ORDER RELATING TO FLOWSERVE CANADA CORPORATION

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has notified Flowserve Canada Corp. ("Flowserve Canada") of its intention to initiate an administrative proceeding against Flowserve Canada 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 Flowserve Canada that alleged that Flowserve Canada committed two violations of the Regulations. Specifically, these charges are:


Charge 1  
15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct by Reexporting Pumps and Pump Components Controlled for Chemical and Biological Weapons Proliferation Reasons to Taiwan without the Required Government Authorization

On or about March 25, 2005, Flowserve Canada engaged in conduct prohibited by the Regulations by reexporting pumps and pump components, items subject to the Regulations, classified under Control Classification Number ("ECCN") 2B350, controlled for Chemical and Biological Weapons Proliferation reasons and valued at approximately $6,000, from Canada to Taiwan without the Department of Commerce licenses required by Section 742.2(a) of the Regulations. In so doing, Flowserve Canada committed one violation of Section 764.2(a) of the Regulations.

Charge 2  
15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct by Reexporting a Pump Controlled for Chemical and Biological Weapons Proliferation Reasons to Singapore without the Required Government Authorization

On or about December 13, 2006, Flowserve Canada engaged in conduct prohibited by the Regulations by reexporting a pump, an item subject to the Regulations, classified under Export ECCN 2B350, controlled for Chemical and Biological Weapons Proliferation reasons and valued at approximately $13,500, from Canada to Singapore without the Department of Commerce license required by Section 742.2(a) of the Regulations. In so doing, Flowserve Canada committed one violation of Section 764.2(a) of the Regulations.

WHEREAS, BIS and Flowserve Canada 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, Flowserve Canada shall be assessed a civil penalty in the amount of $25,000, which shall be paid to the U.S. Department of Commerce within 30 days of the date 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, Flowserve Canada 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 full and timely payment in full 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 Flowserve Canada. Accordingly, if Flowserve Canada should fail to pay the civil penalty in full or in a timely manner, the undersigned may issue an Order denying all of Flowserve Canada’s export privileges under the Regulations for a period of one year from the date the penalty payment is due.

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.

David W. Mills
Assistant Secretary of Commerce for Export Enforcement

Issued this 29 day of September, 2011.
UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:

Flowserve Canada Corp.
15 Worthington Drive
Brantford, Ontario
Canada N3T 5M5

Respondent

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made by and between Flowserve Canada Corp. ("Flowserve Canada") 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 Flowserve Canada of its intention to initiate an administrative proceeding against it, pursuant to the Act and the Regulations;

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WHEREAS, BIS has issued a Proposed Charging Letter to Flowserve Canada that alleges that Flowserve Canada committed two violations of the Regulations, specifically:

**Charge 1**

15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct by Reexporting Pumps and Pump Components Controlled for Chemical and Biological Weapons Proliferation Reasons to Taiwan without the Required Government Authorization

On or about March 25, 2005, Flowserve Canada engaged in conduct prohibited by the Regulations by reexporting pumps and pump components, items subject to the Regulations, classified under Export Control Classification Number ("ECCN") 2B350, controlled for Chemical and Biological Weapons Proliferation reasons and valued at approximately $6,000, from Canada to Taiwan without the Department of Commerce license required by Section 742.2(a) of the Regulations. In so doing, Flowserve Canada committed one violation of Section 764.2(a) of the Regulations.

**Charge 2**

15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct by Reexporting a Pump Controlled for Chemical and Biological Weapons Proliferation Reasons to Singapore without the Required Government Authorization

On or about December 13, 2006, Flowserve Canada engaged in conduct prohibited by the Regulations by reexporting a pump, an item subject to the Regulations, classified under ECCN 2B350, controlled for Chemical and Biological Weapons Proliferation reasons and valued at approximately $13,500, from Canada to Singapore without the Department of Commerce license required by Section 742.2(a) of the Regulations. In so doing, Flowserve Canada committed one violation of Section 764.2(a) of the Regulations.

WHEREAS, Flowserve Canada filed a voluntary self-disclosure with BIS's Office of Export Enforcement;

WHEREAS, Flowserve Canada 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, Flowserve Canada 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, Flowserve Canada enters into this Agreement voluntarily and with full knowledge of its rights after having consulted with counsel;

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

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

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

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

NOW THEREFORE, the Parties hereby agree as follows:

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

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

   a. Flowserve Canada shall be assessed a civil penalty in the amount of $25,000, the payment of which shall be made 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 full and 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 Flowserve Canada. Failure to make full and timely payment of the civil penalty set forth above may result in the denial of all of Flowserve Canada’s export privileges for a period of one year from the date the penalty payment is due.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, Flowserve Canada 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 entered; and (c) seek judicial review or otherwise contest the validity of this Agreement or the Order, if issued. Flowserve Canada also waives and will not assert any Statute of Limitations defense, and the Statute of Limitations will be tolled for the time period from the date of the Order, if issued, until the date Flowserve Canada pays in full the civil penalty agreed to in Paragraph 2.a of this Agreement, in connection with any violation of the Act or the Regulations arising out of the transactions identified in the Proposed Charging Letter, or in connection with collection of the civil penalty or enforcement of the Agreement and Order, if issued.

4. BIS agrees that upon full and timely payment of the civil penalty as set forth in Paragraph 2.a above, BIS will not initiate any further administrative proceedings against Flowserve Canada in connection with any violation of the Act or the Regulations
arising out of the transactions specifically detailed in the voluntary self-disclosure and 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.
Settlement Agreement
Flowserve Canada Corp.
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BUREAU OF INDUSTRY AND SECURITY
U.S. DEPARTMENT OF COMMERCE

Douglas R. Hassebrock
Director
Office of Export Enforcement
Date: 9/27/11

FLOWSERVE CANADA CORP.

Samuel Barrett
Director and Vice-President
Date: 9-21-11
Flowserve Canada Corp.
15 Worthington Drive
Brantford, Ontario
Canada N3T 5M5

Attention: Samuel Barrett, Director and Vice-President

Dear Mr. Barrett:

The Bureau of Industry and Security, United States Department of Commerce ("BIS"), has reason to believe that Flowserve Canada Corp., of Brantford, Ontario ("Flowserve Canada"), committed two violations of the Export Administration Regulations (the "Regulations"), which are issued under the authority of the Export Administration Act of 1979, as amended (the "Act"). Specifically, BIS charges that Flowserve Canada committed the following violations:

**Charge 1**

15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct by Reexporting Pumps and Pump Components Controlled for Chemical and Biological Weapons Proliferation Reasons to Taiwan without the Required Government Authorization

On or about March 25, 2005, Flowserve Canada engaged in conduct prohibited by the Regulations by reexporting pumps and pump components, items subject to the Regulations, classified under Control Classification Number ("ECCN") 2B350, controlled for Chemical and Biological Weapons Proliferation reasons and valued at approximately $6,000, from Canada to Taiwan without the Department of Commerce license required by Section 742.2(a) of the Regulations. In so doing, Flowserve Canada committed one violation of Section 764.2(a) of the Regulations.

**Charge 2**

15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct by Reexporting a Pump Controlled for Chemical and Biological Weapons Proliferation Reasons to Singapore without the Required Government Authorization

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On or about December 13, 2006, Flowserve Canada engaged in conduct prohibited by the Regulations by reexporting a pump, an item subject to the Regulations, classified under ECCN 2B350, controlled for Chemical and Biological Weapons Proliferation reasons and valued at approximately $13,500, from Canada to Singapore without the Department of Commerce license required by Section 742.2(a) of the Regulations. In so doing, Flowserve Canada committed one violation of Section 764.2(a) of the Regulations.

* * * * * * *

Accordingly, Flowserve Canada 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 to the greater of $250,000 per violation, or twice the value of the transaction that is the basis of the violation;  
- Denial of export privileges; and/or  
- Exclusion from practice before BIS.

If Flowserve Canada 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 (2011). If Flowserve Canada defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Flowserve Canada. The Under Secretary for Industry and Security may then impose up to the maximum penalty on the charges in this letter.

Flowserve Canada 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 (2011). Flowserve Canada 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 (2011).

Flowserve Canada is further notified that under the Small Business Regulatory Enforcement Flexibility Act, Flowserve Canada 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 Regulations provide for settlement without a hearing. See 15 C.F.R. § 766.18 (2011). Should Flowserve Canada have a proposal to settle this case, Flowserve Canada or its representative should transmit it to the attorney representing BIS named below.

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

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

Greg Michelsen and Elias Wolfberg are the attorneys representing BIS in this case; any communications that Flowserve Canada may wish to have concerning this matter should occur through them. Mr. Michelsen and Mr. Wolfberg may be contacted by telephone at (202) 482-5301.

Sincerely,

Douglas R. Hassebrock
Director
Office of Export Enforcement

Enclosure