

PROPOSED CHARGING LETTER

REGISTERED MAIL -- RETURN RECEIPT REQUESTED

Dresser Italia S.r.l.  
Via Cassano, 77 Casavatore  
Napoli, Italy

*Attn: Joseph Wembagher  
Chairman and Legal Representative*

Dear Mr. Wembagher:

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has reason to believe that Dresser Italia S.r.l. of Voghera, Italy ("Dresser Italia") committed 120 violations of the Export Administration Regulations (the "Regulations"),<sup>1</sup> which are issued under the authority of the Export Administration Act of 1979, as amended (the "Act").<sup>2</sup> Specifically, BIS charges that Dresser Italia committed the following violations:

**Charges 1-5                    15 C.F.R. § 764.2(b) – Causing an Export to Libya without the  
Required U.S. Government Authorization**

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on five occasions, between on or about July 23, 2000 and on or about

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<sup>1</sup> The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2006). The charged violations occurred during 2000, 2001, 2002, 2003 and 2004. The Regulations governing the violations at issue are found in the 2000-2004 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000-2004)). The 2006 Regulations establish the procedures that apply to this matter.

<sup>2</sup> 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 12,924, 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 13,222 of August 17, 2001 (66 Fed. Reg. 44,025 (Aug. 22, 2001)), as extended by the Notice of August 2, 2005 (67 Fed. Reg. 45,273 (Aug. 5, 2005)), has continued the Regulations in effect under IEEPA. The Act and the Regulations are available on the Government Printing Office website at: <http://w3.access.gpo.gov/bis/>.

August 14, 2002, Dresser Italia's Grove facility in Voghera, Italy caused the doing of an act prohibited by the Regulations by specially ordering from a U.S. company various oil industry-related items, which were subject to the Regulations<sup>3</sup> and to the Libyan Sanctions Regulations,<sup>4</sup> and which were exported by the U.S. company through Italy to Libya without the required U.S. Government authorization. Section 734.2(b)(6) of the Regulations provides that the export of items subject to the Regulations that transit a country to a third country are deemed to be an export to the third country. Pursuant to Section 746.4 of the Regulations, authorization was required from the Department of Treasury, Office of Foreign Assets Controls ("OFAC") before the items could be exported to Libya. No OFAC authorization was obtained. In engaging in this activity, Dresser Italia committed five violations of Section 764.2(b) of the Regulations.

**Charges 6-10            15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation**

In connection with Charges 1-5, above, on five occasions between on or about July 23, 2000 and on or about August 14, 2002, Dresser Italia's Grove facility in Voghera, Italy violated the Regulations by ordering, buying, storing, selling, and/or transferring items exported from the United States with knowledge that violations of the Regulations were occurring in connection with the items. Specifically, Dresser Italia ordered, bought, stored, sold, and/or transferred the items described above, which were subject to the Regulations and the Libyan Sanctions Regulations, with knowledge or reason to know that the items would be exported to Libya without the required U.S. Government authorization. Dresser Italia personnel had knowledge that U.S. products could not be sold to sanctioned countries, including Libya. Specifically, Dresser Italia management were focused on making sales to the point that they disregarded U.S. export controls, and certain Dresser Italia personnel stated that they did not agree with the strictness of the U.S. export regulations. In engaging in this activity, Dresser Italia committed five violations of Section 764.2(e) of the Regulations.

**Charges 11-19            15 C.F.R. § 764.2(a) – Reexport to Libya without the Required U.S. Government Authorization**

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on nine occasions, between on or about August 30, 2000 and on or about November 20, 2002, Dresser Italia's Grove facility in Voghera, Italy engaged in conduct prohibited by the Regulations by reexporting various oil industry-related items, which were subject to the Regulations<sup>5</sup> and to the Libyan Sanctions Regulations, from Italy to Libya without the required U.S. Government authorization. Pursuant to Section 746.4 of the Regulations, Department of Commerce authorization was required to reexport any item subject to the

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<sup>3</sup> These items were classified as EAR99, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2000-2004).

<sup>4</sup> 31 C.F.R. Part 550 (2000-2002).

<sup>5</sup> These items were classified as EAR99.

Regulations from a third country to Libya. No Department of Commerce authorization was obtained. In engaging in this activity, Dresser Italia committed nine violations of Section 764.2(a) of the Regulations.

**Charges 20-28      15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation**

In connect with Charges 9-18, above, on nine occasions between on or about July 12, 2000 and November 20, 2002, Dresser Italia's Grove facility in Voghera, Italy violated the Regulations by ordering, buying, storing, selling, and/or transferring items exported from the United States with knowledge that violations of the Regulations were occurring in connection with the items. Specifically, Dresser Italia ordered, bought, stored, sold, and/or transferred the items described above, which were subject to the Regulations and the Libyan Sanctions Regulations, with knowledge or reason to know that the items would be reexported to Libya without the required U.S. Government authorization. Dresser Italia personnel had knowledge that U.S. products could not be sold to sanctioned countries, including Libya. Specifically, Dresser Italia management were focused on making sales to the point that they disregarded U.S. export controls, and certain Dresser Italia personnel stated that they did not agree with the strictness of the U.S. export regulations. In engaging in this activity, Dresser Italia committed nine violations of Section 764.2(e) of the Regulations.

**Charges 29-74      15 C.F.R. § 764.2(b) – Causing an Export to Iran without the Required U.S. Government Authorization**

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on 46 occasions, between on or about June 27, 2000 and on or about April 27, 2004, Dresser Italia's Ledeen facility caused the doing of an act prohibited by the Regulations by specially ordering from a U.S. company various oil industry-related items, which were subject to the Regulations<sup>6</sup> and to the Iranian Transactions Regulations,<sup>7</sup> and which were exported by the U.S. company through Italy to Iran without the required U.S. Government authorization. Pursuant to Section 560.204 of the Iranian Transactions Regulations, an export to a third country intended for transshipment or reexport to Iran is a transaction subject to the Iranian Transactions Regulations that requires OFAC authorization. Pursuant to Section 746.7 of the Regulations, no person may export or reexport items subject to both the Regulations and the Iranian Transactions Regulations without authorization from OFAC. No OFAC authorization was obtained. In engaging in this activity, Dresser Italia committed 46 violations of Section 764.2(b) of the Regulations.

**Charges 75-120      15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation**

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<sup>6</sup> These items were classified as EAR99.

<sup>7</sup> 31 C.F.R. Part 560 (2000-2004).

In connect with Charges 31-78, above, on 46 occasions between on or about June 27, 2000 and on or about April 27, 2004, Dresser Italia's Ledeen facility violated the Regulations by ordering, buying storing, selling, and/or transferring items exported from the United States with knowledge that violations of the Regulations were occurring in connection with the items. Specifically, Dresser Italia ordered, bought, stored, sold, and/or transferred the items described above, which were subject to the Regulations and the Iranian Transactions Regulations, with knowledge or reason to know that the items would be exported to Iran without the required U.S. Government authorization. Dresser Italia personnel had knowledge that U.S. products could not be sold to sanctioned countries, including Iran. Specifically, Dresser Italia management were focused on making sales to the point that they disregarded U.S. export controls, and certain Dresser Italia personnel stated that they did not agree with the strictness of the U.S. export regulations. In engaging in this activity, Dresser Italia committed 46 violations of Section 764.2(e) of the Regulations.

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Accordingly, Dresser Italia 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;<sup>8</sup>
- Denial of export privileges; and/or
- Exclusion from practice before BIS.

If Dresser Italia 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. *See* 15 C.F.R. §§ 766.6 and 766.7. If Dresser Italia defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Dresser Italia. 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.

Dresser Italia is further notified that it is entitled to an agency hearing on the record if it files a written demand for one with its answer. *See* 15 C.F.R. § 766.6. Dresser Italia 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.

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<sup>8</sup> *See* 15 C.F.R. § 6.4(a)(4) (2000-2004).

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The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18. Should Dresser Italia have a proposal to settle this case, Dresser Italia 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, Dresser Italia'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 Dresser Italia's answer must be served on BIS at the following address:

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

Thea D. R. Kendler is the attorney representing BIS in this case; any communications that Dresser Italia may wish to have concerning this matter should occur through her. Ms. Kendler may be contacted by telephone at (202) 482-5301.

Sincerely,

Michael D. Turner  
Director  
Office of Export Enforcement

Charge No.	Facility	Items Shipped	Commodity Classification	Destination	Purchase Order Date	Purchase Order No.	Value of Specially Ordered U.S. Content
1, 6	Grove	'TK' Ball Valve 24"; Rotork Act; Rotork Diagram; Circuit Diagram; Dimensional Drawing; Typical Construction; Rotork IOM; Rotork Specification and Test Data Sheet; Rotork Exeeco Gear Details and Dimensions; Wiring Diagram; Rotork Dimensional Drawing; Rotork Adaptation Dimensional Drawing; Gove IOM; Ball Valve Installation & Maintenance Manual	EAR99	Libya	14-Jun-00 6-Jul-00 12-Jul-00	00-257	\$33,314.00 \$23,814.00 \$ 36,146.00
2, 7	Grove	TK Ball Valve 4x4"; Drawings; Two & Three Piece End Entry Valve	EAR99	Libya	26-Sep-00	00-558	\$3,040.00
3, 8	Grove	Valve Ball; Set Seat Springs; Ball in St. Steel; Drawings	EAR99	Libya	22-Mar-01	01-016	\$7,018.00
4, 9	Grove	Rotork Actuator model; Circuit Diagram	EAR99	Libya	28-Mar-02	01-455	\$20,432.00

5, 10	Grove	Solenoid Valves; Solenoid Coil	EAR99	Libya	20-Mar-01 14-Aug-02	01-064	\$696.00 \$1,521.00
11, 20	Grove	Stem O-Rings; Seat Springs; Body O-ring	EAR99	Libya	30-Aug-00	00-536	\$70.40
12, 21	Grove	Swing Check Valves	EAR99	Libya	05-Feb-01	00-891	\$32,286.00
13, 22	Grove	Cup Thrust Bearing; Cone Thrust Bearing; Drawings; Bearing Brushings; Bearing Spacer	EAR99	Libya	05-Feb-01	00-944	\$96.00
14, 23	Grove	Model 15LHX F/N; Valve Pins	EAR99	Libya	07-Feb-01	00-881	\$814.40
15, 24	Grove	1/4-4 way Pilot/lever Operated Valve 1/2 NPT; Ball 10"; Drawings O-Ring Seat Gasket; O-Ring; O-Ring Seal	EAR99	Libya	12-Feb-01	00-942	\$3,526.00
16, 25	Grove	Trunion; Drawings; Travel Spacer; Gate 30"	EAR99	Libya	26-Jun-01	01-220	\$1,502.00
17, 26	Grove	Repair Kits; Stems; Drawing Gasket (Upper Yoke); Gasket (Lower Yoke); Drawing	EAR99	Libya	18-Dec-01	01-672	\$2,717.60

18, 27	Grove	Stem Gasket O-Ring; Closure O-Ring; O-Rings; Stem O-Rings; Stem Seal O-Ring; Seat O-Ring	EAR99	Libya	16-Jan-02	02-002	\$16.00
19, 28	Grove	Core- 8", Drawings	EAR99	Libya	20-Nov-02	02-646	Approximately \$3,889.00
29, 75	Ledeen	Solenoid Valves; Shut Off Valves; Time Delays; On Delays; Terminal Blocks	EAR99	Iran	27-Jun-00	00-103	\$20,297.55
30, 76	Ledeen	Frame Assemblies; Rod Heads; Cylinder Tubes; Pistons; Flat Washer; Position Indicator Shaft; Cover Plain; Bleed Cap; Rod Seal; Packing O-Rings; Position Seals; Lever; Piston Rod; Roller Pin; Roller; Flange Bearing; Retaining Ring; Male Connector; Grease Fitting; Snap Ring	EAR99	Iran	11-Sep-00	00-452	\$50,343.30



31, 77	Ledeen	Head Crank Assembly; Dual Pilot; Seal Kit; Hyd. Filter; Relief Valve; Seal Kit for 2 Way 3-Pos Pilot Operation Valve; Filter; Seal Kit for Hand Pump; Limit Valve Mod.; Manual Control; Exhaust Silencer	EAR99	Iran	14-Sep-00	00-453	\$11,878.43
32, 78	Ledeen	Frame Assemblies; Rod Heads; Cylinder Tubes; Flat Washer; Position Indicator Shaft Assembly; Cover; Bleed Cap; Rod Seal; Packing O-Rings; Piston Seals; Roller Piston Rods; Adj. Screw; Lock Nut; Flow Control Valve; Lever; Pistons; Roller Pin; Male Connector; Flange Bearing; Retaining Ring Item; Grease Fitting	EAR99	Iran	05-Oct-00	00-455	\$148,608.90

33, 79	Ledeen	FCR VSJ Control Valves; Pump; Filter / Regulator 3/8 Inch Ports 1/8 Inch; 3 Way 2 Position Solenoid w/ Manual; 3 Way 2 Position Spring Pilot Operated Valve; Pneumatic Relay Valve 1/4 Inch NPT Ports; 1 1/2 Inch Cylinder; Ledeen Accutuator; Pump; 4 Inch Cylinder 3 Way 2 Position Manually Operated Valve 3/8 Inch NPT; Shuttle Valve 1/8 Inch NPT; 5 Inch Cylinder; Needle Valve 1/2 Inch NPT; Hand Pump; 1/2 Inch Regulating Valve; Filter C/W Metal Bowl; Seal Kits for Actuator; 3 Way 2 Position Spring Return Valve; 3 Way 2 Position Solenoid Operated Valve	EAR99	Iran	11-Oct-00	00-456	\$200,908.80
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34, 80	Ledeen	Vanes for Air Motors; Drive End Bearings; Rotor Assemblies; Vane Springs; Shaft Seals; Control Valves; Packing O-Rings; Valve Seal Kits; Bi-Rotational Pumps; Solonoid Valves; 3/4 Inch Mufflers	EAR99	Iran	22-Nov-00	00-556	\$9,543.80
35, 81	Ledeen	Limit Valve	EAR99	Iran	06-Dec-00	00-647	\$1,024.00
36, 82	Ledeen	Filter; Press Gauge; Seal Kits; Adjustment Screw; Oil Filter	EAR99	Iran	14-Dec-00	00-670	\$2,948.00
37, 83	Ledeen	Blocking Diode Assembly; 4 Way Valve; Diff. Relay; Check Valve; Spanseal Assembly; Latching Valve; Filters; Microswitch; Overhaul Kit; Norgen Regulator; Retainer Packing; Pilot Valve Assembly; Handpump Sub-Assembly	EAR99	Iran	02-Jan-01	00-704	\$31,154.40

38, 84	Ledeen	Gas Motor	EAR99	Iran	17-Jan-01	01-026	\$3,125.00
39, 85	Ledeen	Accumulator Bladders; Accumulator 1 Quart; Neoprene Bladder; Bladder Kit; Ledeen Actuators; Filter; Valve Positioner & Adapter Sub-Assembly; Hydraulic Pumping Unit Hand Pump Sub-Assembly	EAR99	Iran	05-Feb-01	01-072	\$6,334.00
40, 86	Ledeen	Push Button Operator Filter Lubrication Assembly 1/2 Inch NPT; Press Gauge 1/4 Inch NPT; Pneumatic Relief Valve 1/4 Inch NPT; Filter C/W Metal Bowl; Seal Kits; Versa Solenoid Valve ESM; Lubricator 3/4 Inch with Metal Bowl; Flow Control Valve; Lubricator 1/2 Inch with Metal Bowl; Purrolater Filter; Norgen Regulator; Hydraulic Pumps; Limit Switch Element; Valve Positioner & Adapter Sub-Assembly	EAR99	Iran	06-Feb-01	01-062	\$34,276.50

41, 87	Ledeen	Seal Kits for Pump; Seal Kit Coil for 3 Way Valve; Pumps; 3 Way 2 Position Solenoid W/M Valve; Seal Kits for Actuator	EAR99	Iran	16-Feb-01	01-092	\$10,658.25
42, 88	Ledeen	Hydraulic Power Pack; Hydraulic Pump; Positioner & Adapt.	EAR99	Iran	03-Apr-01	01-130	\$8,449.20
43, 89	Ledeen	Ledeen Air Motor; Parts for Valve Operator Hydrotand Actuator; Control Valve; Timing Relay	EAR99	Iran	15-May-01	01-302	\$4,739.00

44, 90	Ledeen	<p>Differential Relay Valve;  Timing Relay Valve;  Volume Tanks;  Low Pressure Tanks;  Adjustment Screw;  Lubricator 1/2 Inch;  Frame Seal Kit for Actuator Model;  Cylinder Seal Kits for Actuator Model;  Pressure Intensifier;  Stop Valve;  Washer;  Overhaul Kit for Actuator;  Seal Kit for Actuator;  Pneumatic Motor;  Power Pack Assembly Kit;  Overhaul Kit;  Morr High Gain Relay (Reverse);  3 Way 2 Position Manually Operated Valve;  4 Way 2 Position Dual Pilot Operated Valve</p>	EAR99	Iran	20-Jul-01	01-445	\$32,939.10
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45, 91	Ledeen	Differential Relay Valves; Timing Relay Valve; High Pressure Filter; Pressure Gauge; Seal Kits for Cylinder; Pneumatic Relief Valve; Seal Kits for Pump; Flow Control Valves; Limit Valve; Control Valve; O-Ring Seal Kit; Moore High Grain Relays; Needle Valve; Repair Kit for Filter/Regulator; Seal Kit Coil for 3 Way Valve; Seal Kit for 3 Way Valve; Pilot Operated 4 Way Control Valve Assembly; Pneumatic Motor; Power Pack Assembly Kit; Overhaul Kit; Versa Valve; Limit Micro Switch; Cherry Switch; Valve Positioner Adapter	EAR99	Iran	21-Jul-01	01-447	\$80,066.23
46, 92	Ledeen	Pilotoperated Spring Return; Filter / Regulator; Pressure Gauge; 3 Way 2 Position Solenoid Valves; 3 Way 2 Position Spring Valve; Switchpack; Pump; 3 Way 2 Position Manually Operated Valve; Needle Valve; Shut-Off Valve	EAR99	Iran	22-Sep-01	01-565	\$89,516.34

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Schedule of Violations  
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47, 93	Ledeen	Hydraulic Pump; Gas Motor; 3-Way Valve; Muffler	EAR99	Iran	12-Mar-02	02-144	\$5,054.40
48, 94	Ledeen	Ledeen Gas Motors	EAR99	Iran	29-Mar-02	02-185	\$2,560.00
49, 95	Ledeen	Relief Valve; Motor Insurance; Dehydrator Filter and Dehydrator Filter Cartridge	EAR99	Iran	19-Apr-02	02-137	\$2,056.00
50, 96	Ledeen	4 Way Control Valves; Retainer Pkg.; Lubricator; Limit Valve Assembly; Overhaul Kit for Actuator	EAR99	Iran	17-May-02	02-292	\$5,904.00
51, 97	Ledeen	3-Way Valve; 4-Way Two Position Solenoid Valve; Cylinder	EAR99	Iran	19-Jul-02	02-422	\$2,658.00



52, 98	Ledeen	Relays; Check Valves; 9OL Valves; Press Gauge; 3 Way Roller Op Valve; Element; Pilot Valve; Seal Kit for Pilot Valve; Limit Switch; Switchpack; Flexible Coupling; Gear Pump; Pneumatic Motor; Modular Flow Control; Hydraulic Cylinder; Du Bearing; Cylinder Liner; Shaft.	EAR99	Iran	02-Aug-02	02-462	\$29,112.00
53, 99	Ledeen	2 Way 2 Position Solenoid Valve; Solenoid Valve Electrical Connection; Conduit Process Connection	EAR99	Iran	20-Aug-02	02-488	\$5,700.00

54, 100	Ledeen	Hydraulic Pump; Manifold Assembly; 4 Way Motor Control Valve 3/4 Inch; Electric Control Assembly; Line Valve Mounting Assembly; Lubricator 1/2 Inch; Motor; Complete Cartridge for Dehydrator Filter Actuator; Solenoid Valve Coil Key; Solenoid Valve; 6 Way 4 Pos Manual; Carter Seal Kit For Actuator Model; Cylinder Seal Kit for Actuator	EAR99	Iran	16-Aug-02 (Date of Shipment from US)	02-089	\$8,020.78
55, 101	Ledeen	Seal Kits; Dual Hand Pump Assembly; Dual Pilot Valve; Filters; Relief Valve; Lubricator	EAR99	Iran	02-Sep-02	02-501	\$14,779.00
56, 102	Ledeen	Seal Kit for Cylinder; Limited Valve Mod.	EAR99	Iran	03-Sep-02	02-520	\$2,180.00
57, 103	Ledeen	Lubricator 1/2 Inch	EAR99	Iran	24-Jan-03	03-022	\$617.50
58, 104	Ledeen	Repair Kit	EAR99	Iran	24-Jan-03	03-028	\$210.00

59, 105	Ledeen	Air Filter; Repair Kit with Element	EAR99	Iran	18-Feb-03	03-088	\$1,080.00
60, 106	Ledeen	3 Way Pilot Operated Valve; Ext. Ratchet Pilers; Hydraulic Motor; Valve Seal Kit; Electric Control Assembly; Packing O-Ring; Packing Rubber; Muffler 3/4 Inch; Ledeen Gas Motors	EAR99	Iran	02-Apr-03	03-206	\$21,562.65
61, 107	Ledeen	Timing Relay Valve; Volume Tanks; Pneumatic Motor	EAR99	Iran	11-Apr-03	03-223	\$5,422.95
62, 108	Ledeen	Pump	EAR99	Iran	11-Apr-03	03-224	\$11,146.20
63, 109	Ledeen	Shaft Seal; 3 Way Valve; Filter; Limit Valve Assembly; Electric Control Assembly; Packings O-Ring; Muffler; Power Pack; 4 Way 2 Position Solenoid; Bi-Rotational Pump; End Cap Gasket	EAR99	Iran	06-May-03	03-274	\$8,045.00
64, 110	Ledeen	Solar Panel; Reset Button	EAR99	Iran	20-May-03	03-310	\$893.10

65, 111	Ledeen	Battery Pack	EAR99	Iran	06-Jun-03	03-353	\$2,325.00
66, 112	Ledeen	Vane; End Plate Gasket; End Cap Drive; DP Relay; DE Relay; 3 Way Pilot Valve; Lubricators; 4 Way Valve; Muffler	EAR99	Iran	21-Jul-03	03-419	\$16,638.10
67, 113	Ledeen	Rotor Assembly; Push Pins; O-Rings; Repair Kit for Valve; Seal; Vane; Vane Spring; Drive End Bearing; Shaft Seal Drive End; Gasket End Plate; End Plate Gasket Bead; End Cap Gasket; Roller Pin; Plunger; Polypack Packings	EAR99	Iran	26-Sep-03	03-475	\$5,274.27
68, 114	Ledeen	Time Delay (Off 5-50 SEC) On Delay (10-300 SEC) On Delay (33-10 MIN)	EAR99	Iran	02-Oct-03	03-575	\$440.00
69, 115	Ledeen	Drive End Bearing	EAR99	Iran	21-Nov-03	03-710	\$712.40

70, 116	Ledeen	Switchpack; Pump; 3 Way Direct Lift Solenoid Valve; Relief Valve; Spring Return Valve	EAR99	Iran	23-Feb-04	04-108	\$50,263.40
71, 117	Ledeen	Time Delays; Blocking Diode Assembly; Timing Relay Valve; Pressure Gauges; Latching Valve; Filters; 2 Way 2 Position Pilot Operated Valve; Cylinder Seal Kits; Pneumatic Relief Valve; Spares for Accutect; Pump Seal Kits; 3 Way Valve Seal Kits; Repair Kit for Regulator Valve; 3 Way 2 Position Solenoid Valves; Bladder Kit; Repair Kit for Filter Regulator; Check Valve; Spares Kit for Switchpack; Seal Kit Coil for 3 Way Valve; Accumulator Bladder; Actuator Bladder; Pilot Operated Valves; Accumulator; Filter / Regulator; Explosion Proof Switchpacks; Cylinders; Pump; Needle Valves; Seal Kit	EAR99	Iran	12-Mar-04	04-175	\$284,720.47

72, 118	Ledeen	<p>Overhaul Kits;  Seal Kits;  Seal Kit for Power Pack;  Pneumatic Motors;  Pump Assembly;  Versa Valve;  Connoflow Regulator;  Limit Valves;  4 Way Control Valve;  Globe Needle Valve;  O-Rings;  Pilot Valve Assembly;  By Pass Gasket  2 Way 2 Position Pilot Operated Valve;  Seal Kit for Cylinder;  Seal Kit for Pump;  Spares Kit for 3 Way Valve;  Seal Kit for 3 Way Valve;  Spares Kit for Switchpack;  Seal Kit Coil for 3 Way Valve;  Modernaire Valve;  Micro Switch;  Limit Switch;  Hand Pump;  Spansel;  High Pressure Filter;  Pressure Gauge</p>	EAR99	Iran	30-Mar-04	04-207	\$90,003.00
73, 119	Ledeen	<p>Switchpack;  Pump</p>	EAR99	Iran	22-Apr-04	04-260	\$24,504.00
74, 120	Ledeen	<p>Filter / Regulator;  Cylinders</p>	EAR99	Iran	27-Apr-04	04-261	\$17,772.00

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

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In the Matter of: )  
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Dresser Italia S.r.l. )  
Via Cassano, 77 Casavatore )  
Napoli, Italy )  
 )  
Respondent )  
\_\_\_\_\_

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Dresser Italia S.r.l. (“Dresser Italia”), and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively, the “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (the “Regulations”),<sup>1</sup> issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (the “Act”),<sup>2</sup>

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<sup>1</sup> The charged violations occurred during 2000, 2001, 2002, 2003 and 2004. The Regulations governing the violations at issue are found in the 2000-2004 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000-2004)). The 2006 Regulations establish the procedures that apply to this matter.

<sup>2</sup> 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

WHEREAS, Dresser Italia, through its parent company, Dresser, Inc., filed a voluntary self-disclosure with BIS's Office of Export Enforcement in accordance with Section 764.5 of the Regulations concerning the transactions at issue herein;

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

WHEREAS, BIS has issued a proposed charging letter to Dresser Italia that alleged that Dresser Italia committed 120 violations of the Regulations, specifically:

1. *Five Violations of 15 C.F.R. §764.2(b) -Causing an Export to Libya without the Required U.S. Government Authorization:* On five occasions, between on or about July 23, 2000 and on or about August 14, 2002, Dresser Italia's Grove facility in Voghera, Italy caused the doing of an act prohibited by the Regulations by specially ordering from a U.S. company various oil industry-related items, which were subject to the Regulations<sup>3</sup> and to the Libyan Sanctions Regulations,<sup>4</sup> and which were exported by the U.S. company through Italy to Libya without the required U.S. Government authorization. Section 734.2(b)(6) of the Regulations provides that the export of items subject to the Regulations that transit a country to a third country are deemed to be an export to the third country. Pursuant to Section 746.4 of the Regulations, authorization was required

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extended by the Notice of August 2, 2005 (70 Fed. Reg. 45,273 (Aug. 5, 2005)), has continued the Regulations in effect under IEEPA.

<sup>3</sup> These items were classified as EAR99, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2000-2004).

<sup>4</sup> 31 C.F.R. Part 550 (2000-2002).



from the Department of Treasury, Office of Foreign Assets Controls (“OFAC”) before the items could be exported to Libya. No OFAC authorization was obtained.

2. *Five Violations of 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation:* On five occasions between on or about July 23, 2000 and on or about August 14, 2002, Dresser Italia’s Grove facility in Voghera, Italy violated the Regulations by ordering, buying, storing, selling, and/or transferring items exported from the United States with knowledge that violations of the Regulations were occurring in connection with the items. Specifically, Dresser Italia ordered, bought, stored, sold, and/or transferred the items described above, which were subject to the Regulations and the Libyan Sanctions Regulations, with knowledge or reason to know that the items would be exported to Libya without the required U.S. Government authorization. Dresser Italia personnel had knowledge that U.S. products could not be sold to sanctioned countries, including Libya. Specifically, Dresser Italia management were focused on making sales to the point that they disregarded U.S. export controls, and certain Dresser Italia personnel stated that they did not agree with the strictness of the U.S. export regulations.
3. *Nine Violations of 15 C.F.R. § 764.2(a) – Reexport to Libya without the Required U.S. Government Authorization:* On nine occasions, between on or about August 30, 2000 and on or about November 20, 2002, Dresser

Italia's Grove facility in Voghera, Italy engaged in conduct prohibited by the Regulations by reexporting various oil industry-related items, which were subject to the Regulations<sup>5</sup> and to the Libyan Sanctions Regulations, from Italy to Libya without the required U.S. Government authorization. Pursuant to Section 746.4 of the Regulations, Department of Commerce authorization was required to reexport any item subject to the Regulations from a third country to Libya. No Department of Commerce authorization was obtained.

4. *Nine Violations of 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation:* On nine occasions between on or about July 12, 2000 and November 20, 2002, Dresser Italia's Grove facility in Voghera, Italy violated the Regulations by ordering, buying, storing, selling, and/or transferring items exported from the United States with knowledge that violations of the Regulations were occurring in connection with the items. Specifically, Dresser Italia ordered, bought, stored, sold, and/or transferred the items described above, which were subject to the Regulations and the Libyan Sanctions Regulations, with knowledge or reason to know that the items would be reexported to Libya without the required U.S. Government authorization. Dresser Italia personnel had knowledge that U.S. products could not be sold to sanctioned countries, including Libya. Specifically, Dresser Italia management were focused on making sales to the point that they disregarded U.S. export controls, and certain Dresser Italia personnel

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<sup>5</sup> These items were classified as EAR99.

stated that they did not agree with the strictness of the U.S. export regulations.

5. *46 Violations of 15 C.F.R. § 764.2(b) – Causing an Export to Iran without the Required U.S. Government Authorization:* On 46 occasions, between on or about June 27, 2000 and on or about April 27, 2004, Dresser Italia's Ledeen facility caused the doing of an act prohibited by the Regulations by specially ordering from a U.S. company various oil industry-related items, which were subject to the Regulations<sup>6</sup> and to the Iranian Transactions Regulations,<sup>7</sup> and which were exported by the U.S. company through Italy to Iran without the required U.S. Government authorization. Pursuant to Section 560.204 of the Iranian Transactions Regulations, an export to a third country intended for transshipment or reexport to Iran is a transaction subject to the Iranian Transactions Regulations that requires OFAC authorization. Pursuant to Section 746.7 of the Regulations, no person may export or reexport items subject to both the Regulations and the Iranian Transactions Regulations without authorization from OFAC. No OFAC authorization was obtained.
6. *46 Violations of 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation:* In connect with Charges 31-78, above, on 46 occasions between on or about June 27, 2000 and on or about April 27, 2004,

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<sup>6</sup> These items were classified as EAR99.

<sup>7</sup> 31 C.F.R. Part 560 (2000-2004).

Dresser Italia's Ledeen facility violated the Regulations by ordering, buying storing, selling, and/or transferring items exported from the United States with knowledge that violations of the Regulations were occurring in connection with the items. Specifically, Dresser Italia ordered, bought, stored, sold, and/or transferred the items described above, which were subject to the Regulations and the Iranian Transactions Regulations, with knowledge or reason to know that the items would be exported to Iran without the required U.S. Government authorization. Dresser Italia personnel had knowledge that U.S. products could not be sold to sanctioned countries, including Iran. Specifically, Dresser Italia management were focused on making sales to the point that they disregarded U.S. export controls, and certain Dresser Italia personnel stated that they did not agree with the strictness of the U.S. export regulations.

WHEREAS, Dresser Italia 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, Dresser Italia fully understands the terms of this Agreement and the Order ("Order") that the Assistant Secretary of Commerce for Export Enforcement will issue if he approves this Agreement as the final resolution of this matter;

WHEREAS, Dresser Italia enters into this Agreement voluntarily and with full knowledge of its rights;

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

WHEREAS, Dresser Italia neither admits nor denies the allegations contained in the proposed charging letter;

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

WHEREAS, Dresser Italia agrees to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over Dresser Italia, under the Regulations, in connection with the matters alleged in the proposed charging letter.
2. The following sanction shall be imposed against Dresser Italia in complete settlement of the alleged violations of the Regulations relating to the transactions specifically detailed in the proposed charging letter and voluntary self-disclosure:
  - a. Dresser Italia shall be assessed a civil penalty in the amount of \$820,000, 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, permission, or privilege granted, or to be granted, to Dresser Italia. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Dresser Italia's export privileges under the Regulations 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, Dresser Italia 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 any 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 \$820,000 civil penalty, BIS will not initiate any further administrative proceeding against Dresser Italia in connection with any violation of the Act or the Regulations arising out of the transactions identified in the proposed charging letter and the voluntary self-disclosure.

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.

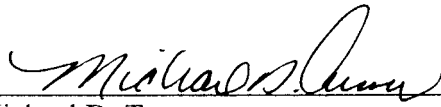
7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this

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.

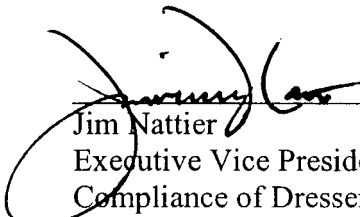
9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

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

  
\_\_\_\_\_  
Michael D. Turner  
Director  
Office of Export Enforcement

Date: 5/18/06

DRESSER ITALIA S.R.L.

  
\_\_\_\_\_  
Jim Nattier  
Executive Vice President of Ethics and  
Compliance of Dresser, Inc.



Date: 16 May 2006

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

\_\_\_\_\_  
In the Matter of: )  
 )  
Dresser Italia S.r.l. )  
Via Cassano, 77 Casavatore )  
Napoli, Italy )  
 )  
Respondent )  
\_\_\_\_\_

ORDER RELATING TO DRESSER ITALIA S.r.L.

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has notified Dresser Italia S.r.l. Italy (“Dresser Italia”), of its intention to initiate an administrative proceeding against Dresser Italia pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (the “Regulations”),<sup>1</sup> and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (the “Act”),<sup>2</sup> through the issuance of a proposed charging letter to Dresser Italia that alleged that Dresser Italia committed 120 violations of the Regulations. Specifically, the charges are:

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<sup>1</sup> The charged violations occurred during 2000, 2001, 2002, 2003 and 2004. The Regulations governing the violations at issue are found in the 2000-2004 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000-2004)). The 2006 Regulations establish the procedures that apply to this matter.

<sup>2</sup> 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 2, 2005 (70 Fed. Reg. 45,273 (Aug. 5, 2005)), has continued the Regulations in effect under IEEPA.



1. *Five Violations of 15 C.F.R. §764.2(b) -Causing an Export to Libya without the Required U.S. Government Authorization:* On five occasions, between on or about July 23, 2000 and on or about August 14, 2002, Dresser Italia's Grove facility in Voghera, Italy caused the doing of an act prohibited by the Regulations by specially ordering from a U.S. company various oil industry-related items, which were subject to the Regulations<sup>3</sup> and to the Libyan Sanctions Regulations,<sup>4</sup> and which were exported by the U.S. company through Italy to Libya without the required U.S. Government authorization. Section 734.2(b)(6) of the Regulations provides that the export of items subject to the Regulations that transit a country to a third country are deemed to be an export to the third country. Pursuant to Section 746.4 of the Regulations, authorization was required from the Department of Treasury, Office of Foreign Assets Controls ("OFAC") before the items could be exported to Libya. No OFAC authorization was obtained.
  
2. *Five Violations of 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation:* On five occasions between on or about July 23, 2000 and on or about August 14, 2002, Dresser Italia's Grove facility in Voghera, Italy violated the Regulations by ordering, buying, storing, selling, and/or

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<sup>3</sup> These items were classified as EAR99, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2000-2004).

<sup>4</sup> 31 C.F.R. Part 550 (2000-2002).

transferring items exported from the United States with knowledge that violations of the Regulations were occurring in connection with the items. Specifically, Dresser Italia ordered, bought, stored, sold, and/or transferred the items described above, which were subject to the Regulations and the Libyan Sanctions Regulations, with knowledge or reason to know that the items would be exported to Libya without the required U.S. Government authorization.

3. *Nine Violations of 15 C.F.R. § 764.2(a) – Reexport to Libya without the Required U.S. Government Authorization:* On nine occasions, between on or about August 30, 2000 and on or about November 20, 2002, Dresser Italia's Grove facility in Voghera, Italy engaged in conduct prohibited by the Regulations by reexporting various oil industry-related items, which were subject to the Regulations<sup>5</sup> and to the Libyan Sanctions Regulations, from Italy to Libya without the required U.S. Government authorization. Pursuant to Section 746.4 of the Regulations, Department of Commerce authorization was required to reexport any item subject to the Regulations from a third country to Libya. No Department of Commerce authorization was obtained.
  
4. *Nine Violations of 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation:* On nine occasions between on or about July 12, 2000 and November 20, 2002, Dresser Italia's Grove facility in Voghera, Italy

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<sup>5</sup> These items were classified as EAR99.

violated the Regulations by ordering, buying, storing, selling, and/or transferring items exported from the United States with knowledge that violations of the Regulations were occurring in connection with the items. Specifically, Dresser Italia ordered, bought, stored, sold, and/or transferred the items described above, which were subject to the Regulations and the Libyan Sanctions Regulations, with knowledge or reason to know that the items would be reexported to Libya without the required U.S. Government authorization. Dresser Italia personnel had knowledge that U.S. products could not be sold to sanctioned countries, including Libya. Specifically, Dresser Italia management were focused on making sales to the point that they disregarded U.S. export controls, and certain Dresser Italia personnel stated that they did not agree with the strictness of the U.S. export regulations.

5. *46 Violations of 15 C.F.R. § 764.2(b) – Causing an Export to Iran without the Required U.S. Government Authorization:* On 46 occasions, between on or about June 27, 2000 and on or about April 27, 2004, Dresser Italia's Ledeen facility caused the doing of an act prohibited by the Regulations by specially ordering from a U.S. company various oil industry-related items, which were subject to the Regulations<sup>6</sup> and to the Iranian Transactions Regulations,<sup>7</sup> and which were exported by the U.S. company

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<sup>6</sup> These items were classified as EAR99.

<sup>7</sup> 31 C.F.R. Part 560 (2000-2004).

through Italy to Iran without the required U.S. Government authorization. Pursuant to Section 560.204 of the Iranian Transactions Regulations, an export to a third country intended for transshipment or reexport to Iran is a transaction subject to the Iranian Transactions Regulations that requires OFAC authorization. Pursuant to Section 746.7 of the Regulations, no person may export or reexport items subject to both the Regulations and the Iranian Transactions Regulations without authorization from OFAC. No OFAC authorization was obtained.

6. *46 Violations of 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation:* In connect with Charges 31-78, above, on 46 occasions between on or about June 27, 2000 and on or about April 27, 2004, Dresser Italia's Ledeen facility violated the Regulations by ordering, buying storing, selling, and/or transferring items exported from the United States with knowledge that violations of the Regulations were occurring in connection with the items. Specifically, Dresser Italia ordered, bought, stored, sold, and/or transferred the items described above, which were subject to the Regulations and the Iranian Transactions Regulations, with knowledge or reason to know that the items would be exported to Iran without the required U.S. Government authorization. Dresser Italia personnel had knowledge that U.S. products could not be sold to sanctioned countries, including Iran. Specifically, Dresser Italia management were focused on making sales to the point that they

disregarded U.S. export controls, and certain Dresser Italia personnel stated that they did not agree with the strictness of the U.S. export regulations.

WHEREAS, BIS and Dresser Italia 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 \$820,000 is assessed against Dresser Italia, 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.

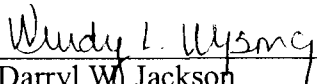
SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, Dresser Italia will be assessed,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

undersigned may enter an Order denying all of Dresser Italia's export privileges under the Regulations 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.

  
\_\_\_\_\_  
Darryl W. Jackson  
Assistant Secretary of Commerce  
for Export Enforcement

Entered this 23d day of May, 2006.