's decision to pursue one type of enforcement action does not preclude it, or any other department or agency, from pursuing another type of enforcement action.

Sincerely,

Jae Shin  
Director  
Defense Trade Controls Compliance  
Bureau of Political-Military Affairs