

CHARGING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Magnetic Shield Corporation
740 Thomas Drive
Bensenville, Illinois 60106

*Attention: James Fox
President*

Dear Mr. Fox:

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has reason to believe that Magnetic Shield Corporation ("Magnetic Shield") of Bensenville, Illinois, 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 Magnetic Shield committed the following violations:

Charge 1 15 C.F.R. § 764.2(a) - Export to a Party on the Entity List

On or about January 29, 2001, Magnetic Shield engaged in conduct prohibited by the Regulations by exporting magnetic shielding materials, items subject to the Regulations, from the United States to the Indira Gandhi Centre for Atomic Research (IGCAR), an organization on the Entity List, without the Department of Commerce license required by Section 744.1 and Supplement

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2006). The 2001 and 2004 Regulations govern the violations at issue (15 C.F.R. Parts 730-774 (2001, 2004)). The 2006 Regulations set forth 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 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 by Pub. L. No. 106-508 (114 Stat. 2360 (2000)) 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 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)) ("IEEPA").

No. 4 to Part 744 of the Regulations. In so doing, Magnetic Shield committed one violation of Section 764.2(a).

Charge 2 15 C.F.R. § 764.2(a) - Failure to Enter License Authority on SED

On or about January 29, 2001, Magnetic Shield refrained from engaging in conduct required by the Regulations by failing to enter on the required Shipper's Export Declaration ("SED") the license authority (License number, License Exception, or No License Required (NLR)) for each item exported, as required by Section 758.1(g) of the Regulations. In so doing, Magnetic Shield committed one violation of Section 764.2(a).

Charge 3 15 C.F.R. § 764.2(c) - Attempted Violation of the Regulations

On or about April 28, 2004, Magnetic Shield attempted a violation of the Regulations by attempting to export magnetic shielding materials, items subject to the Regulations, from the United States to the Indira Gandhi Centre for Atomic Research (IGCAR), an organization on the Entity List, without the Department of Commerce license required by Section 744.1 and Supplement No. 4 to Part 744 of the Regulations. In so doing, Magnetic Shield committed one violation of Section 764.2(c).

* * * * *

Accordingly, Magnetic Shield is hereby notified that an administrative proceeding is instituted against it pursuant to 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 \$11,000 per violation;³

Denial of export privileges; and/or

Exclusion from practice before BIS.

If Magnetic Shield 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 Magnetic Shield defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Magnetic Shield. *See id.* The Under Secretary for Industry and Security may then impose up to the maximum penalty on the charges in this letter. *See id.*

³ *See* 15 C.F.R. § 6.4(a)(2).

Magnetic Shield 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. Magnetic Shield 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 Magnetic Shield have a proposal to settle this case, Magnetic Shield's 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, Magnetic Shield's answer must be filed in accordance with the instructions set forth 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 Magnetic Shield's answer must be served on BIS at the following address:

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

Melissa B. Mannino is the attorney representing BIS in this case. Any communications that Magnetic Shield 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

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In the Matter of:)
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Magnetic Shield Corporation)
740 Thomas Drive)
Bensenville, Illinois 60106)
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Respondent)
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SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Magnetic Shield Corporation (“Magnetic Shield”), 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 violations alleged to have been committed occurred during 2001 and 2004. The Regulations governing the violations at issue are found in the 2001 and 2004 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774) (2001) and (2004). 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)), 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”).

WHEREAS, Magnetic Shield filed a voluntary self-disclosure with BIS's Office of Export Enforcement in accordance with Section 764.5 of the Regulations concerning certain transactions at issue herein;

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

WHEREAS, BIS has issued a proposed charging letter to Magnetic Shield that alleged that Magnetic Shield committed three violations of the Regulations, specifically:

Charge 1 15 C.F.R. § 764.2(a) - Export to a Party on the Entity List

On or about January 29, 2001, Magnetic Shield engaged in conduct prohibited by the Regulations by exporting magnetic shielding materials, items subject to the Regulations, from the United States to the Indira Gandhi Centre for Atomic Research (IGCAR), an organization on the Entity List, without the Department of Commerce license required by Section 744.1 and Supplement No. 4 to Part 744 of the Regulations. In so doing, Magnetic Shield committed one violation of Section 764.2(a).

Charge 2 15 C.F.R. § 764.2(a) - Failure to Enter License Authority on SED

On or about January 29, 2001, Magnetic Shield refrained from engaging in conduct required by the Regulations by failing to enter on the required Shipper's Export Declaration ("SED") the license authority (License number, License Exception, or No License Required (NLR)) for each item exported, as required by Section 758.1(g) of the Regulations. In so doing, Magnetic Shield committed one violation of Section 764.2(a).

Charge 3 15 C.F.R. § 764.2(c) - Attempted Violation of the Regulations

On or about April 28, 2004, Magnetic Shield attempted a violation of the Regulations by attempting to export magnetic shielding materials, items subject to the Regulations, from the United States to the Indira Gandhi Centre for Atomic Research (IGCAR), an organization on the Entity List, without the Department of Commerce license required by Section 744.1 and Supplement No. 4 to Part 744 of the Regulations. In so doing, Magnetic Shield committed one violation of Section 764.2(c).

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

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

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

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

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

NOW THEREFORE, the Parties hereby agree as follows:

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

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

a. Magnetic Shield shall be assessed a civil penalty in the amount of \$19,000, all of 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 Magnetic Shield. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Magnetic Shield'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, Magnetic Shield 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 \$19,000 civil penalty, BIS will not initiate any further administrative proceeding against Magnetic Shield in connection with any violation of the Act or the Regulations arising out of the transactions identified in the voluntary self-disclosure and 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.

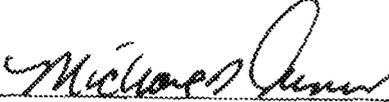
7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department 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.

Settlement Agreement
Magnetic Shield
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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.

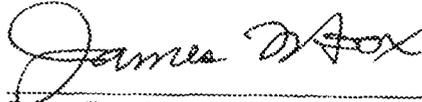
BUREAU OF INDUSTRY AND SECURITY
U.S. DEPARTMENT OF COMMERCE



Michael D. Turner
Director
Office of Export Enforcement

Date: 2/12/07

MAGNETIC SHIELD CORPORATION



James Fox
President

Date: 19 Jan '07

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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Magnetic Shield Corporation)
740 Thomas Drive)
Bensenville, Illinois 60106)
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Respondent)
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ORDER RELATING TO MAGNETIC SHIELD CORPORATION

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has notified Magnetic Shield Corporation (“Magnetic Shield”), of its intention to initiate an administrative proceeding against Magnetic Shield 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 issuance of a proposed charging letter to Magnetic Shield that alleged that Magnetic Shield committed three violations of the Regulations. Specifically, the charges are:

¹The violations alleged to have been committed occurred during 2001 and 2004. The Regulations governing the violations at issue are found in the 2001 and 2004 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774) (2001) and (2004). 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)), 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”).

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WHEREAS, BIS and Magnetic Shield 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 \$19,000 is assessed against Magnetic Shield, 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, Magnetic Shield 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 Magnetic Shield. Accordingly, if Magnetic Shield should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Magnetic Shield'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.

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

Entered this 16th day of February, 2007.