

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

Streit USA Armoring, LLC
8449 Palmetto Commerce Parkway
North Charleston, SC 29456

Respondent

ORDER RELATING TO STREIT USA ARMORING, LLC

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has notified Streit USA Armoring, LLC, of North Charleston, SC (“Streit USA”), of its intention to initiate an administrative proceeding against Streit USA 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 Streit USA that alleges that Streit USA committed 13 violations of the Regulations:

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2015). The charged violations occurred between 2008 and 2009. The Regulations governing the violations at issue are found in the 2008 through 2009 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2008-2009)). The 2015 version of the Regulations govern the procedural aspects of this case.

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)), which has been extended by successive Presidential Notices, the most recent being that of August 7, 2015 (80 Fed. Reg. 48,233 (Aug. 11, 2015)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, et seq.) (2006 & Supp. IV 2010).

Charge 1: 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation in Connection with the Unlicensed Export of Armored Vehicles to the Venezuela via Canada

On or about December 10, 2008, Streit USA transferred and/or forwarded U.S.-origin vehicles retrofitted with ballistic steel and bullet proof glass, items subject to the Regulations and exported or to be exported from the United States, with knowledge that a violation of the Regulations had occurred or was about or was intended to occur in connection with the items. Streit USA transferred and/or forwarded the items, which were classified under Export Control Classification Number (“ECCN”) 9A018, controlled on national security grounds, and valued at approximately \$753,840, from the United States to Canada, knowing that upon arrival in Canada, the items would be transshipped by a Streit USA affiliate to Venezuela without the required BIS license.

Streit USA knew that a license was required to export the items to Venezuela because, inter alia, on or about November, 20, 2008, Streit USA had applied for a license to export armored vehicles to Venezuela. Without waiting for the license application to be resolved and without authorization from BIS, on or about December 10, 2008, Streit USA transferred and/or forwarded nine armored vehicles to Streit Manufacturing, Inc. in Canada, for transshipment to Venezuela.

In so doing, Streit USA committed one violation of Section 764.2(e) of the Regulations.

Charges 2 - 9: 15 C.F.R. § 764.2(b) – Causing, Aiding and Abetting Unlicensed Transfers, Sales, and Reexports in Violation of a BIS License Condition

On at least eight occasions between in or around March 2008 and in or around September 2009, Streit USA caused, aided and/or abetted the unlicensed reexport from the United Arab Emirates (“UAE”) to various destinations of U.S.-origin vehicles retrofitted with ballistic steel and bullet proof glass, without the required BIS licenses. The armored vehicles were subject to the Regulations, classified under ECCN 9A018, controlled on national security grounds, and valued at approximately \$2,382,050.

On or about December 7, 2007, Streit USA obtained a BIS export license for the export of armored vehicles from the United States to the UAE, with Streit Middle East, a Streit affiliate located in the UAE, designated as the authorized intermediate and ultimate consignee. The license as issued covered a certain maximum number of armored vehicles effective through December 31, 2009. The license required that Streit USA “inform the consignee of all license conditions,” including that “no resale, transfer, or reexport of the items . . . is authorized without prior authorization by the U.S. Government.” Streit Middle East and Streit USA both have at all times pertinent hereto been subsidiaries of Streit Group FZE; and all three of these Streit Group entities had all times pertinent hereto the same chairman and chief executive officer (“CEO”), Guerman Goutorov, who also was the sole or majority owner of each of them.

However, Streit USA failed to inform Streit Middle East of the license conditions until on or about July 23, 2009, and on at least five occasions prior to that date, items that had been exported pursuant to the December 7, 2007 license were transferred, resold and/or reexported by Streit Middle East without prior authorization from BIS. Streit USA failed to comply even though it knew, via reports repeatedly received from its parent company, Streit Group FZE, and other Streit Group affiliates, that unlicensed sales, transfers, and reexports were occurring of items that had been exported pursuant to the license, and that Streit Group FZE and other affiliated Streit entities, rather than Streit Middle East, were acting as resellers and reexporters of the items.

In addition, despite this knowledge, Streit USA exported armored vehicles under the license to Streit Middle East in the UAE on at least three other occasions in 2009 that were transferred, sold and reexported by Streit Middle East or Streit Group FZE without the prior authorization required pursuant to the December 7, 2007 license for such transactions. Indeed, one of these exports by Streit USA occurred in August 2009, even though during a discussion on or about July 20, 2009, a BIS licensing officer had reiterated to Streit USA's compliance officer that prior authorization was required for any subsequent sale, transfer, or reexport of armored vehicles exported from the United States to the UAE pursuant to the license. In fact, Streit USA acknowledged in contemporaneous email correspondence with Streit Group FZE and Streit Middle East that it was subject to monetary penalties for any such violations.

In so doing, Streit USA committed eight violations of Section 764.2(b).

**Charges 10 - 13: 15 C.F.R. § 764.2(g) - False Statements to BIS in connection with a License Application (Charges 10-11);
15 C.F.R. § 764.2(a) - Failing To Update BIS regarding Material Changes of Fact relating to a License Application (Charges 12-13)**

In or about January-February 2009, Streit USA made a false or misleading statement to BIS in connection with the submission of a license application, an "export control document" as defined in Section 772.1 of the Regulations. Streit USA had filed an application with BIS on November 20, 2008, to export 25 armored vehicles from the United States to Venezuela. On January 16, 2009, as part of the interagency license application review process, BIS forwarded certain questions about the application to Streit USA, which Streit USA forwarded to its parent company, Streit Group FZE. Streit Group FZE's international sales manager responded later the same day, stating, "Regarding the request for additional information . . . I think we should advise the Dept[.] of Commerce that the client[']s deadline for importing the vehicles has expired as they needed them by December 31st. We don't want to bring any unnecessary attention and they may ask for more information or even . . . contact the client." On or about January 20, 2009, Streit USA's vice president, operations, Eric Carlson, responded by email to Streit Group FZE's international sales manager as well as its chairman and chief executive officer Guerman Goutorov, stating, "We can advise the Commerce Department

that the customer went elsewhere to purchase their armored vehicles due to the fact that it took too long for us to get an export license.” Consistent with this scheme, Streit USA falsely stated to BIS on or about February 2, 2009, that the sale had been lost and that the license application should be returned without action. In fact, the sale had not been lost, and Streit USA had already shipped some of the items identified in the license application to Canada on or about December 10, 2008, less than three weeks after the license had been filed, knowing that after their arrival in Canada the items would be transshipped to Venezuela.

Streit USA again made a false or misleading statement to BIS in connection with a license application it filed with BIS on or about August 12, 2009, seeking authorization for Streit Middle East to reexport to Iraq eight armored vehicles that had been exported by Streit USA to the UAE pursuant to the BIS export license issued to Streit USA on December 7, 2007 (and described in Charges 2-7 above). Streit Middle East was listed as the authorized intermediate and ultimate consignee in the December 7, 2007 export license. When Streit USA filed the reexport application on August 12, 2009, however, it knew that Streit Group FZE would be reexporting the items to Iraq, not Streit Middle East. Streit Group FZE had provided this information to Streit USA on August 10, 2009, two days before Streit USA filed the reexport license application.

Moreover, after filing the August 12, 2009 reexport license application, Streit USA also learned from Streit Group FZE on August 13, 2009, that the items would be reexported to Iraq in a few days, which reexport occurred on or about August 18, 2009, while the application remained pending. Streit USA did not, however, inform BIS of these material and substantive facts as required by Section 748.6(f) of the Regulations. Under Section 748.6(f), answers to all license application items or questions are deemed to be continuing representations of the existing facts or circumstances, and any material or substantive change in the facts concerning the related transaction or transactions must be reported to BIS, whether a license has been granted or a license application is still under consideration.

Similarly, on or about August 10, 2009, Streit USA applied for a license for Streit Middle East to reexport to the Philippines an armored vehicle that had been exported to Streit Middle East in the UAE pursuant to the December 7, 2007 export license. On August 13, 2009, while the application was pending, Streit Group FZE informed Streit USA that it, not Streit Middle East, would be reexporting the armored vehicle from the UAE to the Philippines and that it was preparing to reexport the vehicle, which reexport occurred on or about September 6, 2009. Streit USA again failed, as required under Section 748.6(f), to report these material and substantive changes in the facts to BIS.

In so doing, Streit USA committed two violations of Section 764.2(g) of the Regulations (Charges 10-11) and two violations of Section 764.2(a) of the Regulations (Charges 12-13).

WHEREAS, BIS and Streit USA 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, Streit USA shall be assessed a civil penalty in the amount of \$1,600,000. Streit USA shall pay the U.S. Department of Commerce \$850,000 of this amount in five installments of: \$170,000 not later than September 27, 2015; \$170,000 not later than April 27, 2016; \$170,000 not later than November 27, 2016; \$170,000 not later than June 27, 2017; and \$170,000 not later than January 27, 2018. Payment shall be made in the manner specified in the attached instructions. If any of the five installment payments is not fully and timely made, any remaining scheduled installment payments and any suspended penalty may become due and owing immediately. Payment of the remaining \$750,000 shall be suspended for a period of three years from the date of this Order, and thereafter shall be waived, provided that during this three-year probationary period under this Order, Streit USA has committed no violation of the Act, or any regulation, order, license or authorization issued thereunder and has made full and timely payment of \$850,000 as set forth above.

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, Streit USA 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, Streit USA shall complete and submit two audits of its export controls compliance program, as set forth in this paragraph. At least the first of the audits shall be conducted by an unaffiliated third party consultant with expertise in U.S. export control laws. The audits shall assess compliance with U.S. export control laws (including recordkeeping requirements), with respect to all exports, reexports, and transfers that are subject to the Regulations. The results of the audits, including any relevant supporting materials, shall be submitted to the Department of Commerce, Bureau of Industry and Security, Office of Export Enforcement, 381 Elden Street, Suite 1125, Herndon, VA 20170 ("BIS Washington Field Office"). The first audit shall cover the 18-month period beginning on the date of this Order, and the second audit shall cover the 18-month period immediately following the first audit period. Reports on the results of the two audits shall be due to the BIS Washington Field Office no later than twenty-one (21) months and thirty-nine (39) months, respectively, from the date of this Order. Said audits shall be in substantial compliance with the Export Management and Compliance Program (EMCP) sample audit module. The EMCP sample audit module is available on the BIS web site at http://www.bis.doc.gov/index.php/forms-documents/doc_download/1256-emcp-guidelines-november-2013. In addition, where either audit identifies actual or potential violations of the Regulations, Streit USA must promptly provide copies of the pertinent air waybills and other export control documents and supporting documentation to the BIS Washington Field Office.

FOURTH, the full and timely payment of the civil penalty in accordance with the payment schedule set forth above and the full and timely completion and submission of the results of the audits as set forth above are hereby made conditions to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to Streit USA.

FIFTH, that for a period of three (3) years from the date of entry of this Order, Streit USA, with a last known address of 8449 Palmetto Commerce Parkway, North Charleston, South Carolina 20456, and when acting for or on its behalf, its successors, assigns, directors, officers, employees, representatives, or agents (hereinafter collectively referred to as "Denied Person"), may not, directly or indirectly, participate in any way in any transaction involving any commodity, software or technology (hereinafter collectively referred to as "item") exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations, including, but not limited to:

- A. Applying for, obtaining, or using any license, License Exception, or export control document;
- B. Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way, any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations; or

- C. Benefitting in any way from any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations.

SIXTH, that no person may, directly or indirectly, do any of the following:

- A. Export or reexport to or on behalf of the Denied Person any item subject to the Regulations;
- B. Take any action that facilitates the acquisition or attempted acquisition by the Denied Person of the ownership, possession, or control of any item subject to the Regulations that has been or will be exported from the United States, including financing or other support activities related to a transaction whereby the Denied Person acquires or attempts to acquire such ownership, possession or control;
- C. Take any action to acquire from or to facilitate the acquisition or attempted acquisition from the Denied Person of any item subject to the Regulations that has been exported from the United States;
- D. Obtain from the Denied Person in the United States any item subject to the Regulations with knowledge or reason to know that the item will be, or is intended to be, exported from the United States; or
- E. Engage in any transaction to service any item subject to the Regulations that has been or will be exported from the United States and which is owned, possessed or controlled by the Denied Person, or service any item, of whatever origin, that is owned, possessed or controlled by the Denied Person if such service involves the use of any item subject to the Regulations that has been or will be exported from the United States. For

purposes of this paragraph, servicing means installation, maintenance, repair, modification or testing.

SEVENTH, that, after notice and opportunity for comment as provided in Section 766.23 of the Regulations, any person, firm, corporation, or business organization related to the Denied Person by affiliation, ownership, control, or position of responsibility in the conduct of trade or related services may also be made subject to the provisions of the Order.

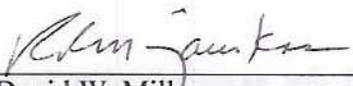
EIGHTH, that, as authorized by Section 766.18(c) of the Regulations, the three-year denial period set forth above shall be suspended during a probationary period of three years under this Order, and shall thereafter be waived, provided that Streit USA has made full and timely payment of the civil penalty as set forth above, has fully and timely completed and submitted results of both of the audits as set forth above, and has committed no other violation of the Act or any regulation, order, license or authorization issued thereunder during the two-year denial period. If Streit USA does not make full and timely payment as set forth above, does not fully and timely complete and submit results of the audits as set forth above, or commits another violation of the Act or Regulations or any order, license or authorization issued thereunder during the three-year probationary period under this Order, the suspension may be modified or revoked by BIS and a denial order, including a three-year denial period, activated against Streit USA.

NINTH, Streit USA shall not take any action or make or permit to be made any public statement, directly or indirectly, denying the allegations in the Proposed Charging Letter or this Order. The foregoing does not affect Streit USA's testimonial obligations in any proceeding, nor does it affect its right to take legal or factual positions in civil

litigation or other civil proceedings in which the U.S. Department of Commerce is not a party.

TENTH, 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 1ST day of September, 2015.

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

Streit USA Armoring, LLC
8449 Palmetto Commerce Parkway
North Charleston, SC 29456

Respondent

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made by and between Streit USA Armoring, LLC ("Streit USA"), of North Charleston, South Carolina, 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 Streit USA of its intention to initiate an administrative proceeding against them, pursuant to the Act and the Regulations;

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2015). The charged violations occurred between 2008 and 2009. The Regulations governing the violations at issue are found in the 2008 through 2009 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2008-2009)). The 2015 version of the Regulations govern the procedural aspects of this case.

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)), which has been extended by successive Presidential Notices, the most recent being that of August 7, 2015 (80 Fed. Reg. 48,233 (Aug. 11, 2015)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, et seq.) (2006 & Supp. IV 2010).

WHEREAS, BIS has issued a Proposed Charging Letter to Streit USA that alleged that Streit USA committed the following violations of the Regulations:

Charge 1: 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation in Connection with the Unlicensed Export of Armored Vehicles to the Venezuela via Canada

On or about December 10, 2008, Streit USA transferred and/or forwarded U.S.-origin vehicles retrofitted with ballistic steel and bullet proof glass, items subject to the Regulations and exported or to be exported from the United States, with knowledge that a violation of the Regulations had occurred or was about or was intended to occur in connection with the items. Streit USA transferred and/or forwarded the items, which were classified under Export Control Classification Number (“ECCN”) 9A018, controlled on national security grounds, and valued at approximately \$753,840, from the United States to Canada, knowing that upon arrival in Canada, the items would be transhipped by a Streit USA affiliate to Venezuela without the required BIS license.

Streit USA knew that a license was required to export the items to Venezuela because, inter alia, on or about November, 20, 2008, Streit USA had applied for a license to export armored vehicles to Venezuela. Without waiting for the license application to be resolved and without authorization from BIS, on or about December 10, 2008, Streit USA transferred and/or forwarded nine armored vehicles to Streit Manufacturing, Inc. in Canada, for transshipment to Venezuela.

In so doing, Streit USA committed one violation of Section 764.2(e) of the Regulations.

Charges 2 - 9: 15 C.F.R. § 764.2(b) – Causing, Aiding and Abetting Unlicensed Transfers, Sales, and Reexports in Violation of a BIS License Condition

On at least eight occasions between in or around March 2008 and in or around September 2009, Streit USA caused, aided and/or abetted the unlicensed reexport from the United Arab Emirates (“UAE”) to various destinations of U.S.-origin vehicles retrofitted with ballistic steel and bullet proof glass, without the required BIS licenses. The armored vehicles were subject to the Regulations, classified under ECCN 9A018, controlled on national security grounds, and valued at approximately \$2,382,050.

On or about December 7, 2007, Streit USA obtained a BIS export license for the export of armored vehicles from the United States to the UAE, with Streit Middle East, a Streit affiliate located in the UAE, designated as the authorized intermediate and ultimate consignee. The license as issued covered a certain maximum number of armored vehicles effective through December 31, 2009. The license required that Streit USA “inform the consignee of all license conditions,” including that “no resale, transfer, or reexport of the items . . . is authorized without prior authorization by the U.S. Government.” Streit Middle East and Streit USA both have at all times pertinent hereto



been subsidiaries of Streit Group FZE; and all three of these Streit Group entities had all times pertinent hereto the same chairman and chief executive officer ("CEO"), Guerman Goutorov, who also was the sole or majority owner of each of them.

However, Streit USA failed to inform Streit Middle East of the license conditions until on or about July 23, 2009, and on at least five occasions prior to that date, items that had been exported pursuant to the December 7, 2007 license were transferred, resold and/or reexported by Streit Middle East without prior authorization from BIS. Streit USA failed to comply even though it knew, via reports repeatedly received from its parent company, Streit Group FZE, and other Streit Group affiliates, that unlicensed sales, transfers, and reexports were occurring of items that had been exported pursuant to the license, and that Streit Group FZE and other affiliated Streit entities, rather than Streit Middle East, were acting as resellers and reexporters of the items.

In addition, despite this knowledge, Streit USA exported armored vehicles under the license to Streit Middle East in the UAE on at least three other occasions in 2009 that were transferred, sold and reexported by Streit Middle East or Streit Group FZE without the prior authorization required pursuant to the December 7, 2007 license for such transactions. Indeed, one of these exports by Streit USA occurred in August 2009, even though during a discussion on or about July 20, 2009, a BIS licensing officer had reiterated to Streit USA's compliance officer that prior authorization was required for any subsequent sale, transfer, or reexport of armored vehicles exported from the United States to the UAE pursuant to the license. In fact, Streit USA acknowledged in contemporaneous email correspondence with Streit Group FZE and Streit Middle East that it was subject to monetary penalties for any such violations.

In so doing, Streit USA committed eight violations of Section 764.2(b).

**Charges 10 - 13: 15 C.F.R. § 764.2(g) - False Statements to BIS in connection with a License Application (Charges 10-11);
15 C.F.R. § 764.2(a) - Failing To Update BIS regarding Material Changes of Fact relating to a License Application (Charges 12-13)**

In or about January-February 2009, Streit USA made a false or misleading statement to BIS in connection with the submission of a license application, an "export control document" as defined in Section 772.1 of the Regulations. Streit USA had filed an application with BIS on November 20, 2008, to export 25 armored vehicles from the United States to Venezuela. On January 16, 2009, as part of the interagency license application review process, BIS forwarded certain questions about the application to Streit USA, which Streit USA forwarded to its parent company, Streit Group FZE. Streit Group FZE's international sales manager responded later the same day, stating, "Regarding the request for additional information . . . I think we should advise the Dept[.] of Commerce that the client[']s deadline for importing the vehicles has expired as they needed them by December 31st. We don't want to bring any unnecessary attention and they may ask for more information or even . . . contact the client." On or about

January 20, 2009, Streit USA's vice president, operations, Eric Carlson, responded by email to Streit Group FZE's international sales manager as well as its chairman and chief executive officer Guerman Goutorov, stating, "We can advise the Commerce Department that the customer went elsewhere to purchase their armored vehicles due to the fact that it took too long for us to get an export license." Consistent with this scheme, Streit USA falsely stated to BIS on or about February 2, 2009, that the sale had been lost and that the license application should be returned without action. In fact, the sale had not been lost, and Streit USA had already shipped some of the items identified in the license application to Canada on or about December 10, 2008, less than three weeks after the license had been filed, knowing that after their arrival in Canada the items would be transshipped to Venezuela.

Streit USA again made a false or misleading statement to BIS in connection with a license application it filed with BIS on or about August 12, 2009, seeking authorization for Streit Middle East to reexport to Iraq eight armored vehicles that had been exported by Streit USA to the UAE pursuant to the BIS export license issued to Streit USA on December 7, 2007 (and described in Charges 2-7 above). Streit Middle East was listed as the authorized intermediate and ultimate consignee in the December 7, 2007 export license. When Streit USA filed the reexport application on August 12, 2009, however, it knew that Streit Group FZE would be reexporting the items to Iraq, not Streit Middle East. Streit Group FZE had provided this information to Streit USA on August 10, 2009, two days before Streit USA filed the reexport license application.

Moreover, after filing the August 12, 2009 reexport license application, Streit USA also learned from Streit Group FZE on August 13, 2009, that the items would be reexported to Iraq in a few days, which reexport occurred on or about August 18, 2009, while the application remained pending. Streit USA did not, however, inform BIS of these material and substantive facts as required by Section 748.6(f) of the Regulations. Under Section 748.6(f), answers to all license application items or questions are deemed to be continuing representations of the existing facts or circumstances, and any material or substantive change in the facts concerning the related transaction or transactions must be reported to BIS, whether a license has been granted or a license application is still under consideration.

Similarly, on or about August 10, 2009, Streit USA applied for a license for Streit Middle East to reexport to the Philippines an armored vehicle that had been exported to Streit Middle East in the UAE pursuant to the December 7, 2007 export license. On August 13, 2009, while the application was pending, Streit Group FZE informed Streit USA that it, not Streit Middle East, would be reexporting the armored vehicle from the UAE to the Philippines and that it was preparing to reexport the vehicle, which reexport occurred on or about September 6, 2009. Streit USA again failed, as required under Section 748.6(f), to report these material and substantive changes in the facts to BIS.

In so doing, Streit USA committed two violations of Section 764.2(g) of the Regulations (Charges 10-11) and two violations of Section 764.2(a) of the Regulations (Charges 12-13).

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

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

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

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

WHEREAS, Streit USA 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 Streit USA, under the Regulations, in connection with the matters alleged in the Proposed Charging Letter.
2. The following sanction shall be imposed against Streit USA in complete settlement of the alleged violation of the Regulations relating to the transactions specifically detailed in the Proposed Charging Letter:



a. Streit USA shall be assessed a civil penalty in the amount of \$1,600,000. Streit USA shall pay the U.S. Department of Commerce \$850,000 of this amount in five installments of: \$170,000 not later than September 27, 2015; \$170,000 not later than April 27, 2016; \$170,000 not later than November 27, 2016; \$170,000 not later than June 27, 2017; and \$170,000 not later than January 27, 2018. Payment shall be made in the manner specified in the attached instructions. If any of the five installment payments is not fully and timely made, any remaining scheduled installment payments and any suspended penalty may become due and owing immediately. Payment of the remaining \$750,000 shall be suspended until three years from the date of the Order, and thereafter shall be waived, provided that during this three-year probationary period under the Order, Streit USA has committed no violation of the Act, or any regulation, order, license or authorization issued thereunder, and provided that Streit USA has made full and timely payment of \$850,000 as set forth above.

b. Streit USA shall complete and submit two audits of its export controls compliance program. At least the first of the audits shall be conducted by an unaffiliated third party consultant with expertise in U.S. export control laws. The audits shall assess compliance with U.S. export control laws (including recordkeeping requirements and the requirements of this settlement agreement), with respect to all exports, reexports, and transfers that are subject to the Regulations. The results of the audits, including any relevant supporting materials, shall be submitted to the Department of Commerce, Bureau of Industry and Security, Office of Export Enforcement, 381 Elden Street, Suite 1125,



Herndon, VA 20170 ("BIS Washington Field Office"). The first audit shall cover the 18-month period beginning on the date of the Order, and the second audit shall cover the 18-month period immediately following the first audit period. Reports on the results of the two audits shall be due to the BIS Washington Field Office no later than twenty-one (21) months and thirty-nine (39) months, respectively, from the date of the Order. Said audits shall be in substantial compliance with the Export Management and Compliance Program (EMCP) sample audit module. The EMCP sample audit module is available on the BIS web site at http://www.bis.doc.gov/index.php/forms-documents/doc_download/1256-emcp-guidelines-november-2013. In addition, where said either audit identifies actual or potential violations of the Regulations, Streit USA must promptly provide copies of the pertinent air waybills and other export control documents and supporting documentation to the BIS Washington Field Office.

c. The full and timely payment of the civil penalty as set forth in in Paragraph 2.a and the full and timely completion and submission of the results of the audits as set forth in Paragraph 2.b are hereby made conditions to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to Streit USA.

d. For a period of three (3) years from the date of the Order, Streit USA Armoring, LLC, with a last known address of 8449 Palmetto Commerce Parkway, North Charleston, South Carolina 20456, and when acting for or on its behalf, its successors, assigns, directors, officers, employees, representatives, or agents (hereinafter collectively referred to as "Denied Person"), may not, directly



or indirectly, participate in any way in any transaction involving any commodity, software or technology (hereinafter collectively referred to as "item") exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations, including, but not limited to:

- i. Applying for, obtaining, or using any license, License Exception, or export control document;
- ii. Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way, any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations; or
- iii. Benefitting in any way from any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations.

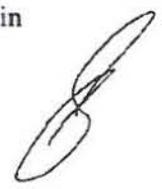
e. BIS agrees that, as authorized by Section 766.18(c) of the Regulations, the three-year denial period set forth in Paragraph 2.d shall be suspended, provided that Streit USA has made full and timely payment of the civil penalty in accordance with Paragraph 2.a above, has fully and timely completed and submitted the results of the audits in accordance with Paragraph 2.b, and has committed no other violation of the Act or any regulation, order, license or authorization issued thereunder during the three-year denial period. If Streit USA does not make full and timely payment of the civil penalty in



accordance with Paragraph 2.a above, does not fully and timely complete and submit the results of the audits in accordance with Paragraph 2.b, or commits another violation of the Act or the Regulations or any order, license or authorization issued thereunder during the three-year probationary period under the Order, the suspension may be modified or revoked by BIS and a denial order, including a three-year denial period, activated against Streit USA.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, Streit USA 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. Streit USA also waives and will not assert any Statute of Limitations defense, and the Statute of Limitations will be tolled, 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 this Agreement and the Order, if issued, from the date of the Order until the later of the date Streit USA has paid in full the civil penalty agreed to in Paragraph 2.a of this Agreement or has completed and submitted the results of both of the audits agreed to in Paragraph 2.b.

4. Streit USA shall not take any action or make or permit to be made any public statement, directly or indirectly, denying the allegations in the Proposed Charging Letter or the Order. The foregoing does not affect Streit USA's testimonial obligations in



any proceeding, nor does it affect its right to take legal or factual positions in civil litigation or other civil proceedings in which the U.S. Department of Commerce is not a party.

5. BIS agrees that upon full and timely payment of the civil penalty as set forth in Paragraph 2.a above, and full and timely completion and submission of the results of both of the audits as set forth in Paragraph 2.b above, BIS will not initiate any further administrative proceeding against Streit USA in connection with any violation of the Act or the Regulations arising out of the transactions specifically detailed in the Proposed Charging Letter.

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. BIS will make the Proposed Charging Letter, this Agreement, and the Order, if issued, available to the public.

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

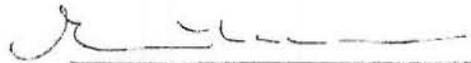
BUREAU OF INDUSTRY AND
SECURITY
U.S. DEPARTMENT OF COMMERCE



Douglas R. Hassebrock
Director, Office of Export Enforcement

Date: 31 Aug 15

STREIT USA ARMORING, LLC



Eric Carlson, President

Date: Aug 29 2015

Reviewed and approved by:



Jason Waite, Esq.
Alston & Bird LLP
Counsel for Streit USA

Date: 8/24/15

PROPOSED CHARGING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Streit USA Armoring, LLC
8449 Palmetto Commerce Parkway
North Charleston, SC 29456

*Attention: Guerman Goutorov
Chairman & Chief Executive Officer*

Dear Mr. Goutorov:

The Bureau of Industry and Security, United States Department of Commerce (“BIS”), has reason to believe that Streit USA Armoring, LLC, of North Charleston, South Carolina (“Streit USA”), has committed thirteen (13) violations of the Export Administration Regulations (the “Regulations”),¹ which issued under the authority of the Export Administration Act of 1979, as amended (the “Act”).² Specifically, BIS charges that Streit USA committed the following violations:

Charge 1: 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation in Connection with the Unlicensed Export of Armored Vehicles to the Venezuela via Canada

As set forth in greater detail in the Schedule of Violations attached hereto and incorporated herein, on or about December 10, 2008, Streit USA transferred and/or forwarded U.S.-origin vehicles retrofitted with ballistic steel and bullet proof glass, items subject to the Regulations and exported or to be exported from the United States, with knowledge that a violation of the Regulations had occurred or was about or was intended to occur in connection with the items. Streit USA transferred and/or forwarded the items, which were classified under Export Control Classification Number (“ECCN”) 9A018, controlled on national security grounds, and valued at approximately \$753,840, from the United States to Canada, knowing that upon arrival in Canada, the items would be transshipped by a Streit USA affiliate to Venezuela without the required BIS license.

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2015). The charged violations occurred between 2008 and 2009. The Regulations governing the violations at issue are found in the 2007 through 2009 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2008-2009)). The 2015 version of the Regulations establish 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 August 7, 2014 (79 Fed. Reg. 46,959 (Aug. 11, 2014)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.*) (“IEEPA”).

Streit USA knew that a license was required to export the items to Venezuela because, inter alia, on or about November, 20, 2008, Streit USA had applied for a license to export armored vehicles to Venezuela. Without waiting for the license application to be resolved and without authorization from BIS, on or about December 10, 2008, Streit USA transferred and/or forwarded nine armored vehicles to Streit Manufacturing, Inc. in Canada, for transshipment to Venezuela.

In so doing, Streit USA committed one violation of Section 764.2(e) of the Regulations.

**Charges 2 - 9: 15 C.F.R. § 764.2(b) – Causing, Aiding and Abetting
Unlicensed Transfers, Sales, and Reexports in Violation
of a BIS License Condition**

As set forth in greater detail in the Schedule of Violations attached hereto and incorporated herein, on at least eight occasions between in or around March 2008 and in or around September 2009, Streit USA caused, aided and/or abetted the unlicensed reexport from the United Arab Emirates (“UAE”) to various destinations of U.S.-origin vehicles retrofitted with ballistic steel and bullet proof glass, without the required BIS licenses. The armored vehicles were subject to the Regulations, classified under ECCN 9A018, controlled on national security grounds, and valued at approximately \$2,382,050.

On or about December 7, 2007, Streit USA obtained a BIS export license for the export of armored vehicles from the United States to the UAE, with Streit Middle East, a Streit affiliate located in the UAE, designated as the authorized intermediate and ultimate consignee. The license as issued covered a certain maximum number of armored vehicles effective through December 31, 2009. The license required that Streit USA “inform the consignee of all license conditions,” including that “no resale, transfer, or reexport of the items . . . is authorized without prior authorization by the U.S. Government.” Streit Middle East and Streit USA both have at all times pertinent hereto been subsidiaries of Streit Group FZE; and all three of these Streit Group entities had all times pertinent hereto the same chairman and chief executive officer (“CEO”), Guerman Goutorov, who also was the sole or majority owner of each of them.

However, Streit USA failed to inform Streit Middle East of the license conditions until on or about July 23, 2009, and on at least five occasions prior to that date, items that had been exported pursuant to the December 7, 2007 license were transferred, resold and/or reexported by Streit Middle East without prior authorization from BIS. Streit USA failed to comply even though it knew, via reports repeatedly received from its parent company, Streit Group FZE, and other Streit Group affiliates, that unlicensed sales, transfers, and reexports were occurring of items that had been exported pursuant to the license, and that Streit Group FZE and other affiliated Streit entities, rather than Streit Middle East, were acting as resellers and reexporters of the items.

In addition, despite this knowledge, Streit USA exported armored vehicles under the license to Streit Middle East in the UAE on at least three other occasions in 2009 that were transferred, sold and reexported by Streit Middle East or Streit Group FZE without

the prior authorization required pursuant to the December 7, 2007 license for such transactions. Indeed, one of these exports by Streit USA occurred in August 2009, even though during a discussion on or about July 20, 2009, a BIS licensing officer had reiterated to Streit USA's compliance officer that prior authorization was required for any subsequent sale, transfer, or reexport of armored vehicles exported from the United States to the UAE pursuant to the license. In fact, Streit USA acknowledged in contemporaneous email correspondence with Streit Group FZE and Streit Middle East that it was subject to monetary penalties for any such violations.

In so doing, Streit USA committed eight violations of Section 764.2(b).

**Charges 10 - 13: 15 C.F.R. § 764.2(g) - False Statements to BIS in connection with a License Application (Charges 10-11);
15 C.F.R. § 764.2(a) - Failing To Update BIS regarding Material Changes of Fact relating to a License Application (Charges 12-13)**

In or about January-February 2009, Streit USA made a false or misleading statement to BIS in connection with the submission of a license application, an "export control document" as defined in Section 772.1 of the Regulations. Streit USA had filed an application with BIS on November 20, 2008, to export 25 armored vehicles from the United States to Venezuela. On January 16, 2009, as part of the interagency license application review process, BIS forwarded certain questions about the application to Streit USA, which Streit USA forwarded to its parent company, Streit Group FZE. Streit Group FZE's international sales manager responded later the same day, stating, "Regarding the request for additional information . . . I think we should advise the Dept[.] of Commerce that the client[']s deadline for importing the vehicles has expired as they needed them by December 31st. We don't want to bring any unnecessary attention and they may ask for more information or even . . . contact the client." On or about January 20, 2009, Streit USA's vice president, operations, Eric Carlson, responded by email to Streit Group FZE's international sales manager as well as its chairman and chief executive officer Guerman Goutorov, stating, "We can advise the Commerce Department that the customer went elsewhere to purchase their armored vehicles due to the fact that it took too long for us to get an export license." Consistent with this scheme, Streit USA falsely stated to BIS on or about February 2, 2009, that the sale had been lost and that the license application should be returned without action. In fact, the sale had not been lost, and Streit USA had already shipped some of the items identified in the license application to Canada on or about December 10, 2008, less than three weeks after the license had been filed, knowing that after their arrival in Canada the items would be transhipped to Venezuela.

Streit USA again made a false or misleading statement to BIS in connection with a license application it filed with BIS on or about August 12, 2009, seeking authorization for Streit Middle East to reexport to Iraq eight armored vehicles that had been exported by Streit USA to the UAE pursuant to the BIS export license issued to Streit USA on December 7, 2007 (and described in Charges 2-7 above). Streit Middle East was listed as

the authorized intermediate and ultimate consignee in the December 7, 2007 export license. When Streit USA filed the reexport application on August 12, 2009, however, it knew that Streit Group FZE would be reexporting the items to Iraq, not Streit Middle East. Streit Group FZE had provided this information to Streit USA on August 10, 2009, two days before Streit USA filed the reexport license application.

Moreover, after filing the August 12, 2009 reexport license application, Streit USA also learned from Streit Group FZE on August 13, 2009, that the items would be reexported to Iraq in a few days, which reexport occurred on or about August 18, 2009, while the application remained pending. Streit USA did not, however, inform BIS of these material and substantive facts as required by Section 748.6(f) of the Regulations. Under Section 748.6(f), answers to all license application items or questions are deemed to be continuing representations of the existing facts or circumstances, and any material or substantive change in the facts concerning the related transaction or transactions must be reported to BIS, whether a license has been granted or a license application is still under consideration.

Similarly, on or about August 10, 2009, Streit USA applied for a license for Streit Middle East to reexport to the Philippines an armored vehicle that had been exported to Streit Middle East in the UAE pursuant to the December 7, 2007 export license. On August 13, 2009, while the application was pending, Streit Group FZE informed Streit USA that it, not Streit Middle East, would be reexporting the armored vehicle from the UAE to the Philippines and that it was preparing to reexport the vehicle, which reexport occurred on or about September 6, 2009. Streit USA again failed, as required under Section 748.6(f), to report these material and substantive changes in the facts to BIS.

In so doing, Streit USA committed two violations of Section 764.2(g) of the Regulations (Charges 10-11) and two violations of Section 764.2(a) of the Regulations (Charges 12-13).

* * * * *

Accordingly, Streit USA 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;³
- Denial of export privileges;
- Exclusion from practice before BIS; and/or

³ See International Emergency Economic Powers Enhancement Act of 2007, Pub. L. No. 110-96, 121 Stat. 1011 (2007).

- Any other liability, sanction, or penalty available under law.

If Streit USA fails to answer the charge 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 (2014). If Streit USA defaults, the Administrative Law Judge may find the charge alleged in this letter to be true without a hearing or further notice to the company. The Under Secretary for Industry and Security may then impose up to the maximum penalty on the charge in this letter.

Streit USA 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 (2014). Streit USA is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent the company. *See* 15 C.F.R. §§ 766.3(a) and 766.4 (2014).

Streit USA is further notified that under the Small Business Regulatory Enforcement Flexibility Act, the company 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 (2014). Should Streit USA have a proposal to settle this case, the company 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, Streit USA'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 Streit USA's answer must be served on BIS at the following address:

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

Adrienne Frazier is the attorney representing BIS in this case; any communications that Streit USA may wish to have concerning this matter should occur through her. She may be contacted by telephone at (202) 482-5301.

Sincerely,

Douglas R. Hassebrock
Director
Office of Export Enforcement

U.S. Coast Guard All-Decking Center
405 E. Bay Street
Baltimore, Maryland 21202-4022

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

Chief Counsel for Industry and Security
Attention: Adrienne Frazier, Esq.
Room 44-2319
United States Department of Commerce
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20530

SCHEDULE OF VIOLATIONS REGARDING CHARGES 1-9

Charge No.	ECCN	Items' Value	Date of Export	Destination of Export	Date of Reexport	Destination of Reexport	Violation
1	9A018	\$753,840	12/10/08	Venezuela (via Canada)	12/19/08	N/A	15 C.F.R. § 764.2(e)
2	9A018	\$107,000	3/8/08	UAE	11/2008	Afghanistan	15 C.F.R. § 764.2(b)
3	9A018	\$90,000	8/1/08	UAE	4/2009	Nigeria	15 C.F.R. § 764.2(b)
4	9A018	\$267,000	1/8/09	UAE	5/14/09; 6/16/09	Iraq	15 C.F.R. § 764.2(b)
5	9A018	\$267,000	2/17/09	UAE	5/14/09; 6/16/09	Iraq	15 C.F.R. § 764.2(b)
6	9A018	\$356,000	5/11/09	UAE	6/16/09	Iraq	15 C.F.R. § 764.2(b)
7	9A018	\$168,000	5/11/09	UAE	8/23/09	Nigeria	15 C.F.R. § 764.2(b)
8	9A018	\$777,050	6/10/09	UAE	8/18/09 9/6/09	Iraq Philippines	15 C.F.R. § 764.2(b)
9	9A018	\$350,000	8/7/09	UAE	9/2009	Singapore	15 C.F.R. § 764.2(b)