

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

In the Matter of:)
)
Armor Holdings, Inc.)
13386 International Parkway)
Jacksonville, FL 32218)
)
Respondent)

ORDER RELATING TO ARMOR HOLDINGS, INC.

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has notified Armor Holdings, Inc. (“Armor”), of its intention to initiate an administrative proceeding against Armor pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2007)) (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 Armor that alleged that Armor committed 167 violations of the Regulations. Specifically, the charges are:

¹ The violations alleged to have been committed occurred between 2001 and 2004. The Regulations governing the violations at issue are found in the 2001-2004 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2001-2004)). The 2007 Regulations establish the procedures that apply to this matter.

² Since August 21, 2001 the Act has been in lapse. However, 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 International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)).

Charges 1 - 96: 15 C.F.R. § 764.2(a): Exporting Items without the Required Licenses:

As described in greater detail in Schedule A, which is enclosed herewith and incorporated herein by reference, on ninety-seven occasions from on or about November 4, 2001, through on or about September 16, 2004, Armor engaged in conduct prohibited by the Regulations by exporting various crime control items, classified as ECCN³ 0A979, ECCN 1A985, and ECCN 0A982, from the United States to various countries, including Germany, Australia, and Malaysia, without the Department of Commerce licenses required by Section 742.7 of the Regulations. In so doing, Armor committed ninety-seven violations of Section 764.2(a) of the Regulations.

Charge 97: 15 C.F.R. § 764.2(a) - Exporting Items in Excess of Licensed Value:

On one occasion, on or about November 6, 2002, Armor engaged in conduct prohibited by the Regulations by exporting plastic handcuffs classified under ECCN 0A982 to Mexico in an amount that exceeded the value authorized by BIS in license D288217. License D288217 authorized the export of plastic handcuffs valued at \$1,000. Armor exported plastic handcuffs valued at \$1,980 in violation of this license. In so doing, Armor committed one violation of Section 764.2(a) of the Regulations.

Charge 98: 15 C.F.R. § 764.2(a) - Exporting Items in Excess of Licensed Value:

On one occasion, on or about November 17, 2003, Armor engaged in conduct prohibited by the Regulations by exporting fingerprinting powders, inks and related items classified under ECCN 1A985 to Switzerland in an amount that exceeded the value authorized by BIS in license D292159. License D292159 authorized the export of an inkless method to obtain fingerprints and a semi-inkless print pad valued at \$418. Armor exported fingerprinting powders, inks and related items valued at \$1,784 in violation of this license. In so doing, Armor committed one violation of Section 764.2(a) of the Regulations.

Charge 99: 15 C.F.R. § 764.2(a) - Exporting Items in Excess of Licensed Value:

On one occasion, on or about October 15, 2004, Armor engaged in conduct prohibited by the Regulations by exporting fingerprint pads and related items classified under ECCN 1A985 to Argentina in an amount that exceeded the value authorized by BIS in license D302100. License D302100 authorized the export of fingerprint pads valued at \$210. Armor exported fingerprint pads and related equipment valued at \$488 in violation of this

³ The term "ECCN" refers to an Export Control Classification Number. See Section 772.1 of the Regulations.

license. In so doing, Armor committed one violation of Section 764.2(a) of the Regulations.

Charges 100 - 116: 15 C.F.R. § 764.2(a): Failing to File Shipper's Export Declarations:

As described in greater detail in Schedule A, which is enclosed herewith and incorporated herein by reference, on seventeen occasions, from on or about October 3, 2003, through on or about June 3, 2004, in connection with the transactions referenced in Schedule A, Armor refrained from engaging in conduct required by the Regulations when it failed to file Shipper's Export Declarations ("SEDs") with the U.S. Government. Section 758.1 of the Regulations, as in effect on the dates of the applicable exports, required that SEDs be filed with the U.S. Government for all exports subject to the Regulations that required a license, regardless of value, or destination. The exports referenced in Schedule A involved exports of items subject to the Regulations that required an export license for the destinations referenced in Schedule A. In failing to file the required SEDs, Armor committed seventeen violations of Section 764.2(a) of the Regulations.

Charges 117 - 120: 15 C.F.R. § 764.2(g): Misrepresentation of License Authority on a Shipper's Export Declaration:

As described in greater detail in Schedule A, which is enclosed herewith and incorporated herein by reference, on four occasions, Armor made false or misleading representations to the U.S. Government in violation of the Regulations. Specifically, Armor filed or caused to be filed a Shipper's Export Declaration with the U.S. Government that stated that the export of handcuffs, fingerprint powder, riot face shields, and related items, classified under ECCNs 0A982, 1A985, and 0A979 qualified for export from the United States to Australia, Barbados and Israel as NLR ("No License Required"). These statements were false or misleading because, as described above, a Department of Commerce license was required by Section 742.7 of the Regulations. By making this false or misleading representations to the U.S. Government, Armor committed four violations of Section 764.2(g) of the Regulations.

Charges 121 - 167: 15 C.F.R. § 764.2(i): Failure to Comply with Recordkeeping Requirements:

As described in greater detail in Schedule A, which is enclosed herewith and incorporated herein by reference, on forty-eight occasions, from on or about January 31, 2002, through on or about June 3, 2004, Armor failed to comply with the recordkeeping requirements set forth in Section 762.2 of the Regulations. Specifically, Armor failed to retain export control documents (including airwaybills) in connection with the exports described in Schedule A. In so doing, Armor committed forty-eight violations of Section 764.2(i).

WHEREAS, BIS and Armor 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:

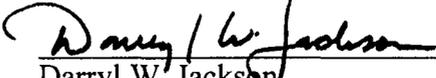
FIRST, that a civil penalty of \$1,102,200 is assessed against Armor, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment shall be made in the manner specified in the attached instructions.

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, Armor 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 Armor. Accordingly, if Armor should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Armor'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.



Darryl W. Jackson
Assistant Secretary of Commerce
for Export Enforcement

Entered this 10th day of August, 2007.

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

In the Matter of:)
)
Armor Holdings, Inc.)
13386 International Parkway)
Jacksonville, FL 32218)
)
Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Armor Holdings, Inc. (referred to hereinafter as “Armor”) 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 (2007)) (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

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

¹ The violations alleged to have been committed occurred between 2001 and 2004. The Regulations governing the violations at issue are found in the 2001-2004 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2001-2004)). The 2007 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 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”).

WHEREAS, BIS has issued a proposed charging letter to Armor that alleged that Armor committed 167 violations of the Regulations, specifically:

Charges 1 - 96: 15 C.F.R. § 764.2(a): Exporting Items without the Required Licenses:

As described in greater detail in Schedule A, which is enclosed herewith and incorporated herein by reference, on ninety-seven occasions from on or about November 4, 2001, through on or about September 16, 2004, Armor engaged in conduct prohibited by the Regulations by exporting various crime control items, classified as ECCN³ 0A979, ECCN 1A985, and ECCN 0A982, from the United States to various countries, including Germany, Australia, and Malaysia, without the Department of Commerce licenses required by Section 742.7 of the Regulations. In so doing, Armor committed ninety-seven violations of Section 764.2(a) of the Regulations.

Charge 97: 15 C.F.R. § 764.2(a) - Exporting Items in Excess of Licensed Value:

On one occasion, on or about November 6, 2002, Armor engaged in conduct prohibited by the Regulations by exporting plastic handcuffs classified under ECCN 0A982 to Mexico in an amount that exceeded the value authorized by BIS in license D288217. License D288217 authorized the export of plastic handcuffs valued at \$1,000. Armor exported plastic handcuffs valued at \$1,980 in violation of this license. In so doing, Armor committed one violation of Section 764.2(a) of the Regulations.

Charge 98: 15 C.F.R. § 764.2(a) - Exporting Items in Excess of Licensed Value:

On one occasion, on or about November 17, 2003, Armor engaged in conduct prohibited by the Regulations by exporting fingerprinting powders, inks and related items classified under ECCN 1A985 to Switzerland in an amount that exceeded the value authorized by BIS in license D292159. License D292159 authorized the export of an inkless method to obtain fingerprints and a semi-inkless print pad valued at \$418. Armor exported fingerprinting powders, inks and related items valued at \$1,784 in violation of this license. In so doing, Armor committed one violation of Section 764.2(a) of the Regulations.

Charge 99: 15 C.F.R. § 764.2(a) - Exporting Items in Excess of Licensed Value:

On one occasion, on or about October 15, 2004, Armor engaged in conduct prohibited by the Regulations by exporting fingerprint pads and related items classified under ECCN 1A985 to Argentina in an amount that exceeded the value authorized by BIS in license

³ The term "ECCN" refers to an Export Control Classification Number. See Section 772.1 of the Regulations.

D302100. License D302100 authorized the export of fingerprint pads valued at \$210. Armor exported fingerprint pads and related equipment valued at \$488 in violation of this license. In so doing, Armor committed one violation of Section 764.2(a) of the Regulations.

Charges 100 - 116: 15 C.F.R. § 764.2(a): Failing to File Shipper's Export Declarations:

As described in greater detail in Schedule A, which is enclosed herewith and incorporated herein by reference, on seventeen occasions, from on or about October 3, 2003, through on or about June 3, 2004, in connection with the transactions referenced in Schedule A, Armor refrained from engaging in conduct required by the Regulations when it failed to file Shipper's Export Declarations ("SEDs") with the U.S. Government. Section 758.1 of the Regulations, as in effect on the dates of the applicable exports, required that SEDs be filed with the U.S. Government for all exports subject to the Regulations that required a license, regardless of value, or destination. The exports referenced in Schedule A involved exports of items subject to the Regulations that required an export license for the destinations referenced in Schedule A. In failing to file the required SEDs, Armor committed seventeen violations of Section 764.2(a) of the Regulations.

Charges 117 - 120: 15 C.F.R. § 764.2(g): Misrepresentation of License Authority on a Shipper's Export Declaration:

As described in greater detail in Schedule A, which is enclosed herewith and incorporated herein by reference, on four occasions, Armor made false or misleading representations to the U.S. Government in violation of the Regulations. Specifically, Armor filed or caused to be filed a Shipper's Export Declaration with the U.S. Government that stated that the export of handcuffs, fingerprint powder, riot face shields, and related items, classified under ECCNs 0A982, 1A985, and 0A979 qualified for export from the United States to Australia, Barbados and Israel as NLR ("No License Required"). These statements were false or misleading because, as described above, a Department of Commerce license was required by Section 742.7 of the Regulations. By making this false or misleading representations to the U.S. Government, Armor committed four violations of Section 764.2(g) of the Regulations.

Charges 121 - 167: 15 C.F.R. § 764.2(i): Failure to Comply with Recordkeeping Requirements:

As described in greater detail in Schedule A, which is enclosed herewith and incorporated herein by reference, on forty-eight occasions, from on or about January 31, 2002, through on or about June 3, 2004, Armor failed to comply with the recordkeeping requirements set forth in Section 762.2 of the Regulations. Specifically, Armor failed to retain export control documents (including airwaybills) in connection with the exports described in Schedule A. In so doing, Armor committed forty-eight violations of Section 764.2(i).

WHEREAS, Armor has reviewed the proposed charging letter and is aware of the allegations made against it and the administrative sanctions which could be imposed against Armor if the allegations are found to be true;

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

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

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

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

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

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over Armor, under the Regulations, in connection with the matters alleged in the proposed charging letter.
2. The following sanction shall be imposed against Armor in complete settlement of the alleged violations of the Regulations relating to the transactions specifically detailed in the proposed charging letter:
 - a. Armor shall be assessed a civil penalty in the amount of \$1,102,200, 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 Armor. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Armor'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, Armor 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 \$1,102,200 civil penalty, BIS will not initiate any further administrative proceeding against Armor 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.

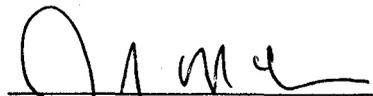
7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department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

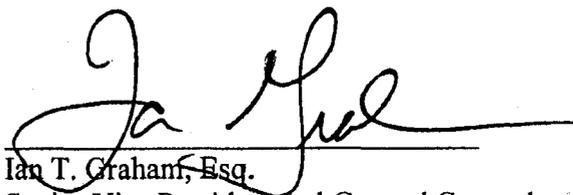
BUREAU OF INDUSTRY AND SECURITY
U.S. DEPARTMENT OF COMMERCE

ARMOR HOLDINGS, INC.



John McKenna
Acting Director
Office of Export Enforcement

Date: 7/30/07



Ian T. Graham, Esq.
Senior Vice President and General Counsel

Date: 7-30-07

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Armor Holdings, Inc.
13386 International Parkway
Jacksonville, FL 32218

Attn: _____
President

Dear Mr./Ms. _____:

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has reason to believe that Armor Holdings, Inc. of Jacksonville Florida, ("Armor") has committed 167 violations of the Export Administration Regulations (the "Regulations"),¹ which are issued under the authority of the Export Administration Act of 1979, as amended (the "Act").² Specifically, BIS charges that Armor committed the following violations:

Charges 1 - 96: 15 C.F.R. § 764.2(a): Exporting Items without the Required Licenses:

As described in greater detail in Schedule A, which is enclosed herewith and incorporated herein by reference, on ninety-seven occasions from on or about November 4, 2001, through on or about September 16, 2004, Armor engaged in conduct prohibited by the Regulations by exporting various crime control items, classified as ECCN³ 0A979, ECCN 1A985, and ECCN 0A982, from the United States to various countries, including Germany, Australia, and Malaysia, without the Department of Commerce licenses required by Section 742.7 of the Regulations. In so doing, Armor committed ninety-seven violations of Section 764.2(a) of the Regulations.

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Government in violation of the Regulations. Specifically, Armor filed or caused to be filed a Shipper's Export Declaration with the U.S. Government that stated that the export of handcuffs, fingerprint powder, riot face shields, and related items, classified under ECCNs 0A982, 1A985, and 0A979 qualified for export from the United States to Australia, Barbados and Israel as NLR ("No License Required"). These statements were false or misleading because, as described above, a Department of Commerce license was required by Section 742.7 of the Regulations. By making this false or misleading representations to the U.S. Government, Armor committed four violations of Section 764.2(g) of the Regulations.

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* * * *

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

Armor 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. Armor 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.

⁴ 15 C.F.R. § 6.4(a)(2).

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18. Should Armor have a proposal to settle this case, Armor'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, Armor'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 Armor's answer must be served on BIS at the following address:

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

Eric Clark is the attorney representing BIS in this case; any communications that Armor may wish to have concerning this matter should occur through him. Mr. Clark may be contacted by telephone at (202) 482-5301.

Sincerely,

John McKenna
Acting Director
Office of Export Enforcement

Enclosure