

DRAFT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

The Sportsman's Guide, Inc.
411 Farwell Avenue
South St. Paul, Minnesota 55075

Attention: *Gregory R. Binkley*
President & Chief Executive Officer

Dear Mr. Binkley:

The Bureau of Industry and Security, United States Department of Commerce ("BIS"), has reason to believe that The Sportsman's Guide, Inc., violated the Export Administration Regulations (the "Regulations"),¹ which are issued under the authority of the Export Administration Act of 1979 (the "Act"),² on 61 occasions. Specifically, BIS charges that The Sportsman's Guide committed the following violations:

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2002). The violations charged occurred in 2001 and 2002. The Regulations governing the violations at issue are found in the 2001 and 2002 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2001-2002)).

² 50 U.S.C. app. 2401- 2420 (2000). 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 by Pub. L. No. 106-508 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 (66 *Fed. Reg.* 44025 (August 22, 2001)), as extended by the Notice of August 14, 2002 (67 *Fed. Reg.* 53721 (August 16, 2002)), has continued the Regulations in effect under IEEPA. The Act and Regulations are available on the Government Printing Office website at: <http://w3.access.gpo.gov/bis/>.

Charges 1-61 (15 C.F.R. §764.2(a) - Engaging in Prohibited Conduct – Export without Authorization)

On 61 occasions, between on or about October 21, 1999 and on or about March 20, 2002, The Sportsman's Guide exported optical sighting devices for firearms and associated parts, classified under Export Control Classification Number ("ECCN") 0A987 to destinations listed in Schedule A, which is enclosed herewith and incorporated herein by reference without obtaining authorization from BIS, as required by Section 742.17 of the Regulations. In doing so, The Sportsman's Guide committed 61 violations of Section 764.2(a) of the Regulations.

Accordingly, The Sportsman's Guide 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 up to \$11,000 per violation;³

Denial of export privileges; and/or

Exclusion from practice before BIS.

If The Sportsman's Guide fails to answer the charges 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. (Regulations, Sections 766.6 and 766.7). If The Sportsman's Guide defaults, the Administrative Law Judge may find the charges alleged in this letter are true without hearing or further notice to The Sportsman's Guide. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty on each of the charges in this letter.

The Sportsman's Guide is further notified that it is entitled to an agency hearing on the record if The Sportsman's Guide files a written demand for one with its answer. (Regulations, Section 766.6). The Sportsman's Guide is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. (Regulations, Sections 766.3(a) and 766.4).

The Regulations provide for settlement without a hearing. (Regulations, Section 766.18). Should you have a proposal to settle this case, you or your representative should transmit it to me through the attorney representing BIS named below.

³ See 15 C.F.R. § 6.4(a)(2).

The Sportsman's Guide
Charging Letter
Page 3

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, The Sportsman's Guide'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

In addition, a copy of The Sportsman's Guide's answer must be served on BIS at the following address:

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

Peter R. Klason 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) 482-5301.

Sincerely,

Mark D. Menefee
Director
Office of Export Enforcement

Enclosure

SCHEDULE A

CHARGE NUMBER	DATE OF VIOLATION	DESTINATION	VALUE
1	10/21/99	Argentina	\$109.97
2	10/27/99	Canada	\$49.97
3	11/12/99	Canada	\$49.97
4	11/18/99	Canada	\$34.97
5	11/23/99	Canada	\$29.97
6	11/24/99	Canada	\$34.97
7	12/6/99	Canada	\$59.97
8	12/16/99	Mexico	\$159.97
9	1/18/00	Argentina	\$44.97
10	4/4/00	Mexico	\$39.97
11	4/11/00	Canada	\$39.97
12	5/3/00	Uruguay	\$24.97
13	5/5/00	Canada	\$59.97
14	5/31/00	Brazil	\$49.97
15	6/21/00	Canada	\$99.94

CHARGE NUMBER	DATE OF VIOLATION	DESTINATION	VALUE
16	June 28, 2000	Canada	\$49.97
17	July 18, 2000	Canada	\$49.97
18	July 25, 2000	Canada	\$39.97
19	October 4, 2000	Canada	\$49.97
20	October 13, 2000	Canada	\$39.97
21	November 6, 2000	Canada	\$69.97
22	November 13, 2000	Canada	\$69.97
23	December 5, 2000	Canada	\$104.47
24	January 17, 2001	Canada	\$54.97
25	January 24, 2001	Canada	\$39.97
26	February 7, 2001	Canada	\$54.97
27	February 16, 2001	Canada	\$59.97
28	March 5, 2001	Canada	\$12.91
29	March 23, 2001	Canada	\$39.97
30	April 4, 2001	Canada	\$141.13
31	April 25, 2001	Canada	\$99.97
32	May 8, 2001	Canada	\$105.94
33	June 15, 2001	Canada	\$746.67

CHARGE NUMBER	DATE OF VIOLATION	DESTINATION	VALUE
34	August 9, 2001	Canada	\$39.94
35	August 13, 2001	Canada	\$89.97
36	August 14, 2001	Canada	\$39.97
37	August 15, 2001	Canada	\$29.97
38	August 16, 2001	Canada	\$89.94
39	August 17, 2001	Canada	\$69.97
40	August 24, 2001	Canada	\$69.97
41	August 30, 2001	Canada	\$69.97
42	September 5, 2001	Canada	\$69.97
43	September 10, 2001	Canada	\$199.94
44	September 12, 2001	Canada	\$24.97
45	September 28, 2001	Canada	\$35.97
46	October 10, 2001	Canada	\$39.97
47	October 16, 2001	Canada	\$79.97
48	October 22, 2001	Canada	\$99.97
49	November 8, 2001	Canada	\$59.97
50	November 16, 2001	Canada	\$49.97
51	November 21, 2001	Canada	\$89.97
52	November 27, 2001	Canada	\$31.47
53	December 7, 2001	Canada	\$69.97

CHARGE NUMBER	DATE OF VIOLATION	DESTINATION	VALUE
54	December 21, 2001	Canada	\$89.97
55	December 28, 2001	Canada	\$139.94
56	February 5, 2002	Canada	\$84.94
57	March 1, 2002	Canada	\$59.97
58	March 5, 2002	Canada	\$99.97
59	March 7, 2002	Canada	\$251.97
60	March 14, 2002	Canada	\$99.97
61	March 20, 2002	Canada	\$59.97

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

In the Matter of:)
)
The Sportsman's Guide, Inc.)
411 Farwell Avenue)
South St. Paul, Minnesota 55075)
)
Respondent.)
)

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made by and between Respondent, The Sportsman's Guide, Inc. ("The Sportsman's Guide"), and the Bureau of Industry and Security, U.S. 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 violations charged occurred between 1999 and 2002. The Regulations governing the violations at issue are found in the 1999 through 2002 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1999-2002)). The 2004 Regulations set forth 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 The Sportsman's Guide of its intention to initiate an administrative proceeding against The Sportsman's Guide, pursuant to the Act and the Regulations;

WHEREAS, BIS has issued a proposed charging letter to The Sportsman's Guide that alleged that The Sportsman's Guide committed 61 violations of the Regulations, specifically:

1. *61 Violations of 15 C.F.R. §764.2(a) - Exports without Authorization:* On 61 occasions, between on or about October 21, 1999 and on or about March 20, 2002, The Sportsman's Guide exported optical sighting devices for firearms and associated parts, items classified under Export Control Classification Number ("ECCN") 0A987 to various destinations without obtaining licenses from BIS, as required by Section 742.17 of the Regulations.

WHEREAS, The Sportsman's Guide has reviewed the proposed charging letter and is aware of the allegations made against it and the administrative sanctions which could be imposed against it if the allegations are found to be true;

WHEREAS, The Sportsman's Guide fully understands 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, The Sportsman's Guide enters into this Agreement voluntarily and with full knowledge of its rights;

WHEREAS, The Sportsman's Guide states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, The Sportsman's Guide neither admits nor denies the allegations contained in the proposed charging letter;

WHEREAS, The Sportsman's Guide and BIS wishes to settle and dispose of all matters alleged in the proposed charging letter by entering into this Agreement; and

WHEREAS, The Sportsman's Guide agrees to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over The Sportsman's Guide, under the Regulations, in connection with the matters alleged in the proposed charging letter.

2. The following sanction shall be imposed against The Sportsman's Guide in complete settlement of the violations of the Regulations relating to the transactions detailed in the proposed charging letter:

- a. The Sportsman's Guide shall be assessed a civil penalty in the amount of \$183,500, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the Order. Payment shall be made in the manner specified in the attached instructions.
- 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 The Sportsman's Guide. Failure to make timely payment of the civil penalty set forth

above may result in the denial of all of The Sportsman's Guide's export or reexport 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, The Sportsman's Guide 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 \$183,500 civil penalty, BIS will not initiate any further administrative proceeding against The Sportsman's Guide in connection with any violation of the Act or the Regulations arising out of the transactions detailed in the proposed charging letter.

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

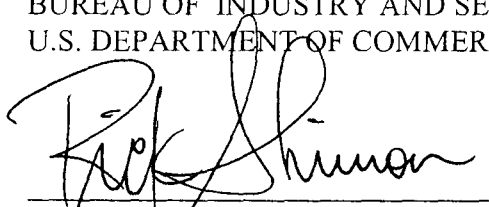
6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial 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 U.S. Government with respect to the facts and circumstances addressed herein.

8. This Agreement shall become binding on the Parties 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.

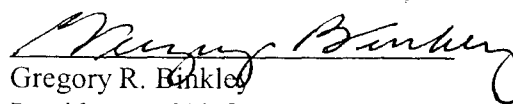
9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

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



Acting Director
Office of Export Enforcement

THE SPORTSMAN'S GUIDE, INC.



Gregory R. Binkley
President & Chief Executive Officer

Date: JAN 04 2005

Date: 12/29/2004

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

In the Matter of:)
)
The Sportsman's Guide, Inc.)
411 Farwell Avenue)
South St. Paul, Minnesota 55075)
)
Respondent.)

ORDER

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS") has notified The Sportsman's Guide, Inc. ("The Sportsman's Guide") of its intention to initiate an administrative proceeding against The Sportsman's Guide 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 by issuing a proposed charging letter to The

¹ The violations charged occurred between 1999 and 2002. The Regulations governing the violations at issue are found in the 1999 through 2002 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1999-2002)). The 2004 Regulations set forth 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.

Sportsman's Guide that alleged that The Sportsman's Guide committed 61 violations of the Regulations. Specifically, the charges are:

1. *61 Violations of 15 C.F.R. §764.2(a) - Exports without Authorization:* On 61 occasions, between on or about October 21, 1999 and on or about March 20, 2002, The Sportsman's Guide exported optical sighting devices for firearms and associated parts, items classified under Export Control Classification Number ("ECCN") 0A987 to various destinations without obtaining licenses from BIS, as required by Section 742.17 of the Regulations.

WHEREAS, BIS and The Sportsman's Guide have 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

WHEREAS, I have approved of the terms of such Settlement Agreement;

IT IS THEREFORE ORDERED:

FIRST, that a civil penalty of \$183,500 is assessed against The Sportsman's Guide, 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.

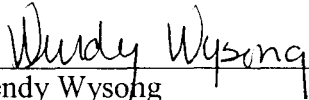
SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, The Sportsman's Guide will be 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 The Sportsman's Guide. Accordingly, if The Sportsman's Guide should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of The Sportsman's Guide'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.



Wendy Wysong
Acting Assistant Secretary of Commerce
for Export Enforcement

Entered this 6th day of January 2005.