

PROPOSED CHARGING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Terra Universal Inc.
700 North Harbor Boulevard
Anaheim, CA 92805

Attn: *George H. Sadaghiani*
President

Dear Mr. Sadaghiani:

The Bureau of Industry and Security, United States Department of Commerce ("BIS") has reason to believe that Terra Universal Inc. ("Terra Universal") of Anaheim, California, has committed one violation of the Export Administration Regulations (the "Regulations"),¹ which are issued under the authority of the Export Administration Act of 1979 (the "Act").² Specifically, BIS charges that Terra Universal committed the following violation:

Charge 1 15 C.F.R. § 764.2(a) - Unlicensed export to an organization on the Entity List

On or about December 13, 2000, Terra Universal engaged in conduct prohibited by the Regulations by exporting 12 stainless steel pass-through chambers and accessories, items subject to the Regulations, to the Solid State Physics Laboratory (the "SSPL"), a subordinate entity of India's Defense Research and Development Organization located in New Dehli, India, without the Department of Commerce license required by Section 744.11 of the Regulations. At all times relevant hereto, the SSPL was an organization listed on the Entity List set forth at Supplement

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2004). The violation charged occurred in 2000. The Regulations governing the violation at issue are found in the 2000 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000)). The 2004 Regulations establish the procedures that apply to this matter.

² From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1707 (2000)) ("IEEPA"). On November 13, 2000, the Act was reauthorized by Pub. L. No. 106-508, and it remained in effect until it expired on August 20, 2001. Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp., p. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 7, 2003 (3 C.F.R., 2003 Comp. 328 (2004)), continues the Regulations in effect under IEEPA.

No. 4 to Part 744 of the Regulations. In doing so, Terra Universal committed one violation of Section 764.2(a) of the Regulations.

Accordingly, Terra Universal is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

The maximum civil penalty allowed by law of \$11,000 per violation,³

Denial of export privileges; and/or

Exclusion from practice before BIS.

If Terra Universal fails to answer the charge contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. *See* 15 C.F.R. §§ 766.6 and 766.7. If Terra Universal defaults, the Administrative Law Judge may find the charge alleged in this letter is true without hearing or further notice to Terra Universal. *See id.* The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty on the charge in this letter. *See id.*

Terra Universal is further notified that it is entitled to an agency hearing on the record if Terra Universal files a written demand for one with its answer. *See* 15 C.F.R. § 766.6. Terra Universal is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. *See* 15 C.F.R. §§ 766.3(a) and 766.4.

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18. Should Terra Universal have a proposal to settle this case, Terra Universal or its representative should transmit it to the attorney representing BIS named below.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, Terra Universal's answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

U.S. Coast Guard ALJ Docketing Center
40 S. Gay Street
Baltimore, Maryland 21202-4022

³ *See* 15 C.F.R. § 6.4(a)(2).

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In addition, a copy of Terra Universal's answer must be served on BIS at the following address:

Office of Chief Counsel for Industry and Security
Attention: Roger Pincus
Room H-3839
United States Department of Commerce
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

Roger Pincus is the attorney representing BIS in this case. Any communications that you may wish to have concerning this matter should occur through him. He may be contacted by telephone at (202) 482-2513.

Sincerely,

Rick Shimon
Acting Director
Office of Export Enforcement

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:)
)
Terra Universal, Inc.)
700 North Harbor Boulevard)
Anaheim, CA 92805)
)
Respondent.)
_____)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Respondent, Terra Universal, Inc. (“Terra Universal”) and the Bureau of Industry and Security, United States Department of Commerce (“BIS”) (collectively referred to as “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2004)) (“Regulations”)¹ issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”),²

¹ The violation alleged to have been committed occurred in 2000. The Regulations governing the violation at issue are found in the 2000 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000)). The 2004 Regulations establish the procedures that apply to this matter.

² From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized and it remained in effect through August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended by the Notice of August 6, 2004 (69 *Fed. Reg.* 48763 (August 10, 2004)), has continued the Regulations in effect under the IEEPA.

WHEREAS, BIS has notified Terra Universal of its intention to initiate an administrative proceeding against Terra Universal, pursuant to the Act and the Regulations;

WHEREAS, BIS has issued a proposed charging letter to Terra Universal that alleged that Terra Universal committed one violation of the Regulations, specifically:

1. *One Violation of 15 C.F.R. § 764.2(a) - Unlicensed export to an organization on the Entity List:* On or about December 13, 2000, Terra Universal engaged in conduct prohibited by the Regulations by exporting 12 stainless steel pass-through chambers and accessories, items subject to the Regulations, to the Solid State Physics Laboratory (the "SSPL"), a subordinate entity of India's Defense Research and Development Organization located in New Dehli, India, without the Department of Commerce license required by Section 744.11 of the Regulations. At all times relevant hereto, the SSPL was an organization listed on the Entity List set forth at Supplement No. 4 to Part 744 of the Regulations.

WHEREAS, Terra Universal has reviewed the proposed charging letter and is aware of the allegations made against it and the administrative sanctions that could be imposed against it if the allegations are found to be true;

WHEREAS, Terra Universal fully understand the terms of this Agreement and the Order ("Order") that the Assistant Secretary of Commerce for Export Enforcement will issue if she approves this Agreement as the final resolution of this matter;

WHEREAS, Terra Universal enters into this Agreement voluntarily and with full knowledge of its rights;

WHEREAS, Terra Universal states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, Terra Universal neither admits nor denies the allegations contained in the proposed charging letter;

WHEREAS, Terra Universal wishes to settle and dispose of all matters alleged in the proposed charging letter by entering into this Agreement; and

WHEREAS, Terra Universal agrees to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over Terra Universal, under the Regulations, in connection with the matters alleged in the proposed charging letter.
2. The following sanctions shall be imposed against Terra Universal in complete settlement of the violation of the Regulations set forth in the proposed charging letter:
 - a. Terra Universal shall be assessed a civil penalty in the amount of \$6,000 which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the Order.
 - b. The timely payment of the civil penalty agreed to in paragraph 2.a. is hereby made a condition to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to Terra Universal. Failure to make timely payment of the civil penalty set forth above shall result in the denial of all of Terra Universal's export privileges for a period of one year from the date of imposition of the penalty.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, Terra Universal hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the Order, if entered), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in the proposed charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if entered; (c) request any relief from the Order, if entered, including without limitation relief from the terms of a denial order under 15 C.F.R. § 764.3(a)(2); and (d) seek judicial review or otherwise contest the validity of this Agreement or the Order, if entered.

4. Upon entry of the Order and timely payment of the \$6,000 civil penalty, BIS will not initiate any further administrative proceeding against Terra Universal in connection with any violation of the Act or the Regulations arising out of the transaction identified in the proposed charging letter.

5. BIS will make the proposed charging letter, this Agreement, and the Order, if entered, available to the public.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if

entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances addressed herein.

8. This Agreement shall become binding on BIS only if the Assistant Secretary of Commerce for Export Enforcement approves it by entering the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

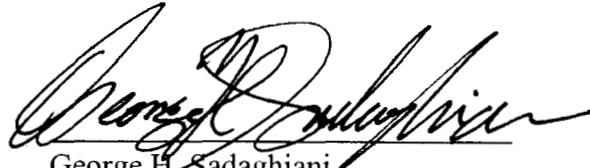
9. Each signatory affirms his authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

BUREAU OF INDUSTRY AND SECURITY
U.S. DEPARTMENT OF COMMERCE



Acting Director
Office of Export Enforcement

TERRA UNIVERSAL, INC.



George H. Sadaghiani
President

Date: NOV 03 2004

Date: 10-28-04

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:)
)
Terra Universal Inc.)
700 North Harbor Boulevard)
Anaheim, CA 92805)
)
Respondent.)
)

ORDER

The Bureau of Industry and Security, United States Department of Commerce (“BIS”) has notified Terra Universal Inc. (“Terra Universal”) of its intention to initiate an administrative proceeding against Terra pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2004)) (“Regulations”)¹ and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”),² based on the proposed charging letter issued to Terra that alleged that Terra committed one violation of the Regulations. Specifically, the charge is:

¹ The violation charged occurred in 2000. The Regulations governing the violation at issue are found in the 2000 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000)). The 2004 Regulations establish the procedures that apply to this matter.

² From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized and it remained in effect through August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended by the Notice of August 6, 2004 (69 *Fed. Reg.* 48763 (August 10, 2004)), has continued the Regulations in effect under the IEEPA.

1. *One Violation of 15 C.F.R. § 764.2(a) - Unlicensed export to an organization on the Entity List:* On or about December 13, 2000, Terra Universal engaged in conduct prohibited by the Regulations by exporting 12 stainless steel pass-through chambers and accessories, items subject to the Regulations, to the Solid State Physics Laboratory (the “SSPL”), a subordinate entity of India’s Defense Research and Development Organization located in New Dehli, India, without the Department of Commerce license required by Section 744.11 of the Regulations. At all times relevant hereto, the SSPL was an organization listed on the Entity List set forth at Supplement No. 4 to Part 744 of the Regulations.

BIS and Terra having entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein, and the terms of the Settlement Agreement having been approved by me;

IT IS THEREFORE ORDERED:

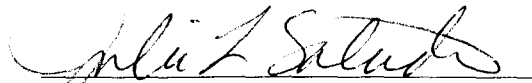
FIRST, that a civil penalty of \$6,000 is assessed against Terra, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment shall be made in the manner specified in the attached instructions.

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, Terra will be assessed, in addition to the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, that the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, License Exception, permission, or privilege granted, or to be granted, to Terra. Accordingly, if Terra should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Terra's export privileges for a period of one year from the date of entry of this Order.

FOURTH, that the proposed charging letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.



Acting Deputy Assistant Secretary of Commerce
for Export Enforcement

Entered this 6th day of December 2004.