

REGISTERED MAIL - RETURN RECEIPT REQUESTED

Tesmec U.S.A. Inc.
12520 East F.M. 917
Alvarado, TX 76009

Attention: *Jim Holley*
General Manager

Dear Mr. Holley:

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has reason to believe that Tesmec U.S.A. Inc. (“Tesmec USA”) of Alvarado, Texas has committed two violations of the Export Administration Regulations (the “Regulations”),¹ which are issued under the authority of the Export Administration Act of 1979 (the “Act”).² Specifically, BIS charges that Tesmec USA has committed the following violations:

Charge 1 15 C.F.R. § 764.2(c)- Attempted Export of Item to Libya Without the Required Authorization

On one occasion on or about February 11, 2003, Tesmec USA attempted a violation of the Regulations by attempting to export a trencher, an item subject to the Regulations (“EAR99”)³, to Libya via Italy without obtaining a license from the Department of Commerce (“DOC”) as required by then Section 746.4 of the Regulations. In so doing, Tesmec USA committed one violation of Section 764.2(c) of the Regulations.

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2005). The charged violations occurred in 2003. The Regulations governing the violations at issue are found in the 2003 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2003)). The 2005 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 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. 45273 (August 5, 2005)), has continued the Regulations in effect under IEEPA.

³ EAR 99 is a designation for items subject to the Regulations that are not listed on the Commerce Control list.

Charge 2 15 C.F.R. § 764.2(e) - Transport of Item Subject to the Regulations With Knowledge That a Violation Would Occur

In connection with the attempted export described above, Tesmec USA transported a trencher, an item subject to the Regulations, from Alvarado, Texas to Houston, Texas with knowledge that a violation of the Regulations was intended to occur in connection with the trencher. At all times relevant hereto, Tesmec USA knew that the trencher required a license from DOC for export to Libya as required by then Section 746.4 of the Regulations, and that the required authorization would not be obtained. In so doing, Tesmec USA committed one violation of Section 764.2(e) of the Regulations.

Accordingly, Tesmec USA 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;⁴

Denial of export privileges; and/or

Exclusion from practice before BIS.

If Tesmec USA fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. (Regulations, Sections 766.6 and 766.7.) If Tesmec USA defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Tesmec USA. The Under Secretary for Industry and Security may then impose up to the maximum penalty on the charges in this letter.

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

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

⁴ See 15 C.F.R. § 6.4(a)(2).

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, Tesmec USA'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 Tesmec USA's answer must be served on BIS at the following address:

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

Parvin Huda is the attorney representing BIS in this case. Any communications that Tesmec USA may wish to have concerning this matter should occur through her. She 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:)
)
Tesmec U.S.A. Inc.)
12520 East F.M. 917)
Alvarado, TX 76009)
)
Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Respondent, Tesmec U.S.A. Inc. (“Tesmec USA”), and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively referred to as “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (“Regulations”)¹, issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”);²

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

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

¹ The charged violations occurred in 2003. The Regulations governing the violations at issue are found in the 2003 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2003)). The 2006 Regulations establish the procedures that apply to this matter.

² 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 most recently by the Notice of August 2, 2005, (70 Fed. Reg. 45,273 (August 5, 2005)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701- 1706 (2000)).

1. *One Violation of 15 C.F.R. § 764.2(c)- Attempted Export of Item to Libya Without the Required Authorization:* On one occasion on or about February 11, 2003, Tesmec USA attempted a violation of the Regulations by attempting to export a trencher, an item subject to the Regulations ("EAR99")³, to Libya via Italy without obtaining a license from the U.S. Department of Commerce as required by then Section 746.4 of the Regulations.
2. *One Violation of 15 C.F.R. § 764.2(e) - Transport of Item Subject to the Regulations With Knowledge That a Violation Would Occur:* In connection with the attempted export described above, Tesmec USA transported a trencher, an item subject to the Regulations, from Alvarado, Texas to Houston, Texas with knowledge that a violation of the Regulations was intended to occur in connection with the trencher. At all times relevant hereto, Tesmec USA knew that the trencher required a license from the U.S. Department of Commerce for export to Libya as required by then Section 746.4 of the Regulations, and that the required authorization would not be obtained.

WHEREAS, Tesmec USA 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;

³ EAR 99 is a designation for items subject to the Regulations that are not listed on the Commerce Control list.

WHEREAS, Tesmec USA 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, Tesmec USA enters into this Agreement voluntarily and with full knowledge of its rights;

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

WHEREAS, Tesmec USA neither admits nor denies the allegations contained in the proposed charging letter;

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

WHEREAS, Tesmec USA agrees to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over Tesmec USA, under the Regulations, in connection with the matters alleged in the proposed charging letter.
2. The following sanctions shall be imposed against Tesmec USA in complete settlement of the violations of the Regulations set forth in the proposed charging letter:
 - a. Tesmec USA shall be assessed a civil penalty in the amount of \$12,600, 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 Tesmec USA.

Failure to make timely payment of the civil penalty set forth above shall result in the denial of all of Tesmec USA'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, Tesmec USA 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 \$12,600 civil penalty, BIS will not initiate any further administrative proceeding against Tesmec USA in connection with any violation of the Act or the Regulations arising out of the transactions identified in the proposed charging letter.

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

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

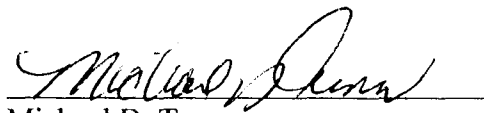
7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

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

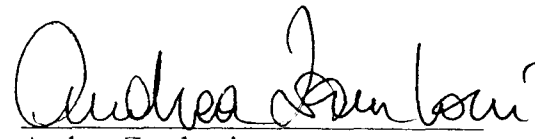
9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

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

TESMEC U.S.A. INC.



Michael D. Turner
Director
Office of Export Enforcement



Andrea Zamboni
Chief Executive Officer

Date: 06/14/06

Date: 17/05/06

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

In the Matter of:)
)
Tescmec U.S.A. Inc.)
12520 East F.M. 917)
Alvarado, TX 76009)
)
Respondent)

ORDER RELATING TO TESMEC U.S.A. INC.

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

1. *One Violation of 15 C.F.R. § 764.2(c)- Attempted Export of Item to Libya Without the Required Authorization:* On one occasion on or about February 11, 2003, Tescmec USA attempted a violation of the Regulations by attempting to export a

¹ The charged violations occurred in 2003. The Regulations governing the violations at issue are found in the 2003 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2003)). The 2006 Regulations establish the procedures that apply to this matter.

² 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 most recently by the Notice of August 2, 2005, (70 Fed. Reg. 45,273 (August 5, 2005)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701- 1706 (2000)).

trencher, an item subject to the Regulations ("EAR99")³, to Libya via Italy without obtaining a license from the U.S. Department of Commerce as required by then Section 746.4 of the Regulations.

2. *One Violation of 15 C.F.R. § 764.2(e) - Transport of Item Subject to the Regulations With Knowledge That a Violation Would Occur:* In connection with the attempted export described above, Tesmec USA transported a trencher, an item subject to the Regulations, from Alvarado, Texas to Houston, Texas with knowledge that a violation of the Regulations was intended to occur in connection with the trencher. At all times relevant hereto, Tesmec USA knew that the trencher required a license from the U.S. Department of Commerce for export to Libya as required by then Section 746.4 of the Regulations, and that the required authorization would not be obtained.

WHEREAS, BIS and Tesmec USA 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 \$12,600 is assessed against Tesmec USA, 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.

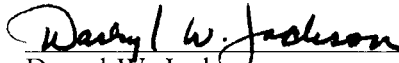
³ EAR 99 is a designation for items subject to the Regulations that are not listed on the Commerce Control list.

§§ 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, Tesmec USA 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 Tesmec USA. Accordingly, if Tesmec USA should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Tesmec USA'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 20th day of June 2006.