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

In the Matter of:	)
	)
Keithley Instruments International Corp.	)
4085 A, 5th C Main	)
Obalappa Garden, K.R Road	)
Bangalore 560 082, India	)
	)
Respondent	)

ORDER RELATING TO KEITHLEY INSTRUMENTS INTERNATIONAL CORP.

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS") has notified Keithley Instruments International Corp. ("KIIC") of its intention to initiate an administrative proceeding against KIIC pursuant to Section 766.3 of the Export Administration Regulations (the "Regulations"),[1] and Section 13(c) of the Export Administration Act of 1979, as amended (the "Act"),[2] through the issuance of a Proposed Charging Letter to KIIC that alleged that it committed one violation of the Regulations. Specifically, the charge is:

Charge 1 15 C.F.R. § 764.2(h) – Evasion

Beginning in or about January 2003 and continuing through in or about April 2003, KIIC engaged in transactions or took other actions with intent to evade the provisions of the Regulations. Specifically, KIIC worked in concert with another Indian company to enable the Vikram Sarabhai Space Center ("VSSC") to obtain items manufactured by KIIC's U.S. parent company and subject to the Regulations, including electronic instruments classified under Export

---

[1] The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2009). The charged violation occurred in 2003. The Regulations governing the violation at issue are found in the 2003 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2003)). The 2009 Regulations set forth the procedures that apply to this matter.

[2] 50 U.S.C. app. §§ 2401-2420 (2000). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13,222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended most recently by the Notice of August 13, 2009 (74 Fed. Reg. 41,325 (August 14, 2009)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1707).

Control Classification Number ("ECCN") 3A992 and designated as EAR99[3] under the Regulations, without the licenses required for exports to VSSC pursuant to Section 744.1 and Supplement No. 4 to Part 744 of the Regulations. VSSC is an Indian Space Research Organization subordinate entity that is designated in the Entity List set forth in Supplement No. 4 to Part 744 of the Regulations, and at all times pertinent hereto that designation included a requirement that a Department of Commerce license was required for all exports to VSSC. KIIC and its manager at the time, Mugar Ashok ("Ashok"), put into place a transaction structure involving these items so that VSSC would order them through Rajaram Engineering, Inc. ("Rajaram") of Bangalore, India, rather than KIIC. At the time KIIC and Ashok put this structure into place, they were aware that a Department of Commerce license was required for the export of U.S.-origin items to VSSC. KIIC, acting through Ashok, specifically instructed VSSC to place orders for items from KIIC's parent company, Keithley Instruments, Inc., with Rajaram and not with KIIC. In addition, Ashok explained U.S. licensing requirements to Rajaram's owner and manager, Siddabasappa Suresh ("Suresh"), and explained that placing VSSC orders in the name of Rajaram would enable them to effectively avoid the requirements because the transaction documents would show Rajaram as the purchaser and have no reference to VSSC as the actual end-user of the items. Thereafter, when Rajaram expressed interest in becoming a licensed distributor for KIIC's U.S. parent company, Ashok responded that this would not be possible because he believed this would require export licenses to be obtained for items destined for Indian listed entities. Ashok instructed Rajaram to continue doing business as they had been, thereby maintaining the appearance that Rajaram was the purchaser and end-user of KIIC's U.S. parent company's products. In so doing, KIIC committed one violation of Section 764.2(h) of the Regulations.

WHEREAS, BIS and KIIC 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 $125,000 is assessed against KIIC, 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

[3] EAR99 is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c).

described in the attached Notice, and if payment is not made by the due date specified herein, KIIC 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 KIIC. Accordingly, if KIIC should fail to pay the civil penalty in a timely manner, the undersigned may issue an Order denying all of KIIC's export privileges under the Regulations for a period of one year from the date 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.

Kevin Delli-Colli
Deputy Assistant Secretary of Commerce
for Export Enforcement

Issued this 9th day of Dec, 2009.

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

In the Matter of:	)
	)
Keithley Instruments International Corp.	)
4085 A, 5th C Main	)
Obalappa Garden, K.R Road	)
Bangalore 560 082, India	)
	)
Respondent	)

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made by and between Keithley Instruments International Corp. ("KIIC") 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 (the "Regulations"),[1] issued pursuant to the Export Administration Act of 1979, as amended (the "Act").[2]

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

WHEREAS, BIS has issued a Proposed Charging Letter to KIIC that alleged that Keithley committed one violation of the Regulations, specifically:

[1] The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2009). The charged violation occurred in 2003. The Regulations governing the violation at issue are found in the 2003 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2003)). The 2009 Regulations set forth the procedures that apply to this matter.

[2] 50 U.S.C. app. §§ 2401-2420 (2000). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13,222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended most recently by the Notice of August 13, 2009 (74 Fed. Reg. 41,325 (August 14, 2009)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1707).

Charge 1 15 C.F.R. § 764.2(h) – Evasion

Beginning in or about January 2003 and continuing through in or about April 2003, KIIC engaged in transactions or took other actions with intent to evade the provisions of the Regulations. Specifically, KIIC worked in concert with another Indian company to enable the Vikram Sarabhai Space Center ("VSSC") to obtain items manufactured by KIIC's U.S. parent company and subject to the Regulations, including electronic instruments classified under Export Control Classification Number ("ECCN") 3A992 and designated as EAR99[3] under the Regulations, without the licenses required for exports to VSSC pursuant to Section 744.1 and Supplement No. 4 to Part 744 of the Regulations. VSSC is an Indian Space Research Organization subordinate entity that is designated in the Entity List set forth in Supplement No. 4 to Part 744 of the Regulations, and at all times pertinent hereto that designation included a requirement that a Department of Commerce license was required for all exports to VSSC. KIIC and its manager at the time, Mugar Ashok ("Ashok"), put into place a transaction structure involving these items so that VSSC would order them through Rajaram Engineering, Inc. ("Rajaram") of Bangalore, India, rather than KIIC. At the time KIIC and Ashok put this structure into place, they were aware that a Department of Commerce license was required for the export of U.S.-origin items to VSSC. KIIC, acting through Ashok, specifically instructed VSSC to place orders for items from KIIC's parent company, Keithley Instruments, Inc., with Rajaram and not with KIIC. In addition, Ashok explained U.S. licensing requirements to Rajaram's owner and manager, Siddabasappa Suresh ("Suresh"), and explained that placing VSSC orders in the name of Rajaram would enable them to effectively avoid the requirements because the transaction documents would show Rajaram as the purchaser and have no reference to VSSC as the actual end-user of the items. Thereafter, when Rajaram expressed interest in becoming a licensed distributor for KIIC's U.S. parent company, Ashok responded that this would not be possible because he believed this would require export licenses to be obtained for items destined for Indian listed entities. Ashok instructed Rajaram to continue doing business as they had been, thereby maintaining the appearance that Rajaram was the purchaser and end-user of KIIC's U.S. parent company's products. In so doing, KIIC committed one violation of Section 764.2(h) of the Regulations.

WHEREAS, KIIC 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;

---

[3] EAR99 is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c).

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

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

WHEREAS, KIIC neither admits nor denies the allegations contained in the Proposed Charging Letter;

WHEREAS, KIIC wishes to settle and dispose of all matters alleged in the Proposed Charging Letter by entering into this Agreement; and

WHEREAS, KIIC agrees to be bound by the Order, if issued;

NOW THEREFORE, the Parties hereby agree, for purposes of this Settlement Agreement, as follows:

1. BIS has jurisdiction over KIIC, under the Regulations, in connection with the matters alleged in the Proposed Charging Letter.

2. The following sanction shall be imposed against KIIC in complete settlement of the alleged violations of the Regulations relating to the transactions specifically detailed in the Proposed Charging Letter:

   a. KIIC shall be assessed a civil penalty in the amount of $125,000, which shall be paid to the U.S. Department of Commerce within 30 days of the date of the Order. Payment shall be made in the manner specified in the attached instructions.

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 KIIC. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of KIIC'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, KIIC 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 issued), 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 issued; and (c) seek judicial review or otherwise contest the validity of this Agreement or the Order, if issued.

4. BIS agrees that, upon issuance of the Order, it will not initiate any further administrative proceeding against KIIC in connection with any violation of the Act or the Regulations arising out of the transactions specifically detailed in the Proposed Charging Letter.

5. BIS will make the Proposed Charging Letter, this Agreement, and the Order, if issued, 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 issued; 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 issuing 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
Thomas Madigan
Director
Office of Export Enforcement

Date: December 7, 2009

Joseph P. Keithley
Joseph P. Keithley
President
Keithley Instruments International Corp.

Date: December 1, 2009

PROPOSED CHARGING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Keithley Instruments International Corporation
4085 A, 5th C Main
Obalappa Garden, K.R Road
Bangalore 560 082, India

Dear Sir or Madam:

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has reason to believe that Keithley Instruments International Corporation of Bangalore, India ("KIIC") has committed one violation 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 KIIC committed the following violation:

Charge 1 15 C.F.R. § 764.2(h) – Evasion

Beginning in or about January 2003 and continuing through in or about April 2003, KIIC engaged in transactions or took other actions with intent to evade the provisions of the Regulations. Specifically, KIIC worked in concert with another Indian company to enable the Vikram Sarabhai Space Center ("VSSC") to obtain items manufactured by KIIC's U.S. parent company and subject to the Regulations, including electronic instruments classified under Export Control Classification Number ("ECCN") 3A992 and designated as EAR99[3] under the Regulations, without the licenses required for exports to VSSC pursuant to Section 744.1 and Supplement No. 4 to Part 744 of the Regulations. VSSC is an Indian Space Research Organization subordinate entity that is designated in the Entity List set forth in Supplement No. 4 to Part 744 of the Regulations, and at all times pertinent hereto that designation included a requirement that a Department of Commerce license was required for all exports to VSSC. KIIC

---

[1] The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2009). The charged violation occurred in 2003. The Regulations governing the violation at issue are found in the 2003 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2003)). The 2009 Regulations set forth the procedures that apply to this matter.

[2] 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 13, 2009 (74 Fed. Reg. 41,325 (Aug. 14, 2009)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1707).

[3] EAR99 is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c).

and its manager at the time, Mugar Ashok ("Ashok"), put into place a transaction structure involving these items so that VSSC would order them through Rajaram Engineering, Inc. ("Rajaram") of Bangalore, India, rather than KIIC. At the time KIIC and Ashok put this structure into place, they were aware that a Department of Commerce license was required for the export of U.S.-origin items to VSSC. KIIC, acting through Ashok, specifically instructed VSSC to place orders for items from KIIC's parent company, Keithley Instruments, Inc., with Rajaram and not with KIIC. In addition, Ashok explained U.S. licensing requirements to Rajaram's owner and manager, Siddabasappa Suresh ("Suresh"), and explained that placing VSSC orders in the name of Rajaram would enable them to effectively avoid the requirements because the transaction documents would show Rajaram as the purchaser and have no reference to VSSC as the actual end-user of the items. Thereafter, when Rajaram expressed interest in becoming a licensed distributor for KIIC's U.S. parent company, Ashok responded that this would not be possible because he believed this would require export licenses to be obtained for items destined for Indian listed entities. Ashok instructed Rajaram to continue doing business as they had been, thereby maintaining the appearance that Rajaram was the purchaser and end-user of KIIC's U.S. parent company's products. In so doing, KIIC committed one violation of Section 764.2(h) of the Regulations.

* * * * *

Accordingly, KIIC 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 the greater of $250,000 per violation or twice the value of the transaction that is the basis of the violation;[4]

- Denial of export privileges; and/or

- Exclusion from practice before BIS.

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

KIIC 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. KIIC 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] *See* International Emergency Economic Powers Enhancement Act of 2007, Pub. L. No. 110-96, 121 Stat. 1011 (2007).

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18. Should KIIC have a proposal to settle this case, KIIC should transmit it to the attorney representing BIS named below.

KIIC is further notified that under the Small Business Regulatory Enforcement Flexibility Act, KIIC 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/.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, KIIC'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 KIIC's answer must be served on BIS at the following address:

Chief Counsel for Industry and Security
Attention: Thea D. R. Kendler, Esq.
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 KIIC may wish to have concerning this matter should occur through her. Ms. Kendler may be contacted by telephone at (202) 482-5301.

Sincerely,

Thomas Madigan
Director
Office of Export Enforcement