

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

.....
In the Matter of:)
)
Parker Hannifin Corporation)
6035 Parkland Blvd.)
Cleveland, OH 44124)
)
Respondent)
.....

ORDER RELATING TO PARKER HANNIFIN CORPORATION

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS") has notified Parker Hannifin Corporation ("Parker Hannifin") of its intention to initiate an administrative proceeding against Parker Hannifin pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2005)) (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 issuance of a proposed charging letter to Parker Hannifin that alleged that Parker Hannifin committed 53 violations of the Regulations. Specifically, these charges are:

¹ The violations charged occurred between 1999 and 2002. The regulations governing the violations at issue are found in the 2000-2002 versions of the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2000-2002). The 2005 Regulations govern 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.

1. *17 Violations of 15 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct by Exporting Check Valves without the Required License:* On 17 occasions between on or about September 1, 2000 and on or about May 30, 2002, Parker Hannifin engaged in conduct prohibited by the Regulations by exporting check valves, classified under Export Commodity Classification Number (“ECCN”) 2B350, to the Republic of Taiwan (“Taiwan”) without the Department of Commerce licenses required by Section 742.2(a)(3) of the Regulations.

2. *17 Violations of 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation:* On 17 occasions between on or about September 1, 2000 and on or about May 30, 2002, Parker Hannifin transferred or transported check valves to Taiwan with knowledge that violations of the Regulations were occurring. Specifically, Parker Hannifin had knowledge that check valves of the CV-1 product line were classified under ECCN 2B350 and therefore required a license for export to Taiwan and that they were being exported without the required licenses.

3. *1 Violation of 15 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct by Exporting Check Valves without the Required License:* On one occasion on or about June 20, 2002, Parker Hannifin engaged in conduct prohibited by the Regulations by exporting manual stop cock valves, classified under ECCN 2B350, to the People’s Republic of China without the Department of Commerce license required by Section 742.2(a)(3) of the Regulations.

4. *15 Violations of 15 C.F.R. § 764.2(g) – Misrepresentation of Facts through False Statement on Shipper’s Export Declaration:* On 15 occasions between on or about September 1, 2000 and on or about May 30, 2002, Parker Hannifin made false

statements to the U.S Government in connection with the submission of export control documents. Specifically, Parker Hannifin filed or caused to be filed Shipper's Export Declarations ("SEDs") with the U.S. Government stating that the items that were the subject of the SEDs qualified for export as either "No License Required," "N.L.R.," or "NLR." These representations were false, as licenses were required for the check valves included in the shipments. SEDs are export control documents, as defined in Part 772 of the Regulations.

5. *3 Violations of 15 C.F.R. § 764.2(g) – Misrepresentation of Facts through False Statement on Shipper's Export Declarations:* On three occasions between or about November 18, 2000 and on or about November 24, 2001, Parker Hannifin made false statements to the U.S Government in connection with the submission of export control documents. Specifically, Parker Hannifin filed or caused to be filed SEDs with the U.S. Government stating that the items that were the subject of the SEDs were exported from the United States in accordance with the Export Administration Regulations. These representations were false, as the required licenses for the check valves included in the shipments had not been obtained, and the shipments were not made in accordance with the Regulations. SEDs are export control documents, as defined in Section 772 of the Regulations.

WHEREAS, BIS and Parker Hannifin 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:

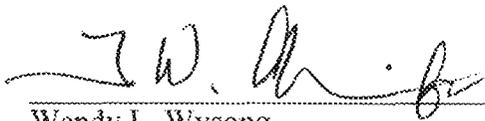
FIRST, that a civil penalty of \$185,000 is assessed against Parker Hannifin, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment shall be made in the manner specified in the attached instructions.

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, Parker Hannifin 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 Parker Hannifin. Accordingly, if Parker Hannifin should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Parker Hannifin's export privileges 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
Deputy Assistant Secretary of Commerce
for Export Enforcement

Entered this 27th day of September, 2005.

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

.....
In the Matter of:)
)
Parker Hannifin Corporation)
6035 Parkland Blvd.)
Cleveland, OH 44124)
)
..... Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made by and between Parker Hannifin Corporation ("Parker Hannifin") 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 (2005)) (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 violations charged occurred between 2000 and 2002. The regulations governing the violations at issue are found in the 2000-2002 versions of the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2000-2002). The 2005 Regulations govern 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, Parker Hannifin 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 Parker Hannifin of its intention to initiate an administrative proceeding against Parker Hannifin, pursuant to the Act and the Regulations;

WHEREAS, BIS has issued a proposed charging letter to Parker Hannifin that alleged that Parker Hannifin committed 53 violations of the Regulations, specifically:

1. *17 Violations of 15 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct by Exporting Check Valves without the Required License:* On 17 occasions between on or about September 1, 2000 and on or about May 30, 2002, Parker Hannifin engaged in conduct prohibited by the Regulations by exporting check valves, classified under Export Commodity Classification Number (“ECCN”) 2B350, to the Republic of Taiwan (“Taiwan”) without the Department of Commerce license required by Section 742.2(a)(3) of the Regulations.

2. *17 Violations of 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation:* On 17 occasions between on or about September 1, 2000 and on or about May 30, 2002, Parker Hannifin transferred or transported check valves to Taiwan with knowledge that violations of the Regulations were occurring. Specifically, Parker Hannifin had knowledge that check valves of the CV-1 product line were classified under ECCN 2B350 and therefore required a license for export to Taiwan and that they were being exported without the required licenses.

3. *1 Violation of 15 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct by Exporting Check Valves without the Required License:* On one occasion on or about June 20, 2002, Parker Hannifin engaged in conduct prohibited by the Regulations by exporting manual stop cock valves, classified under ECCN 2B350, to the People’s Republic of China without the Department of Commerce license required by Section 742.2(a)(3) of the Regulations.

4. *15 Violations of 15 C.F.R. § 764.2(g) – Misrepresentation of Facts through False Statement on Shipper’s Export Declaration:* On 15 occasions between on or about September 1, 2000 and on or about May 30, 2002, Parker Hannifin made false statements to the U.S Government in connection with the submission of export control documents. Specifically, Parker Hannifin filed or caused to be filed Shipper’s Export Declarations (“SEDs”) with the U.S. Government stating that the items that were the subject of the SEDs qualified for export as either “No License Required,” “N.L.R.,” or “NLR.” These representations were false, as licenses were required for the check valves included in the shipments. SEDs are export control documents, as defined in Part 772 of the Regulations.

5. *3 Violations of 15 C.F.R. § 764.2(g) – Misrepresentation of Facts through False Statement on Shipper’s Export Declarations:* On three occasions between or about November 18, 2000 and on or about November 24, 2001, Parker Hannifin made false statements to the U.S Government in connection with the submission of export control documents. Specifically, Parker Hannifin filed or caused to be filed SEDs with the U.S. Government stating that the items that were the subject of the SEDs were exported from the United States in accordance with the Export Administration Regulations. These

representations were false, as the required license for the check valves included in the shipments had not been obtained, and the shipments were not made in accordance with the Regulations. SEDs are export control documents, as defined in Section 772 of the Regulations.

WHEREAS, Parker Hannifin 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, Parker Hannifin fully understands the terms of this Agreement and the Order ("Order") that the Assistant Secretary of Commerce for Export Enforcement will issue if she approves this Agreement as the final resolution of this matter;

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

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

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

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

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

NOW THEREFORE, the Parties hereby agree as follows:

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

2. The following sanction shall be imposed against Parker Hannifin in complete settlement of the violations of the Regulations relating to the transactions specifically detailed in the proposed charging letter and voluntary self-disclosure:

a. Parker Hannifin shall be assessed a civil penalty in the amount of \$185,000, 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 Parker Hannifin. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Parker Hannifin's export privileges 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, Parker Hannifin 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 \$185,000 civil penalty, BIS will not initiate any further administrative proceeding against Parker Hannifin in

connection with any violation of the Act or the Regulations arising out of the transactions identified in the proposed charging letter and 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.

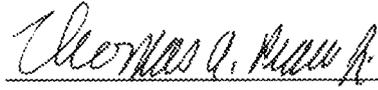
BUREAU OF INDUSTRY AND SECURITY
U.S. DEPARTMENT OF COMMERCE



Michael D. Turner
Director
Office of Export Enforcement

Date: 09/26/2005

PARKER HANNIFIN CORPORATION



Thomas A. Piraino, Jr.
Vice President, General Counsel and
Secretary

Date: September 22, 2005

PROPOSED CHARGING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Parker Hannifin Corporation
6035 Parkland Blvd.
Cleveland, OH 44124

Attention: *Donald E. Washkewicz*
Chairman of the Board and Chief Executive Officer

Dear Mr. Washkewicz:

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has reason to believe that Parker Hannifin Corporation ("Parker Hannifin") has committed 53 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 Parker Hannifin committed the following violations:

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2005). The violations charged occurred between 2000 and 2002. The Regulations governing the violations at issue are found in the 2000, 2001 and 2002 versions of the Code of Federal Regulations. *See* 15 C.F.R. Parts 730-774 (2000-2002). The 2005 Regulations govern the procedural aspects of this case.

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 12924, which was 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 (114 Stat. 2360 (2000)) and it remained in effect through August 20, 2001. Since August 21, 2001, 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, 2005 (70 Fed. Reg. 45,273, Aug. 5, 2005), continues the Regulations in effect under IEEPA. The Act and the Regulations are available on the Government Printing Office website at: <http://www.access.gpo.gov/bis/>.

**Charges 1-17 15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct by
Exporting Check Valves without the Required License**

On 17 occasions, between on or about September 1, 2000 and on or about May 30, 2002, Parker Hannifin engaged in conduct prohibited by the Regulations by exporting 468 check valves, classified under Export Control Classification Number ("ECCN") 2B350, to the Republic of Taiwan ("Taiwan") without the Department of Commerce license required by Section 742.2(a)(3) of the Regulations. *See* Schedule A, which is enclosed herewith, and incorporated herein by reference. In doing so, Parker Hannifin committed 17 violations of Section 764.2(a) of the Regulations.

Charges 18-34 15 C.F.R. § 764.2(e) - Acting with Knowledge of a Violation

On 17 occasions, between on or about September 1, 2000 and May 30, 2002, in connection with the transactions described in Charges 1-17, above, Parker Hannifin sold, transferred or transported check valves, which are items subject to the Regulations, from the United States to Taiwan with knowledge that violations of the Regulations were occurring. Specifically, Parker Hannifin had knowledge that check valves of the CV-1 product line were classified under ECCN 2B350 and therefore required a license for export to Taiwan and that they were being exported without the required licenses. *See* Schedule A, which is enclosed herewith, and incorporated herein by reference. In doing so, Parker Hannifin committed 17 violations of Section 764.2(e) of the Regulations.

**Charge 35 15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct by
Exporting Check Valves without the Required License**

On one occasion, on or about June 20, 2002, Parker Hannifin engaged in conduct prohibited by the Regulations by exporting four manual stop cock valves, classified under ECCN 2B350 to the People's Republic of China ("China") without the Department of Commerce license required by Section 742.2(a)(3) of the Regulations. *See* Schedule A, which is enclosed herewith, and incorporated herein by reference. In doing so, Parker Hannifin committed one violation of Section 764.2(a) of the Regulations.

**Charges 36-50 15 C.F.R. § 764.2(g) - Misrepresentation of Facts Through
False Statement on Shipper's Export Declarations**

On 15 occasions between on or about September 1, 2000 and on or about May 30, 2002, in connection with 15 of the transactions described in Charges 1-17, above, Parker Hannifin made false statements to the U.S. Government in connection with the submission of export control documents. Specifically, Parker Hannifin filed or caused to be filed Shipper's Export Declarations ("SEDs") with the U.S. Government stating that the items that were the subject of the SEDs qualified for export as either "No License Required," "N.L.R." or "NLR." These representations were false, as licenses were required for the check valves included in the shipments. *See* Schedule A, which is enclosed herewith, and incorporated herein by reference. SEDs are export control documents, as defined in Part 772 of the Regulations. In filing or causing to be filed

SEDs containing false statements of fact, Parker Hannifin committed 15 violations of Section 764.2(g) of the Regulations.

Charges 51-53 15 C.F.R. § 764.2(g) - Misrepresentation of Facts through False Statement on Shipper's Export Declarations

On three occasions between on or about November 18, 2000 and on or about November 24, 2001, in connection with the transactions described in Charges 4, 5, and 12, above, Parker Hannifin made false statements to the U.S. Government in connection with the submission of export control documents. Specifically, Parker Hannifin filed or caused to be filed SEDs with the U.S. Government stating that the items that were the subject of the SED were exported from the United States in accordance with the Export Administration Regulations. These representations were false, as the required license for the check valves included in the shipments had not been obtained, and the shipments were not made in accordance with the Regulations. *See* Schedule A, which is enclosed herewith, and incorporated herein by reference. SEDs are export control documents, as defined in Section 772 of the Regulations. In filing or causing to be filed SEDs containing false statements of fact, Parker Hannifin committed three violations of Section 764.2(g) of the Regulations.

* * * * *

Accordingly, Parker Hannifin 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 up to \$11,000 per violation;³
- Denial of export privileges; and/or
- Exclusion from practice before BIS.

If Parker Hannifin 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 (2005). If Parker Hannifin defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Parker Hannifin. 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.

Parker Hannifin is further notified that it is entitled to an agency hearing on the record if Parker Hannifin files a written demand for one with its answer. *See* 15 C.F.R. § 766.6 (2005). Parker Hannifin is also entitled to be represented by counsel or other authorized

³ *See* 15 C.F.R. § 6.4(a)(1) (2005).

representative who has power of attorney to represent it. *See* 15 C.F.R. §§ 766.3(a) and 766.4 (2005).

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18 (2005). Should Parker Hannifin have a proposal to settle this case, Parker Hannifin or its representative should transmit it through 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, Parker Hannifin'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 Parker Hannifin's answer must be served on BIS at the following address:

Chief Counsel for Industry and Security
Attention: Thea D. R. Kendler
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 you 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

Enclosure