PROPOSED CHARGING LETTER

REGISTERED MAIL - RETURN RECEIPT REQUESTED

DI Canada, Inc.
2135, Meadowpine Boulevard
Mississauga, Ontario L5N 6L5
Canada

Attn: Lance Barette
Vice President

Dear Mr. Barette:

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has reason to believe that DI Canada, Inc. of Calgary, Canada ("DI Canada") 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 DI Canada committed the following violations:

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

On or about December 18, 2000, DI Canada engaged in conduct prohibited by the Regulations by reexporting various oil industry-related items, which were subject to the Regulations,[3] from

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[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 2000 and 2001. The Regulations governing the violations at issue are found in the 2005 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000-2001)). The 2006 Regulations establish the procedures that apply to this matter.

[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 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/.

[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) (2000-2001).

Canada 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. In engaging in this activity, DI Canada committed one violation of Section 764.2(a) of the Regulations.

Charge 2 **15 C.F.R. § 764.2(b) – Causing an Export to Libya without the Required U.S. Government Authorization**

On or about January 4, 2001, DI Canada 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[4] to the Libyan Sanctions Regulations,[5] and which were exported by the U.S. company through Canada 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 or are transshipped through 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 Office of Foreign Assets Control, Department of Treasury ("OFAC") before the items could be exported to Libya. No OFAC authorization was obtained. In engaging in this activity, DI Canada committed one violation of Section 764.2(b) of the Regulations.

* * * * *

Accordingly, DI Canada 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;[6]
- Denial of export privileges; and/or
- Exclusion from practice before BIS.

If DI Canada 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 DI Canada defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to DI Canada. The Under

[4] These items were classified as EAR99.

[5] 31 C.F.R. Part 550 (2000-2001).

[6] *See* 15 C.F.R. § 6.4(a)(4) (2000-2001).

Secretary of Commerce for Industry and Security may then impose up to the maximum penalty on each of the charges in this letter.

DI Canada 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. DI Canada 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 DI Canada have a proposal to settle this case, DI Canada 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, DI Canada'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 DI Canada'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 DI Canada 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

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

In the Matter of:	)
	)
DI Canada, Inc.	)
2135, Meadowpine Boulevard	)
Mississauga, Ontario L5N 6L5	)
Canada	)
	)
Respondent	)

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made by and between DI Canada, Inc. ("DI Canada"), 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 2000 and 2001. The Regulations governing the violations at issue are found in the 2000 and 2001 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000-2001)). 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, DI Canada, 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 DI Canada of its intention to initiate an administrative proceeding against DI Canada, pursuant to the Act and the Regulations;

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

1. *One Violation of 15 C.F.R. § 764.2(a) – Reexport to Libya without the Required U.S. Government Authorization:* On or about December 18, 2000, DI Canada engaged in conduct prohibited by the Regulations by reexporting various oil industry-related items, which were subject to the Regulations,[3] from Canada 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.
2. *One Violation of 15 C.F.R. § 764.2(b) – Causing an Export to Libya without the Required U.S. Government Authorization:* On or about January 4, 2001, DI Canada 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[4] to the Libyan Sanctions Regulations,[5] and which were

[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) (2000-2001).

[4] These items were classified as EAR99.

exported by the U.S. company through Canada 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 or are transshipped through 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 Office of Foreign Assets Control, Department of Treasury ("OFAC") before the items could be exported to Libya. No OFAC authorization was obtained.

WHEREAS, DI Canada 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, DI Canada 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, DI Canada enters into this Agreement voluntarily and with full knowledge of its rights;

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

WHEREAS, DI Canada neither admits nor denies the allegations contained in the proposed charging letter;

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[5] 31 C.F.R. Part 550 (2000-2001).

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

WHEREAS, DI Canada agrees to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

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

2. The following sanction shall be imposed against DI Canada 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. DI Canada 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 DI Canada. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of DI Canada'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, DI Canada 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 DI Canada 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

DI CANADA, INC.

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

Date: 16 may 2006

APPROVED BY LEGAL

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

In the Matter of:	)
	)
DI Canada, Inc.	)
2135, Meadowpine Boulevard	)
Mississauga, Ontario L5N 6L5	)
Canada	)
	)
Respondent	)

ORDER RELATING TO DI CANADA, INC.

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS") has notified DI Canada, Inc. ("DI Canada"), of its intention to initiate an administrative proceeding against DI Canada 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

[1] The charged violations occurred during 2000 and 2001. The Regulations governing the violations at issue are found in the 2000 and 2001 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000-2001)). 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.

DI Canada that alleged that DI Canada committed two violations of the Regulations. Specifically, the charges are:

1. *One Violation of 15 C.F.R. § 764.2(a) – Reexport to Libya without the Required U.S. Government Authorization:* On or about December 18, 2000, DI Canada engaged in conduct prohibited by the Regulations by reexporting various oil industry-related items, which were subject to the Regulations,[3] from Canada 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.

2. *One Violation of 15 C.F.R. § 764.2(b) – Causing an Export to Libya without the Required U.S. Government Authorization:* On or about January 4, 2001, DI Canada 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[4] to the Libyan Sanctions Regulations,[5] and which were exported by the U.S. company through Canada to Libya without the required U.S. Government authorization. Section 734.2(b)(6) of the Regulations provides that the

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[4] These items were classified as EAR99.

[5] 31 C.F.R. Part 550 (2000-2001).

export of items subject to the Regulations that transit or are transshipped through 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 Office of Foreign Assets Control, Department of Treasury ("OFAC") before the items could be exported to Libya. No OFAC authorization was obtained.

WHEREAS, BIS and DI Canada 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 DI Canada, 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, DI Canada 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 DI Canada. Accordingly, if DI Canada should fail to pay the civil penalty in a timely manner, the

undersigned may enter an Order denying all of DI Canada'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.

Wendy L. Wysong for
Darryl W. Jackson
Assistant Secretary of Commerce
for Export Enforcement

Entered this 23d day of May, 2006.