

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

In the Matter of:)
)
Flowserve France S.A.S.)
7, Avenue de la liberation)
BP 60)
63307 Thiers Cedex)
France)
)
Respondent)

ORDER RELATING TO FLOWSERVE FRANCE S.A.S.

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has notified Flowserve France S.A.S. (“Flowserve France”) of its intention to initiate an administrative proceeding against Flowserve France 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 France that alleged that Flowserve France committed 27 violations of the Regulations. Specifically, these charges are:

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2011). The charged violations occurred between 2003 and 2006. The Regulations governing the violations at issue are found in the 2003-2006 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2003-2006)). The 2011 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 12, 2011 (76 Fed. Reg. 50661 (Aug. 16, 2011)), continues the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.*).

Charges 1- 27 15 C.F.R. 764.2(b): Causing, Aiding or Abetting Unlicensed Exports to Iran without the Required U.S. Government Authorization

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on 27 occasions between on or about January 23, 2003 and on or about November 24, 2006, Flowserve France caused, aided or abetted the doing of an act prohibited by the Regulations. Specifically, Flowserve France ordered pumps and pump components, items subject to the Regulations and the Iranian Transactions Regulations (“ITR”),³ designated EAR99,⁴ and valued at approximately \$250,000, from the United States for transshipment through France to Iran. Once the items arrived in France, Flowserve France arranged for transshipment of the items to Iran. Pursuant to Section 560.204 of the ITR, maintained by the Department of the Treasury’s Office of Foreign Assets Control (“OFAC”), an export to a third country intended for transshipment to Iran is a transaction subject to the ITR and requires OFAC authorization. Pursuant to Section 746.7 of the Regulations, no person may engage in the exportation of an item subject to both the Regulations and the ITR without authorization from OFAC. No OFAC authorization was obtained for the exports described herein. In so doing, Flowserve France committed 27 violations of Section 764.2(b) of the Regulations.

WHEREAS, BIS and Flowserve France 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 France shall be assessed a civil penalty in the amount of \$210,000, 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

³ 31 C.F.R. § 560 (2003-2006).

⁴ 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) (2003-2006).

described in the attached Notice, and if payment is not made by the due date specified herein, Flowserve France 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.

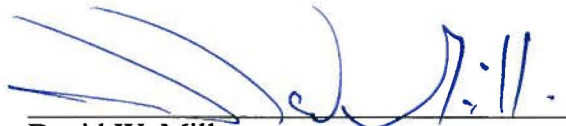
THIRD, Flowserve France shall complete an external audit of its export controls compliance program, as set forth in this paragraph. Flowserve France shall hire an unaffiliated third party consultant with expertise in U.S. export control laws to conduct the external audit of its compliance with U.S. export control laws (including recordkeeping requirements), with respect to all exports or re-exports that are subject to the Regulations. The results of the audit, including any relevant supporting materials, shall be submitted to the Department of Commerce, Bureau of Industry and Security, Office of Export Enforcement, 525 South Griffin Street, Room 622, Dallas, TX 75202 (“BIS Dallas Field Office”). The audit shall cover the 12-month period beginning on the date of this Order, and the related report shall be due to the BIS Dallas Field Office no later than nineteen (19) months from the date of this Order. Said audit shall be in substantial compliance with the EMS sample audit module, and shall include an assessment of Flowserve France’s compliance with the Regulations. The EMS sample audit module is available on the BIS web site at http://www.bis.doc.gov/complianceand enforcement/ revised_emcp_audit.pdf. In addition, where said audit identifies actual or potential violations of the Regulations, Flowserve France must promptly provide copies of the pertinent air waybills and other export control documents and supporting documentation to the BIS Dallas Field Office.

FOURTH, that the full and timely payment of the civil penalty in accordance with the payment schedule set forth above, and the timely completion and submission of the results of the audit 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 Flowserve France. Accordingly, if Flowserve France should fail to pay the civil penalty in full or in a timely manner or fail to complete and submit the results of the audit in a timely manner, the undersigned may issue an Order denying all of Flowserve France's export privileges under the Regulations for a period of one year from, respectively, the date the penalty payment is due or the date by which the results of the completed audit are to be submitted.

FIFTH, 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.

A handwritten signature in blue ink, appearing to read 'D. W. Mills', is written over a horizontal line.

David W. Mills
Assistant Secretary of Commerce
for Export Enforcement

Issued this 28 day of September, 2011.

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

In the Matter of:)
)
Flowserve France S.A.S.)
7, Avenue de la Liberation)
BP 60)
63307 Thiers Cedex)
France)
)
Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Flowserve France S.A.S. (“Flowserve France”) 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 France of its intention to initiate an administrative proceeding against it, 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 (2011). The charged violations occurred between 2003 and 2006. The Regulations governing the violations at issue are found in the 2003-2006 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2003-2006)). The 2011 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 12, 2011 (76 Fed. Reg. 50,661 (Aug. 16, 2011)), continues the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.*).

WHEREAS, BIS has issued a Proposed Charging Letter to Flowserve France that alleges that Flowserve France committed 27 violations of the Regulations, specifically:

Charges 1- 27 15 C.F.R. 764.2(b): Causing, Aiding or Abetting Unlicensed Exports to Iran without the Required U.S. Government Authorization

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on 27 occasions between on or about January 23, 2003 and on or about November 24, 2006, Flowserve France caused, aided or abetted the doing of an act prohibited by the Regulations. Specifically, Flowserve France ordered pumps and pump components, items subject to the Regulations and the Iranian Transactions Regulations (“ITR”),³ designated EAR99,⁴ and valued at approximately \$250,000, from the United States for transshipment through France to Iran. Once the items arrived in France, Flowserve France arranged for transshipment of the items to Iran. Pursuant to Section 560.204 of the ITR, maintained by the Department of the Treasury’s Office of Foreign Assets Control (“OFAC”), an export to a third country intended for transshipment to Iran is a transaction subject to the ITR and requires OFAC authorization. Pursuant to Section 746.7 of the Regulations, no person may engage in the exportation of an item subject to both the Regulations and the ITR without authorization from OFAC. No OFAC authorization was obtained for the exports described herein. In so doing, Flowserve France committed 27 violations of Section 764.2(b) of the Regulations.

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

WHEREAS, Flowserve France 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 France 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;

³ 31 C.F.R. § 560 (2003-2006).

⁴ 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) (2003-2006).

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

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

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

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

WHEREAS, Flowserve France 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 France in complete settlement of the alleged violations of the Regulations relating to the transactions specifically detailed in the Proposed Charging Letter:
 - a. Flowserve France shall be assessed a civil penalty in the amount of \$210,000, 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. Flowserve France shall complete an external audit of its export controls compliance program. Flowserve France shall hire an unaffiliated third party consultant with expertise in U.S. export control laws to conduct the external audit of its compliance with U.S. export control laws (including recordkeeping

requirements), with respect to all exports or re-exports that are subject to the Regulations. The results of the audit, including any relevant supporting materials, shall be submitted to the Department of Commerce, Bureau of Industry and Security, Office of Export Enforcement, 525 South Griffin Street, Room 622, Dallas, TX 75202 (“BIS Dallas Field Office”). The audit shall cover the 12-month period beginning on the date of the Order, and the related report shall be due to the BIS Dallas Field Office no later than nineteen (19) months from the date of the Order. Said audit shall be in substantial compliance with the EMS sample audit module, and shall include an assessment of Flowserve France’s compliance with the Regulations. The EMS sample audit module is available on the BIS web site at http://www.bis.doc.gov/complianceand enforcement/ revised_emcp_audit.pdf. In addition, where said audit identifies actual or potential violations of the Regulations, Flowserve France must promptly provide copies of the pertinent air waybills and other export control documents and supporting documentation to the BIS Dallas Field Office.

c. The full and timely payment of the civil penalty agreed to in paragraph 2.a, above, and the timely completion and submission of the results of the audit agreed to in paragraph 2.b, above, are hereby made conditions to the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to Flowserve France. Failure to make full or timely payment of the civil penalty set forth above may result in the denial of all of Flowserve France’s export privileges for a period of one year from the date the penalty payment is due. Failure to complete and submit the results of the audit

agreed to in paragraph 2.b, above, within the deadline established in that paragraph also may result in the denial of all of Flowserve France's export privileges for a period of one year from the date on which the results of the completed audit are to be submitted.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, Flowserve France 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 France 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 later of the date Flowserve France pays in full the civil penalty agreed to in Paragraph 2.a of this Agreement or the date Flowserve France submits the results of the completed compliance audit agreed to in Paragraph 2.b 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, and timely completion and submission of the results of the audit as set forth in Paragraph 2.b above, BIS will not initiate any further administrative proceedings against Flowserve France 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.

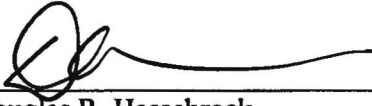
6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial 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.

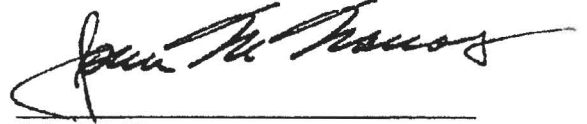
BUREAU OF INDUSTRY AND SECURITY
U.S. DEPARTMENT OF COMMERCE



Douglas R. Hassebrock
Director
Office of Export Enforcement

Date: 9/27/11

FLOWSERVE FRANCE S.A.S



John M. Nanos
Director and President

Date: 9-21-11

PROPOSED CHARGING LETTER

REGISTERED MAIL - RETURN RECEIPT REQUESTED

Flowsolve France S.A.S.
7, Avenue de la Liberation
BP 60
63307 Thiers Cedex
France

Attention: John M. Nanos, Director and President

Dear Mr. Nanos:

The Bureau of Industry and Security, United States Department of Commerce ("BIS"), has reason to believe that Flowsolve France S.A.S., of Thiers, France ("Flowsolve France"), committed 27 violations of the Export Administration Regulations (the "Regulations"),¹ which are issued under the authority of the Export Administration Act of 1979, as amended (the "Act").² Specifically, BIS charges that Flowsolve France committed the following violations:

Charges 1- 27 15 C.F.R. 764.2(b): Causing, Aiding or Abetting Unlicensed Exports to Iran without the Required U.S. Government Authorization

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on 27 occasions between on or about January 23, 2003 and on or about November 24, 2006, Flowsolve France caused, aided or abetted the doing of an act prohibited by the Regulations. Specifically, Flowsolve France ordered pumps and pump components, items subject to the Regulations and the Iranian Transactions Regulations ("ITR"),³ designated EAR99,⁴ and valued at approximately \$250,000, from the United States for transshipment through France to Iran. Once the items arrived in France, Flowsolve France arranged for transshipment of the items to Iran. Pursuant to Section 560.204 of the ITR, maintained by the Department of the Treasury's Office of Foreign Assets Control ("OFAC"), an export to a third country intended for transshipment to Iran is a transaction subject to the ITR and requires OFAC

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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 12, 2011 (76 Fed. Reg. 50,661 (Aug. 16, 2011)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.*).

³ 31 C.F.R. § 560 (2003-2006).

⁴ 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) (2003-2006).

authorization. Pursuant to Section 746.7 of the Regulations, no person may engage in the exportation of an item subject to both the Regulations and the ITR without authorization from OFAC. No OFAC authorization was obtained for the exports described herein. In so doing, Flowserve France committed 27 violations of Section 764.2(b) of the Regulations.

* * * * *

Accordingly, Flowserve France 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 violation⁵;
- Denial of export privileges; and/or
- Exclusion from practice before BIS.

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

Flowserve France 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 France 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 France is further notified that under the Small Business Regulatory Enforcement Flexibility Act, Flowserve France 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 France have a proposal to settle this case, Flowserve France 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, Flowserve France's answer must be filed in accordance with the instructions set forth in Section 766.5(a) of the Regulations with:

⁵ International Emergency Economic Powers Enhancement Act of 2007, Pub. L. No. 110-96, 121 Stat. 1011 (2007).

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

In addition, a copy of Flowserve France'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 France 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

**Flowserve S.A.S. France
Proposed Charging Letter
Schedule of Violations**

Violation Number	Export Date	Item	ECCN	Destination	Violation
1	1/23/03	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
2	2/17/03	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
3	4/23/03	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
4	9/1/03	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
5	10/28/03	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
6	11/27/03	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
7	1/15/04	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
8	3/30/04	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
9	6/29/04	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
10	7/15/04	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
11	8/19/04	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
12	11/24/04	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
13	12/29/04	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
14	1/18/05	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
15	1/18/05	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
16	3/24/05	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
17	6/14/05	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
18	6/15/05	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
19	7/18/05	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
20	10/25/05	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
21	12/7/05	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
22	2/20/06	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
23	2/22/06	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
24	8/1/06	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
25	10/26/06	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
26	11/2/06	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)
27	11/24/06	pumps and pump components	EAR99	Iran	15 C.F.R. §764.2(b)