

PROPOSED CHARGING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Dresser International, Inc.
15455 Dallas Parkway, Suite 1100
Addison, Texas 75001

Attn: *John P. Ryan*
Chief Executive Officer and President

Dear Mr. Ryan:

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has reason to believe that Dresser International, Inc. (“Dresser International”) of _____, Delaware committed two violations of the Export Administration Regulations (the “Regulations”),¹ which are issued under the authority of the Export Administration Act of 1979, as amended (the “Act”).² Specifically, BIS charges that Dresser International committed the following violations:

Charge 1 15 C.F.R. § 764.2(b) – Causing a Reexport to Iraq without the Required U.S. Government Authorization

On or about November 19, 2002, Dresser International’s Dubai, U.A.E. branch caused the doing of an act prohibited by the Regulations by transferring to a customer various oil industry-related items that were subject to the Regulations³ and to the Iraqi Sanctions Regulations,⁴ which the

¹ 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 2002. The Regulations governing the violations at issue are found in the 2002 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2002)). The 2006 Regulations establish the procedures that apply to this matter.

² 50 U.S.C. app. §§ 2401-2420 (2000). Since August 21, 2001, the Act has been in lapse, and the President, through Executive Order 13,222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 2, 2005 (70 Fed. Reg. 45,273, Aug. 5, 2005), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)). The Act and the Regulations are available on the Government Printing Office website at: <http://www.access.gpo.gov/bis/>.

³ 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) (2002).

⁴ 31 C.F.R. Part 575 (2002).

customer reexported to Iraq. Pursuant to Section 575.205 of the Iraqi Sanctions Regulations, a reexport of items subject to U.S. jurisdiction from a third country to Iraq, any entity controlled by the Government of Iraq, or any entity operated from Iraq is a transaction subject to the Iraqi Sanctions Regulations that requires OFAC authorization. Pursuant to Section 746.3 of the Regulations, no person may export or reexport items subject to both the Regulations and the Iraqi Sanctions Regulations without authorization from OFAC. No OFAC authorization was obtained. In engaging in this activity, Dresser International committed one violation of Section 764.2(b) of the Regulations.

Charge 2 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation

In connection with Charge 1, above, on or about November 19, 2002, Dresser International violated the Regulations by ordering, buying, storing, selling, and/or transferring items exported from the United States with knowledge that a violation of the Regulations were occurring in connection with the items. Specifically, Dresser International ordered, bought, stored, sold and/or transferred the items described above, which were subject to the Regulations and the Iraqi Sanctions Regulations, with knowledge or reason to know that the items would be reexported to Iraq without the required U.S. Government authorization. Dresser International's branch office in the U.A.E. knew that the items were intended for use in Iraq. Dresser International knew or had reason to know that a license was required for these exports because its personnel had knowledge of the U.S. embargo against Iraq and of the Regulations. In engaging in this activity, Dresser International committed one violation of Section 764.2(e) of the Regulations.

* * * * *

Accordingly, Dresser International 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;⁵
- Denial of export privileges; and/or
- Exclusion from practice before BIS.

If Dresser International 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 International defaults, the Administrative Law Judge may

⁵ *See* 15 C.F.R. § 6.4(a)(4) (2002).

find the charges alleged in this letter are true without a hearing or further notice to Dresser International. 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 International 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 International 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 Dresser International have a proposal to settle this case, Dresser International 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 International'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 International's answer must be served on BIS at the following address:

Office of 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 International 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

Dresser International, Inc.
Proposed Charging Letter
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Office of Export Enforcement

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

In the Matter of:)
)
Dresser International, Inc.)
15455 Dallas Parkway, Suite 1100)
Addison, Texas 75001)
)
Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Dresser International, Inc. (“Dresser International”), 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”),¹ issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (the “Act”),²

¹ The charged violations occurred during 2002. The Regulations governing the violations at issue are found in the 2002 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2002)). The 2006 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 2, 2005 (70 Fed. Reg. 45,273 (Aug. 5, 2005)), has continued the Regulations in effect under IEEPA.

WHEREAS, Dresser International, 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 International of its intention to initiate an administrative proceeding against Dresser International, pursuant to the Act and the Regulations;

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

1. *One Violation of 15 C.F.R. § 764.2(b) – Causing a Reexport to Iraq without the Required U.S. Government Authorization:* On or about November 19, 2002, Dresser International's Dubai, U.A.E. branch caused the doing of an act prohibited by the Regulations by transferring to a customer various oil industry-related items that were subject to the Regulations³ and to the Iraqi Sanctions Regulations,⁴ which the customer reexported to Iraq. Pursuant to Section 575.205 of the Iraqi Sanctions Regulations, a reexport of items subject to U.S. jurisdiction from a third country to Iraq, any entity controlled by the Government of Iraq, or any entity operated from Iraq is a transaction subject to the Iraqi Sanctions Regulations that requires OFAC authorization. Pursuant to Section 746.3 of the Regulations, no person may export or reexport items subject to both the Regulations and the Iraqi Sanctions Regulations without authorization from OFAC. No OFAC authorization was obtained.

³ 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) (2002).

⁴ 31 C.F.R. Part 575 (2002).

2. *One Violation of 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation:* In connection with the charge above, on or about November 19, 2002, Dresser International violated the Regulations by ordering, buying, storing, selling, and/or transferring items exported from the United States with knowledge that a violation of the Regulations was occurring in connection with the items. Specifically, Dresser International ordered, bought, stored, sold and/or transferred the items described above, which were subject to the Regulations and the Iraqi Sanctions Regulations, with knowledge or reason to know that the items would be reexported to Iraq without the required U.S. Government authorization. Dresser International's branch office in the U.A.E. knew that the items were intended for use in Iraq. Dresser International knew or had reason to know that a license was required for these exports because its personnel had knowledge of the U.S. embargo against Iraq and of the Regulations.

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

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

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

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

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

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over Dresser International, under the Regulations, in connection with the matters alleged in the proposed charging letter.

2. The following sanction shall be imposed against Dresser International 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 International shall be assessed a civil penalty in the amount of \$6,600, 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 International. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Dresser International'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 International 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 \$6,600 civil penalty, BIS will not initiate any further administrative proceeding against Dresser International 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

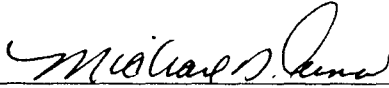
Agreement or the Order, if entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

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.

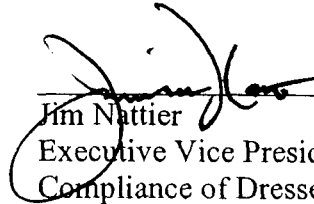
BUREAU OF INDUSTRY AND SECURITY
U.S. DEPARTMENT OF COMMERCE

DRESSER INTERNATIONAL, INC.



Michael D. Turner
Director
Office of Export Enforcement

Date: 5/18/06



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 International, Inc.)
15455 Dallas Parkway, Suite 1100)
Addison, Texas 75001)
)
Respondent)

ORDER RELATING TO DRESSER INTERNATIONAL, INC.

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

¹ The charged violations occurred during 2002. The Regulations governing the violations at issue are found in the 2002 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2002)). The 2006 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 2, 2005 (70 Fed. Reg. 45,273 (Aug. 5, 2005)), has continued the Regulations in effect under IEEPA.

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2. *One Violation of 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation:* In connection with the charge above, on or about November 19, 2002, Dresser International violated the Regulations by ordering, buying, storing, selling, and/or transferring items exported from the United States with knowledge that a violation of the Regulations was occurring in connection with the items. Specifically, Dresser International ordered,

³ 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) (2002).

⁴ 31 C.F.R. Part 575 (2002).

bought, stored, sold and/or transferred the items described above, which were subject to the Regulations and the Iraqi Sanctions Regulations, with knowledge or reason to know that the items would be reexported to Iraq without the required U.S. Government authorization. Dresser International's branch office in the U.A.E. knew that the items were intended for use in Iraq. Dresser International knew or had reason to know that a license was required for these exports because its personnel had knowledge of the U.S. embargo against Iraq and of the Regulations.

WHEREAS, BIS and Dresser International 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:

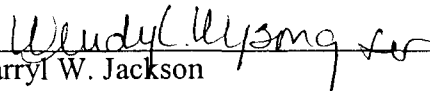
FIRST, that a civil penalty of \$6,600 is assessed against Dresser International, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment shall be made in the manner specified in the attached instructions.

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 International 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 International. Accordingly, if Dresser International should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Dresser International'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 23rd day of May, 2006.