

PROPOSED CHARGING LETTER

REGISTERED MAIL - RETURN RECEIPT REQUESTED

Vonberg Valve, Inc.  
3800 Industrial Avenue  
Rolling Meadows, IL 60008

Attn: *Joseph M. Levon*  
*Chairman & CEO*

Dear Mr. Levon:

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has reason to believe that Vonberg Valve, Inc. of Rolling Meadows, Illinois ("Vonberg") has committed two 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 Vonberg committed the following violations:

**Charge 1      15 C.F.R. § 764.2(c): Attempted Export of Flow Regulators and Flow Limiters through Germany to Iran without the Required License**

On or about April 29, 2004, Vonberg violated the Regulations by attempting to export flow regulator cartridges and flow limiters, items subject to the Regulations<sup>3</sup> and the Iranian Transactions Regulations ("ITR")<sup>4</sup> of the Department of the Treasury's Office of Foreign Assets Control ("OFAC"), through Germany to Iran without the required U.S. Government

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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 in 2004. The Regulations governing the violations at issue are found in the 2004 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2004)). The 2006 Regulations set forth the procedures that apply to this matter.

<sup>2</sup> 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)), which has been extended by successive Presidential Notices, the most recent being that of August 2, 2006 (71 Fed. Reg. 44,551 (Aug. 7, 2006)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000) ("IEEPA"). The Act and the Regulations are available on the Government Printing Office website at: <http://www.access.gpo.gov/bis/>.

<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) (2004).

<sup>4</sup> 31 C.F.R. Part 560 (2004).

authorization.<sup>5</sup> Pursuant to Section 746.7 of the Regulations and Section 560.204 of the ITR, the export of these items to Iran required OFAC authorization. No such authorization was obtained. In engaging in this activity, Vonberg committed one violation of Section 764.2(c) of the Regulations.

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

On or about April 29, 2004, in connection with the transaction described in Charge 1, above, Vonberg sold, transferred, transported, and/or forwarded items to be exported from the United States and subject to the Regulations with knowledge that a violation of the Regulations was about to occur or was intended to occur in connection with the items. Vonberg knew or had reason to know that exports to Iran required authorization from the U.S. Government, and knew or had reason to know that the items were being exported to Iran without the required authorization. Vonberg knew or had reason to know that exports to Iran required authorization from the U.S. Government because on or around August 6, 2003, a BIS Office of Export Enforcement Special Agent informed the Vonberg employee responsible for international sales and exports processing that a license was required to export items to Iran. Vonberg had reason to know that its export to Germany was destined for Iran because Vonberg's German customer informed Vonberg that the items were being purchased to supply a customer in Iran. In addition, the shipping company involved in the transaction informed Vonberg that the shipment was destined for Iran. In engaging in this activity, Vonberg committed one violation of Section 764.2(e) of the Regulations.

\* \* \* \* \*

Accordingly, Vonberg 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>6</sup>
- Denial of export privileges; and/or
- Exclusion from practice before BIS.

If Vonberg 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. §§

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<sup>5</sup> Under the Regulations, the export of an item subject to the Regulations that will transit through a country or countries or be transshipped in a country or countries to a new country, or is intended for reexport to the new country, is deemed to be an export to the new country. 15 C.F.R. § 734.2(b)(6).

<sup>6</sup> 15 C.F.R. § 6.4(a)(4) (2004).

766.6 and 766.7. If Vonberg defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Vonberg. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty for the charges in this letter.

Vonberg 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. Vonberg 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 Vonberg have a proposal to settle this case, Vonberg 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, Vonberg'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 Vonberg'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 Vonberg 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

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In the Matter of: )  
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Vonberg Valves, Inc. )  
3800 Industrial Avenue )  
Rolling Meadows, IL 60008 )  
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Respondent. )  
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SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made by and between Vonberg Valves, Inc. ("Vonberg"), 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>

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

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<sup>1</sup> The violations alleged to have been committed occurred during 2004. The Regulations governing the violations at issue are found in the 2004 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2004)). The 2006 Regulations establish the procedures that apply to this matter.

<sup>2</sup> 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)), which has been extended by successive Presidential Notices, the most recent being that of August 3, 2006 (71 Fed. Reg. 44,551 (Aug. 7, 2006)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)).

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

**Charge 1      15 C.F.R. § 764.2(e): Attempted Export of Flow Regulators and Flow Limiters through Germany to Iran without the Required License**

On or about April 29, 2004, Vonberg violated the Regulations by attempting to export flow regulator cartridges and flow limiters, items subject to the Regulations<sup>3</sup> and the Iranian Transactions Regulations (“ITR”)<sup>4</sup> of the Department of the Treasury’s Office of Foreign Assets Control (“OFAC”), through Germany to Iran without the required U.S. Government authorization.<sup>5</sup> Pursuant to Section 746.7 of the Regulations and Section 560.204 of the ITR, the export of these items to Iran required OFAC authorization. No such authorization was obtained. In engaging in this activity, Vonberg committed one violation of Section 764.2(e) of the Regulations.

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

On or about April 29, 2004, in connection with the transaction described in Charge 1, above, Vonberg sold, transferred, transported, and/or forwarded items to be exported from the United States and subject to the Regulations with knowledge that a violation of the Regulations was about to occur or was intended to occur in connection with the items. Vonberg knew or had reason to know that exports to Iran required authorization from the U.S. Government, and knew or had reason to know that the items were being exported to Iran without the required authorization. Vonberg knew or had reason to know that exports to Iran required authorization from the U.S. Government because on or around August 6, 2003, a BIS Office of Export Enforcement Special Agent informed the Vonberg employee responsible for international sales and exports processing that a license was required to export items to Iran. Vonberg had reason to know that its export to Germany was destined for Iran because Vonberg’s German customer informed Vonberg that the items were being purchased to supply a customer in Iran. In addition, the shipping company involved in the transaction informed Vonberg that the shipment was destined for Iran. In engaging in this activity, Vonberg committed one violation of Section 764.2(e) of the Regulations.

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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) (2004).

<sup>4</sup> 31 C.F.R. Part 560 (2004).

<sup>5</sup> Under the Regulations, the export of an item subject to the Regulations that will transit through a country or countries or be transshipped in a country or countries to a new country, or is intended for reexport to the new country, is deemed to be an export to the new country. 15 C.F.R. § 734.2(b)(6).

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

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

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

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

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

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over Vonberg, under the Regulations, in connection with the matters alleged in the proposed charging letter.
2. The following sanction shall be imposed against Vonberg in complete settlement of the alleged violations of the Regulations relating to the transactions specifically detailed in the proposed charging letter:

- a. Vonberg shall be assessed a civil penalty in the amount of \$21,000, 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 Vonberg. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Vonberg's export privileges for a period of one year from the date of imposition of the penalty.
  - c. Vonberg shall perform an audit of its internal compliance program within 12 months of the date of entry of the Order. Said audit shall be in substantial compliance with the Export Management Systems audit module, which is available from the BIS website at <http://www.bis.doc.gov/complianceand enforcement/ExportManagementSystems.htm>, which is incorporated by reference. A copy of said audit shall be transmitted to the Office of Export Enforcement, 2400 East Devon Avenue, Suite 300, Des Plaines, Illinois 60018 no later than 13 months from the date of entry of the Order.
3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, Vonberg 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; and (c) 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 \$21,000 civil penalty, BIS will not initiate any further administrative proceeding against Vonberg 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.

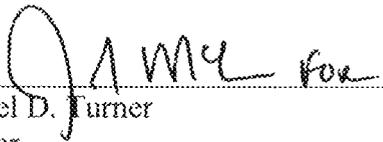
6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial 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 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: 3/14/07

VONBERG VALVES, INC.

  
.....  
Michael D. Levon  
President and Chief Operating Officer

Date: 2-28-2007

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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Vonberg Valves, Inc. )  
3800 Industrial Avenue )  
Rolling Meadows, IL 60008 )  
 )  
Respondent. )  
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ORDER RELATING TO VONBERG VALVES, INC.

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS") has notified Vonberg Valves, Inc. ("Vonberg"), of its intention to initiate an administrative proceeding against Vonberg 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 issuance of a proposed charging letter to Vonberg that alleged that Vonberg committed two violations of the Regulations. Specifically, these charges are:

.....  
<sup>1</sup> The violations alleged to have been committed occurred during 2004. The Regulations governing the violations at issue are found in the 2004 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2004)). The 2006 Regulations establish the procedures that apply to this matter.

<sup>2</sup> 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)), which has been extended by successive Presidential Notices, the most recent being that of August 3, 2006 (71 Fed. Reg. 44,551 (Aug. 7, 2006)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)).

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

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WHEREAS, BIS and Vonberg 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

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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) (2004).

<sup>4</sup> 31 C.F.R. Part 560 (2004).

<sup>5</sup> Under the Regulations, the export of an item subject to the Regulations that will transit through a country or countries or be transshipped in a country or countries to a new country, or is intended for reexport to the new country, is deemed to be an export to the new country. 15 C.F.R. § 734.2(b)(6).

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

IT IS THEREFORE ORDERED:

FIRST, that a civil penalty of \$21,000 is assessed against Vonberg, 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.

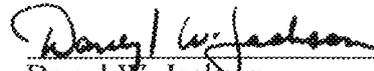
SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, Vonberg will be assessed, in addition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

FOURTH, that Vonberg shall perform an audit of its internal compliance program within 12 months from the date of entry of this Order. Said audit shall be in substantial compliance with the Export Management Systems audit module, which is available from the BIS website at <http://www.bis.doc.gov/complianceand enforcement/ExportManagementSystems.htm>, which is incorporated by reference. A copy of said audit shall be transmitted to the Office of Export Enforcement, 2400 East Devon Avenue, Suite 300, Des Plaines, Illinois 60018 no later than 13 months from the date of entry of the Order.

FIFTH, 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 16<sup>th</sup> day of March, 2007.