

UNITED STATES OF AMERICA
DEPARTMENT OF COMMERCE

_____))
))
))
In the Matter of))
)) Case No. 02-01
Input/Output Exploration Products (UK), Inc.))
))
_____))

SETTLEMENT AGREEMENT

This agreement is made by and between Input/Output Exploration Products (UK), Inc., A a wholly-owned foreign subsidiary of a domestic concern, and the Office of Antiboycott Compliance, Bureau of Industry and Security, United States Department of Commerce (“Department”), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2003)) (the “Regulations”), issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C.A. app. §§ 2401-2420 (2001)) (the “Act”).¹

¹From August 21, 1994 through November 12, 2000, the Act was in lapse. During that time the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the most recent 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. Sections 1701-1706 (2000 IEEPA)). On November 12, 2000, the Act was reauthorized and 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)), and successive Presidential Notices, the most recent of which was August 7, 2003 (Fed. Reg. 47833, August 11, 2003), has continued the Regulations in effect under IEEPA.

WHEREAS, the Department has notified Input/Output Exploration Products (UK), Inc. of its intention to initiate an administrative proceeding against Input/Output Exploration Products (UK), Inc., pursuant to Section 11(c) of the Act by issuing the Proposed Charging Letter dated January 16, 2004, a copy of which is attached hereto and incorporated herein by this reference; and

WHEREAS, Input/Output Exploration Products (UK), Inc. has reviewed the Proposed Charging Letter and is aware of the allegations against it and the administrative sanctions which could be imposed against it if the allegations are found to be true; Input/Output Exploration Products (UK), Inc. fully understands the terms of this Settlement Agreement, and enters into this Settlement Agreement voluntarily and with full knowledge of its rights; and Input/Output Exploration (UK), Inc. states that no promises or representations have been made to it other than the agreements and considerations herein expressed; and

WHEREAS, Input/Output Exploration Products (UK), Inc. neither admits nor denies the truth of the allegations, but wishes to settle and dispose of the allegations made in the Proposed Charging Letter by entering into this Settlement Agreement; and

WHEREAS, Input/Output Exploration Products (UK), Inc. agrees to be bound by the appropriate Order (“Order”) when entered;

NOW, THEREFORE, Input/Output Exploration Products (UK), Inc. and the Department agree as follows:

1. Under the Act and the Regulations, the Department has jurisdiction over Input/Output Exploration Products (UK), Inc. with respect to the matters alleged in the Proposed Charging Letter.
2. The Department will impose a civil penalty in the amount of \$24,500.  Input/Output Exploration Products (UK), Inc. will pay to the Department, within 30 days of receipt of service of the Order, when entered, the amount of \$24,500 in complete settlement of all matters set forth in the Proposed Charging Letter.
3. As authorized by Section 11(d) of the Act, timely payment of the amount agreed to in paragraph 2 is hereby made a condition of the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to Input/Output Exploration Products (UK), Inc. Failure to make payment of this amount shall result in the denial of all of Input/Output Exploration Products (UK), Inc.'s export privileges for a period of one year from the date of entry of the Order.
4. Subject to the approval of this Settlement Agreement, pursuant to paragraph 9 hereof, Input/Output Exploration (UK), Inc. hereby waives all rights to further

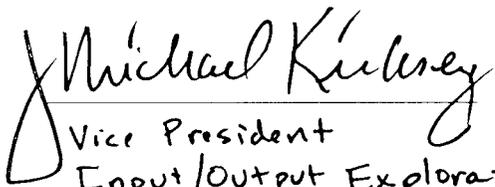
procedural steps in this matter (except with respect to any alleged violation of this Settlement Agreement or the Order, when entered) including, without limitation, any right to:

- A. An administrative hearing regarding the allegations in the Proposed Charging Letter;
 - B. Request a refund of the funds paid by Input/Output Exploration Products (UK), Inc. pursuant to this Settlement Agreement and the Order, when entered; or
 - C. Seek judicial review or otherwise contest the validity of this Settlement Agreement or the Order, when entered.
5. The Department, upon entry of the Order, will not initiate any administrative or judicial proceeding, or make a referral to the Department of Justice for criminal proceedings against Input/Output Exploration Products (UK), Inc. with respect to any violation of Section 8 of the Act or Part 760 of the Regulations arising out of the transactions set forth in the Proposed Charging Letter or any other transaction that was disclosed to or reviewed by the Department in the course of its investigation.
6. Input/Output Exploration Products (UK), Inc. understands that the Department will disclose publicly the Proposed Charging Letter, this Settlement Agreement, and the Order, when entered.

7. This Settlement Agreement is for settlement purposes only, and does not constitute an admission by Input/Output Exploration Products (UK), Inc. that it has violated the Regulations, or an admission of the truth of any allegation contained in the Proposed Charging Letter or referred to in this Settlement Agreement. Therefore, if this Settlement Agreement is not accepted and the Order not entered by the Assistant Secretary for Export Enforcement, the Department may not use this Settlement Agreement against Input/Output Exploration Products (UK), Inc. in any administrative or judicial proceeding.
8. No agreement, understanding, representation or interpretation not contained in this Settlement Agreement may be used to vary or otherwise affect the terms of this Settlement Agreement or the Order, when entered, nor shall this Settlement Agreement bind, constrain or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances herein addressed. This paragraph shall not limit Input/Output Exploration Products (UK), Inc.'s right to challenge any action brought by any other agency based on a referral by the Department or any employee thereof, in contravention of paragraph 5 of this Settlement Agreement.

9. This Settlement Agreement will become binding on the Department only when approved by the Assistant Secretary for Export Enforcement by entering the Order.

Input/Output Exploration Products (UK), Inc.


Vice President
Input/Output Exploration Products (UK), Inc.

DATE: 3/16/04

U.S. DEPARTMENT OF COMMERCE



DATE: 4/9/04

Dexter M. Price
Director
Office of Antiboycott Compliance

Attachment



PROPOSED CHARGING LETTER

January 16, 2004

Input/Output Exploration Products (UK), Inc.
49 A Hurricane Way, Airport Ind. Estate
Norwich NR6 6JB
United Kingdom

Case No. 02-01

Gentlemen/Ladies:

We have reason to believe and charge that you, Input/Output Exploration Products (UK), Inc., have committed twelve violations of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2003)) (the "Regulations"),¹ issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2001)) ("the Act").²

We charge that you committed eight violations of Section 760.2(d) of the Regulations, in that, with intent to comply with, further or support an unsanctioned foreign boycott, you furnished eight items of information about your and other persons' business relationships with or in a boycotted country.

We further charge that you committed three violations of Section 760.6 of the Regulations in that you failed to report to the Department in a timely manner your receipts of requests to engage in restrictive trade practices or boycotts.

¹ The alleged violations occurred in 1999. The Regulations governing the violations at issue are found in the 1999 version of the Code of Federal Regulations (15 C.F.R. Parts 768-799 (1999)) and define the violations that we allege occurred. They are substantively the same as the 2003 version of the Regulations which govern the procedural aspects of this case.

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 most recent 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.A. §§ 1701-1706 (1991 & Supp. 2001)) (IEEPA). On November 13, 2000, the Act was reauthorized and 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 7, 2003 (68 Fed. Reg. 47833 (August 11, 2003)), has continued the Regulations in effect under IEEPA.



Additionally, we charge that you committed one violation of Section 760.2(a) of the Regulations in that you agreed to refuse to do business with or in a boycotted country, with any business concern organized under the laws of a boycotted country, with nationals or residents of a boycotted country, or with any other person, pursuant to an agreement with, a requirement of or a request from or on behalf of a boycotting country, in violation of Section 760.2(a) of the Regulations.

We allege that:

Input/Output, Inc., is, and at all times relevant was, a domestic concern resident in the State of Texas and, as such, is a United States person as defined in Section 760.1(b) of the Regulations.

You, Input/Output Exploration Products (UK), Inc., are, and at all times relevant were, a company registered under the laws of the United Kingdom and a wholly-owned subsidiary of Input/Output, Inc. Accordingly, you are a controlled-in-fact foreign subsidiary of a domestic concern, as defined in Section 760.1(c) of the Regulations, and, as such, are a United States person as defined in Section 760.1(b) of the Regulations.

During the period January through December, 1999, you engaged in transactions involving the sale of United States-origin goods and services to Syria, an activity in the interstate or foreign commerce of the United States as defined in Section 760.1(d) of the Regulations.

Charges 1-8 (15 C.F.R. §760.2(d)-Furnishing Information about Business Relationships with Boycotted Countries or Blacklisted Persons)

In connection with the activities described in paragraph 3 above, on or about November 15, 1999, you executed and provided to persons in Syria a document containing eight items of information as described in Table A, which is attached and herein incorporated.

By providing that information, you, with intent to comply with, further or support an unsanctioned foreign boycott, provided eight items of information about your and other persons' business relationships with or in a boycotted country, an activity prohibited by Section 760.2(d) of the Regulations, and not excepted. We, therefore, charge you with eight (8) violations of Section 760.2(d).

Charges 9-11 (15 C.F.R. § 760.5)-Failing to Report, as Required by the Regulations, a Request to Engage in a Restrictive Trade Practice or Foreign Boycott of a Country Friendly to the United States

During 1999, in connection with the activities referred to above, you on three occasions received the following request from persons in Syria:

“Submit a statement showing that you adhere to the rules of the Israel boycott.”

In connection with these activities, you received three requests to engage in restrictive trade practices or boycotts, which you failed to report to the Department in a timely manner as directed by Section 760.5 of the Regulations. Therefore we charge you with three (3) violations of Section 760.5

Charge 12 (15 C.F.R. §760.2(a)-Refusal to Do Business)

In connection with the activities described above, on or about October 8, 1999, you executed and provided to persons in Syria documents containing the following statement:

“We abide completely by the rules of the ARAB BUREAU OF
BOYCOTTING ISRAEL.”

By executing and providing those documents you, with intent to comply with, further or support an unsanctioned foreign boycott, knowingly agreed to refuse to do business with persons known or believed to be restricted from having any business relationship with or in a boycotting country, pursuant to a requirement of or a request from, or on behalf of, a boycotting country, an activity prohibited by Section 760.2(a) of the Regulations, and not excepted. We, therefore, charge you with one (1) violation of Section 760.2(a).

Accordingly, administrative proceedings are instituted against you pursuant to Part 766 of the Regulations for the purpose of obtaining an Order imposing administrative sanctions.³

You are entitled to a hearing on the record as provided in Section 766.6 of the Regulations. If you wish to have a hearing on the record, you must file a written demand for it with your answer. You are entitled to be represented by counsel and, under Section 766.18 of the Regulations, to seek a settlement agreement.

If you fail to answer the allegations contained in this letter within thirty (30) days after service as provided in Section 766.6, such failure will be treated as a default under Section 766.7.

As provided in Section 766.3, I am referring this matter to the Administrative Law Judge. Pursuant to an Interagency Agreement between the Bureau of Industry and Security and the U.S. Coast Guard, the U.S. Coast Guard is providing administrative law judge services, to the extent that such services are required under the Regulations, in connection with the matter set forth in this letter. Therefore, in accordance with the instructions in Section 766.5(a) of the Regulations, your answer should be filed with:

U.S. Coast Guard ALJ Docketing Center
40 South Gay Street
Baltimore, Maryland 21202-4022

Attention: Administrative Law Judge

³ Administrative sanctions may include any or all the following:

- a. A civil penalty of \$11,000 per violation (see § 764.3(a)(1) of the Regulations and 15 C.F.R. §6.4(a)(3), 2003);
- b. Denial of export privileges (see § 764.3(a)(2) of the Regulations); and/or
- c. Exclusion from practice before BIS (see § 764.3(a)(3) of the Regulations).

Also, in accordance with the instructions in Section 766.5(b) of the Regulations, a copy of your answer should also be served on the Bureau of Industry and Security at:

Office of the Chief Counsel for Industry and Security
U.S. Department of Commerce
Room H-3839
14th Street & Constitution Avenue, N.W.
Washington, D.C. 20230

Sincerely,

Dexter M. Price
Director
Office of Antiboycott Compliance

Attachment

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

_____))
))
))
In the Matter of))
)) Case No. 02-01
Input/Output Exploration Products (UK), Inc.))
))
_____))

ORDER

The Office of Antiboycott Compliance, Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), having determined to initiate an administrative proceeding pursuant to Section 11(c) of the Export Administration Act of 1979, as amended (50 U.S.C.A. app. §§ 2401-2420 (2001)) (the “Act”)¹ and the Export Administration Regulations (currently codified at 15 C.F.R Parts 730-774 (2003))(the “Regulations”), against Input/Output Exploration Products (UK), Inc. (IOEP), a controlled-in-fact foreign subsidiary of a domestic concern, based on allegations set forth in the Proposed Charging Letter, dated January 16, 2004, that alleged that IOEP committed twelve violations of the Regulations.

¹From 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 most recent 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. Sections 1701-1706 (2000)) (IEEPA). On November 12, 2000, the Act was reauthorized and 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)), and successive Presidential Notices, the most recent of which was August 7, 2003 (68 Fed. Reg. 47833, August 11, 2003), has continued the Regulations in effect under the IEEPA.

Specifically, the charges are:

1. *Eight Violations of 15 C.F.R. §760.2(d) - Furnishing Information about Business Relationships with Boycotted Countries or Blacklisted Persons:*
During the period January through December, 1999, IOEP engaged in transactions involving the sale of United States-origin goods and services to Syria. In connection with these activities, on or about November 15, 1999, IOEP executed and provided to persons in Syria a document containing eight items of information as described in Table A, which is attached and herein incorporated. By providing that information, IOEP, with intent to comply with, further or support an unsanctioned foreign boycott, provided eight items of information about your and other persons' business relationships with or in a boycotted country, an activity prohibited by Section 760.2(d) of the Regulations, and not excepted.

2. *Three Violations of 15 C.F.R. §760.5-Failing to Report a Request to Engage in a Restrictive Trade Practice or Foreign Boycott of a Country Friendly To the United States:* During the period January through December, 1999, IOEP engaged in transactions involving the sale of United States-origin goods and

services to Syria. In connection with these activities, IOEP on three occasions received the following request from persons in Syria:

“Submit a statement showing that you adhere to the rules of the
Israeli boycott.”

IOEP therefore received three requests to engage in restrictive trade practices or boycotts, which IOEP failed to report to the Department in a timely manner as directed by Section 760.5 of the Regulations.

3. *One Violation of 15 C.F.R. §760.2(a)-Refusal to Do Business:* During the period January through December, 1999, IOEP engaged in transactions involving the sale of United States-origin goods and services to Syria. In connection with these activities, IOEP executed and provided to persons in Syria documents containing the following statement:

“We abide completely by the rules of the ARAB BUREAU
OF BOYCOTTING ISRAEL.”

By executing and providing those documents IOEP, with intent to comply with, further or support an unsanctioned foreign boycott, knowingly agreed to refuse to do business with persons known or believed to be restricted

from having any business relationship with or in a boycotting country, pursuant to a requirement of or a request from, or on behalf of, a boycotting country, an activity prohibited by Section 760.2(a) of the Regulations and not excepted.

BIS and IOEP having entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby the parties have agreed to settle this matter in accordance with the terms and conditions set forth therein and the terms of the Settlement Agreement having been approved by me;

IT IS THEREFORE ORDERED THAT:

FIRST, a civil penalty of \$24,500 is assessed against IOEP 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 Collections Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (1983 and Supp. 2001)), 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, IOEP will be assessed, in addition to the full amount of the penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, as authorized by Section 11(d) of the Act, the timely payment of the sum of \$24,500 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 IOEP. Accordingly, if IOEP should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order under the authority of Section 11(d) of the Act denying all of IOEP's export privileges for a period of one year from the date of the entry of this Order.

FOURTH, that the Proposed Charging Letter, the Settlement Agreement and this Order shall be made available to the public, and a copy of this Order shall be served upon IOEP.

TABLE A
ITEMS OF INFORMATION TRANSMITTED
TO SYRIAN BOYCOTT OFFICE, NOVEMBER 1999

INPUT/OUTPUT EXPLORATION (UK), INC.
CASE NO. 02-01

DECLARATION AND PLEDGE

WE A BRANCH OF [Deleted]
IN ENGLAND DECLARE ON BEHALF OF
OUR PARENT COMPANY, THE FOLLOWING:

1-WE [Deleted] IN THE
PAST, A COMPANY, FACTORY (MAIN OR
BRANCH) [Deleted] ASSEMBLY PLANT IN ISREAL

2-WE [Deleted] IN THE
PAST [Deleted] IN ISREAL
FOR OUR BUSINESS RELATING TO THE
MIDDLE EAST AND OTHER COUNTRIES

3-WE [Deleted] THE RIGHT OF
USING OUR NAME, TRADE MARKS,
PATENT, ETC. [Deleted] THAT OF ANY OF
OUR SUBSIDIARIES, TO PERSONS OR ESTABLISHMENTS IN ISREAL.

4-WE [Deleted] IN
ISREAL ESTABLISHMENT OR BUSINESSES INSIDE ISREAL

5-WE [Deleted] CONSULTING
SERVICES NOR TECHNICAL ASSISTANCE TO ANY ISREALI ESTABLISHMENT OR
BUSINESS

6-WE [Deleted] ISRAELI ESTABLISHMENT NOR BUSINESS INSIDE OR OUTSIDE
ISREAL

7-OUR COMPANY [Deleted] OTHER COMPANY OF ANY NATIONALITY

8-THERE ARE [Deleted] COMPANIES
[Deleted] WHICH OWN SHARES IN OUR COMPANY

This Order, which constitutes the final agency action in this matter, is effective immediately.


Julie L. Myers
Assistant Secretary of Commerce for
Export Enforcement

Entered this 13th day of May, 2004

Attachments