

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

In the Matter of:)
)
)
Zimmer Dental Inc.)
Successor to Centerpulse Dental Inc.)
345 East Main Street)
P.O. Box 708)
Warsaw, IN 46581-0708)
)
)
)
Respondent)

ORDER RELATING TO ZIMMER DENTAL INC.

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has notified Zimmer Dental Inc. (“Zimmer”), successor to Centerpulse Dental Inc.¹ (“Centerpulse”), of its intention to initiate an administrative proceeding against Zimmer pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2007)) (the “Regulations”),² and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (the “Act”),³ through issuance of a proposed charging letter to Zimmer that alleged that Zimmer, in its own capacity, and as successor to Centerpulse, is liable for 52 violations of the Regulations. Specifically, the charges are:

¹ Most of the violations occurred before Zimmer’s parent company acquired Centerpulse Dental Inc. on October 20, 2003.

² The violations alleged to have been committed occurred between 2002 and 2004. The Regulations governing the violations at issue are found in the 2002-2004 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2002-2004)). The 2007 Regulations establish the procedures that apply to this matter.

³ 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 15, 2007 (72 Fed. Reg. 46,137 (Aug. 16, 2007)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)) (“IEEPA”).

**Charges 1-52 15 C.F.R. § 764.2(a): Export of Dental Equipment to Iran without the
Required U.S. Government authorization**

On 52 occasions between on or about April 4, 2002 and on or about May 18, 2004, Zimmer and Centerpulse engaged in conduct prohibited by the Regulations by exporting dental equipment, items subject to the Regulations⁴ to Iran without the required U.S. Government authorization. Specifically, Zimmer and Centerpulse exported the items through the United Arab Emirates (“UAE”) to Iran. Pursuant to Section 560.204 of the Iranian Transactions Regulations⁵ maintained by the Department of the Treasury’s Office of Foreign Assets Control (“OFAC”), an export to a third country intended for transshipment to Iran is a transaction that requires OFAC authorization. Pursuant to Section 746.7 of the Regulations, no person may engage in the exportation of an item subject to both the Regulations and the Iranian Transactions Regulations without authorization from OFAC. No such authorization was obtained for the exports described herein. In engaging in this activity, Zimmer and Centerpulse committed 52 violations of Section 764.2(a) of the Regulations.

WHEREAS, BIS and Zimmer 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 \$175,000 is assessed against Zimmer. Zimmer shall pay \$100,000 to the U.S. Department of Commerce on or before November 1, 2007. Payment shall be made in the manner specified in the attached instructions. Payment of the remaining \$75,000 shall be suspended for a period of one year from the date of entry of this Order and thereafter shall be waived, provided that during the period of suspension, Zimmer has committed no violation of the Act, or any regulation, order, or license issued thereunder and has made the payment of \$100,000, described above, in a timely manner.

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

⁴ These items were classified as EAR99, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2002-2004).

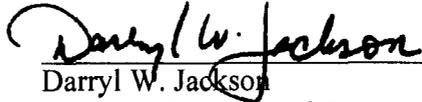
⁵ 31 CFR § 560

described in the attached Notice, and, if payment is not made by the due date specified herein, Zimmer 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 Zimmer. Accordingly, if Zimmer should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Zimmer'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 26th day of September, 2007.

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

In the Matter of:)
)
Zimmer Dental Inc.)
Successor to Centerpulse Dental Inc.)
345 East Main Street)
P.O. Box 708)
Warsaw, IN 46581-0708)
)
Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Zimmer Dental Inc. (“Zimmer”) in its own capacity and as successor to Centerpulse Dental Inc.¹ (“Centerpulse”), 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”),² issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (the “Act”),³

¹ Most of the violations occurred before Zimmer’s parent company acquired Centerpulse Dental Inc. on October 20, 2003.

² The violations alleged to have been committed occurred between 2002 and 2004. The Regulations governing the violations at issue are found in the 2002-2004 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2002-2004)). The 2007 Regulations establish the procedures that apply to this matter.

³ 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 15, 2007 (72 Fed. Reg. 46,137 (Aug. 16, 2007)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)) (“IEEPA”).

WHEREAS, Zimmer 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 Zimmer of its intention to initiate an administrative proceeding against Zimmer, pursuant to the Act and the Regulations;

WHEREAS, BIS has issued a proposed charging letter to Zimmer that alleged that Zimmer is liable for 52 violations of the Regulations, specifically:

**Charges 1-52 15 C.F.R. § 764.2(a): Export of Dental Equipment to Iran
without the Required U.S. Government authorization**

On 52 occasions between on or about April 4, 2002 and on or about May 18, 2004, Zimmer and Centerpulse engaged in conduct prohibited by the Regulations by exporting dental equipment, items subject to the Regulations⁴ to Iran without the required U.S. Government authorization. Specifically, Zimmer and Centerpulse exported the items through the United Arab Emirates ("UAE") to Iran. Pursuant to Section 560.204 of the Iranian Transactions Regulations⁵ maintained by the Department of the Treasury's Office of Foreign Assets Control ("OFAC"), an export to a third country intended for transshipment to Iran is a transaction that requires OFAC authorization. Pursuant to Section 746.7 of the Regulations, no person may engage in the exportation of an item subject to both the Regulations and the Iranian Transactions Regulations without authorization from OFAC. No such authorization was obtained for the exports described herein. In engaging in this activity, Zimmer and Centerpulse committed 52 violations of Section 764.2(a) of the Regulations.

WHEREAS, Zimmer 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, Zimmer 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;

⁴ These items were classified as EAR99, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2002-2004).

⁵ 31 CFR § 560

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

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

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

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

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

NOW THEREFORE, the Parties hereby agree as follows:

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

2. The following sanction shall be imposed against Zimmer in complete settlement of the alleged violations of the Regulations relating to the transactions specifically detailed in the proposed charging letter:

a. Zimmer shall be assessed a civil penalty in the amount of \$175,000.

Zimmer shall pay \$100,000 to the U.S. Department of Commerce on or before November 1, 2007. Payment of the remaining \$75,000 shall be suspended for a period of one year from the date of entry of the Order and thereafter shall be waived, provided that during the period of suspension, Zimmer has committed no violation of the Act, or any regulation, order, or license issued thereunder and has made the payment of \$100,000, described above, in a timely manner.

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 Zimmer. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Zimmer'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, Zimmer 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 \$100,000 civil penalty, BIS will not initiate any further administrative proceeding against Zimmer 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.

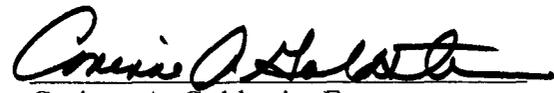
9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

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



Thomas Madigan
Acting Director
Office of Export Enforcement

ZIMMER DENTAL INC.



Corinne A. Goldstein, Esq.
Covington & Burling LLP
Attorney for Zimmer Dental Inc.

Date: 9/26/2007

Date: September 25, 2007

PROPOSED CHARGING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Zimmer Dental Inc.
Successor to Centerpulse Dental Inc.
345 East Main Street
P.O. Box 708
Warsaw, IN 46581-0708

Attn: David C. Dvorak
President

Dear Mr. Dvorak:

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has reason to believe that Zimmer Dental Inc., of Warsaw, Indiana (“Zimmer”), both in its own capacity and as successor to Centerpulse Dental Inc. (“Centerpulse”), has committed fifty-two violations¹ of the Export Administration Regulations (the “Regulations”),² which are issued under the authority of the Export Administration Act of 1979, as amended (the “Act”).³ Specifically, BIS charges that Zimmer and Centerpulse committed the following violations:

Charges 1-52 15 C.F.R. § 764.2(a): Export of Dental Equipment to Iran without the Required U.S. Government authorization

As described in greater detail in the attached Schedule of Violations, which is incorporated herein, on 52 occasions between on or about April 4, 2002 and on or about May 18, 2004, Zimmer and Centerpulse engaged in conduct prohibited by the Regulations by exporting dental equipment, items subject to the Regulations⁴ to Iran without the required U.S. Government authorization. Specifically, Zimmer and Centerpulse exported the items through the United Arab

¹ The violations are alleged to have occurred between April 4, 2002 and May 18, 2004. Most of the violations occurred before Zimmer’s parent company acquired Centerpulse Dental Inc. on October 20, 2003.

² The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2007). The charged violations occurred between 2002- 2004. The Regulations governing the violations at issue are found in the 2002-2004 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2002-2004)). The 2007 Regulations set forth the procedures that apply to this matter.

³ 50 U.S.C. app. §§ 2401-2420 (2000). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 15, 2007 (72 Fed. Reg. 46,321 (Aug. 16, 2007)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)) (“IEEPA”). The Act and the Regulations are available on the Government Printing Office website at: <http://www.access.gpo.gov/bis/>.

⁴ These items were classified as EAR99, which is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2002-2004).

Emirates (“UAE”) to Iran. Pursuant to Section 560.204 of the Iranian Transactions Regulations⁵ maintained by the Department of the Treasury’s Office of Foreign Assets Control (“OFAC”), an export to a third country intended for transshipment to Iran is a transaction that requires OFAC authorization. Pursuant to Section 746.7 of the Regulations, no person may engage in the exportation of an item subject to both the Regulations and the Iranian Transactions Regulations without authorization from OFAC. No such authorization was obtained for the exports described herein. In engaging in this activity, Zimmer and Centerpulse committed 52 violations of Section 764.2(a) of the Regulations.

* * * * *

Accordingly, Zimmer 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;⁶
- Denial of export privileges; and/or
- Exclusion from practice before BIS.

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

Zimmer 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. Zimmer 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 Zimmer have a proposal to settle this case, Zimmer or its representative should transmit it to the attorney representing BIS named below.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, Zimmer’s answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

⁵ 31 CFR § 560

⁶ 15 C.F.R. § 6.4(a)(4) (2002-2004), as supplemented by 68 Fed. Reg. 4,380 (Jan. 29, 2003), and 68 Fed. Reg. 69,001 (Dec. 11, 2003).

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

In addition, a copy of Zimmer's answer must be served on BIS at the following address:

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

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

Zimmer is further notified that under the Small Business Regulatory Enforcement Flexibility Act, Zimmer may be eligible for assistance from the Office of the National Ombudsman of the Small Business Administration in this matter. To determine eligibility and get more information, please see: <http://www.sba.gov/ombudsman/>.

Sincerely,

Thomas Madigan
Acting Director
Office of Export Enforcement

Zimmer Dental Inc.
Successor to Centerpulse Dental Inc.
Schedule of Violations

Charge	Export Date	Commodity	ECCN	Invoice No(s).	Destination	Violation
1	4/4/2002	Dental Equipment	EAR99	913469/913473	Iran	15 CFR 764.2(a)
2	4/25/2002	Dental Equipment	EAR99	920873	Iran	15 CFR 764.2(a)
3	4/26/2002	Dental Equipment	EAR99	921223/921221	Iran	15 CFR 764.2(a)
4	5/8/2002	Dental Equipment	EAR99	925446/925445/925448/925459	Iran	15 CFR 764.2(a)
5	5/9/2002	Dental Equipment	EAR99	925951	Iran	15 CFR 764.2(a)
6	5/29/2002	Dental Equipment	EAR99	923493	Iran	15 CFR 764.2(a)
7	5/31/2002	Dental Equipment	EAR99	933640	Iran	15 CFR 764.2(a)
8	6/3/2002	Dental Equipment	EAR99	933952/933951	Iran	15 CFR 764.2(a)
9	6/13/2002	Dental Equipment	EAR99	937672	Iran	15 CFR 764.2(a)
10	6/19/2002	Dental Equipment	EAR99	939577/939576	Iran	15 CFR 764.2(a)
11	7/9/2002	Dental Equipment	EAR99	946086	Iran	15 CFR 764.2(a)
12	7/10/2002	Dental Equipment	EAR99	946446	Iran	15 CFR 764.2(a)
13	7/23/2002	Dental Equipment	EAR99	950851/950587	Iran	15 CFR 764.2(a)
14	7/26/2002	Dental Equipment	EAR99	952295/952292/952293	Iran	15 CFR 764.2(a)
15	8/20/2002	Dental Equipment	EAR99	960127/960134	Iran	15 CFR 764.2(a)
16	9/18/2002	Dental Equipment	EAR99	969911	Iran	15 CFR 764.2(a)
17	9/26/2002	Dental Equipment	EAR99	972641	Iran	15 CFR 764.2(a)
18	10/25/2002	Dental Equipment	EAR99	983161	Iran	15 CFR 764.2(a)
19	11/18/2002	Dental Equipment	EAR99	991486/991482	Iran	15 CFR 764.2(a)
20	11/21/2002	Dental Equipment	EAR99	993262	Iran	15 CFR 764.2(a)
21	12/11/2002	Dental Equipment	EAR99	999933	Iran	15 CFR 764.2(a)
22	12/17/2002	Dental Equipment	EAR99	1002398	Iran	15 CFR 764.2(a)
23	12/19/2002	Dental Equipment	EAR99	1003318	Iran	15 CFR 764.2(a)
24	1/9/2003	Dental Equipment	EAR99	1008447	Iran	15 CFR 764.2(a)
25	1/24/2003	Dental Equipment	EAR99	1013972	Iran	15 CFR 764.2(a)
26	3/3/2003	Dental Equipment	EAR99	1027358	Iran	15 CFR 764.2(a)
27	5/1/2003	Dental Equipment	EAR99	1050726/1050739	Iran	15 CFR 764.2(a)
28	5/15/2003	Dental Equipment	EAR99	1056530/1056529/1056522	Iran	15 CFR 764.2(a)
29	5/16/2003	Dental Equipment	EAR99	1057130	Iran	15 CFR 764.2(a)
30	6/12/2003	Dental Equipment	EAR99	1066952/1066951	Iran	15 CFR 764.2(a)
31	6/16/2003	Dental Equipment	EAR99	1068115/1068118	Iran	15 CFR 764.2(a)
32	7/9/2003	Dental Equipment	EAR99	1076613	Iran	15 CFR 764.2(a)
33	7/10/2003	Dental Equipment	EAR99	1077579	Iran	15 CFR 764.2(a)
34	7/15/2003	Dental Equipment	EAR99	1079000/1079001	Iran	15 CFR 764.2(a)
35	8/1/2003	Dental Equipment	EAR99	1086468/1086374/1086467	Iran	15 CFR 764.2(a)
36	8/20/2003	Dental Equipment	EAR99	1093531/1093532/1093372/1093393	Iran	15 CFR 764.2(a)
37	8/21/2003	Dental Equipment	EAR99	1093587/1093843	Iran	15 CFR 764.2(a)
38	10/20/2003	Dental Equipment	EAR99	1116277	Iran	15 CFR 764.2(a)
39	11/7/2003	Dental Equipment	EAR99	1124306	Iran	15 CFR 764.2(a)
40	11/17/2003	Dental Equipment	EAR99	1127662	Iran	15 CFR 764.2(a)
41	11/21/2003	Dental Equipment	EAR99	1129802/1129829	Iran	15 CFR 764.2(a)
42	12/4/2003	Dental Equipment	EAR99	1134198	Iran	15 CFR 764.2(a)
43	12/10/2003	Dental Equipment	EAR99	1136053	Iran	15 CFR 764.2(a)
44	12/31/2003	Dental Equipment	EAR99	1142482/1142492	Iran	15 CFR 764.2(a)
45	1/12/2004	Dental Equipment	EAR99	1146006	Iran	15 CFR 764.2(a)
46	2/11/2004	Dental Equipment	EAR99	1157875/1157853	Iran	15 CFR 764.2(a)
47	3/29/2004	Dental Equipment	EAR99	1176559/1176626	Iran	15 CFR 764.2(a)
48	4/23/2004	Dental Equipment	EAR99	1187417	Iran	15 CFR 764.2(a)
49	4/26/2004	Dental Equipment	EAR99	1187549	Iran	15 CFR 764.2(a)
50	4/27/2004	Dental Equipment	EAR99	1188234/1188194/1188128	Iran	15 CFR 764.2(a)
51	5/11/2004	Dental Equipment	EAR99	FA083845	Iran	15 CFR 764.2(a)
52	5/18/2004	Dental Equipment	EAR99	FA084657	Iran	15 CFR 764.2(a)

ATTACHMENT A