

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

\_\_\_\_\_  
In the Matter of: )  
 )  
Nelson S. Galgoul )  
Av. Edison Passess 909 )  
Rio De Janeiro )  
R.J., Brazil 20531-070 )  
 )  
Respondent )  
\_\_\_\_\_

ORDER RELATING TO NELSON S. GALGOUL

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has notified Nelson S. Galgoul (“Galgoul”) of its intention to initiate an administrative proceeding against Galgoul pursuant to Section 766.3 of the Export Administration Regulations (the “Regulations”),<sup>1</sup> and Section 13(c) of the Export Administration Act of 1979, as amended (the “Act”),<sup>2</sup> through the issuance of a Proposed Charging Letter to Galgoul that alleged that he committed one violation of the Regulations. Specifically, the charge is:

<sup>1</sup> The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2011). The charged violation occurred between 1995 and 2007. The Regulations governing the violation at issue are found in the 1995-2007 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1995-2007)). The 2011 Regulations set forth the procedures that apply to this matter.

<sup>2</sup> 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.*).

**Charge 1      15 C.F.R. §764.2(d) – Conspiracy**

From on or about March 1, 1995, and continuing through on or about February 28, 2007, Galgoul conspired and acted in concert with others, known and unknown, to bring about an act that constitutes a violation of the Regulations by agreeing to export an engineering software program from the United States to Iran via Brazil, without the required U.S. Government authorization. Pursuant to Section 746.7 of the Regulations, authorization was required from the Office of Foreign Assets Control, U.S. Department of the Treasury (“OFAC”), before the engineering software program, an item subject to the Regulations<sup>3</sup> and the Iranian Transactions Regulations (“ITR”)<sup>4</sup>, could be exported from the United States to Iran. Pursuant to Section 560.204 of the ITR, an export to a third country intended for transshipment to Iran is a transaction subject to the ITR. In furtherance of the conspiracy, Galgoul and his co-conspirators devised and employed a scheme under which they would market, sell, and service the engineering software program to Iranian clients through Galgoul, who was located in Brazil. In so doing, Galgoul committed one violation of Section 764.2(d) of the Regulations.

In so doing, Galgoul committed one violation of Section 764.2(d) of the Regulations.

WHEREAS, BIS and Galgoul have entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations, whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein; and

WHEREAS, I have approved of the terms of such Settlement Agreement;

IT IS THEREFORE ORDERED:

FIRST, that for a period of three (3) years from the date of entry of the Order, Nelson S. Galgoul, with a last known address of Av. Edison Passess 909, Rio De Janeiro, R.J., Brazil 20531-070, and when acting for or on his behalf, his representatives, assigns, agents, or employees (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

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<sup>3</sup> The engineering software program is classified under Export Control Classification Number (“ECCN”) 8D992.

<sup>4</sup> 31 CFR § 560 (1995-2007).

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.

SECOND, 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;

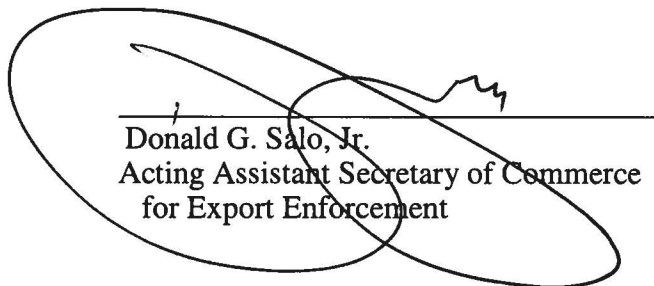
- D. Obtain from the Denied Person in the United States any item subject to the Regulations with knowledge or reason to know that the item will be, or is intended to be, exported from the United States; or
- E. Engage in any transaction to service any item subject to the Regulations that has been or 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.

THIRD, 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.

FOURTH, that the Proposed Charging Letter, the Settlement Agreement, and this Order shall be made available to the public.

FIFTH, that this Order shall be served on Galgoul and on BIS, and shall be published in the *Federal Register*.

This Order, which constitutes the final agency action in this matter, is effective immediately.<sup>5</sup>



Donald G. Salo, Jr.  
Acting Assistant Secretary of Commerce  
for Export Enforcement

Issued this 30<sup>th</sup> day of December, 2011.

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<sup>5</sup> Review and consideration of this matter have been delegated to the Deputy Assistant Secretary for Export Enforcement.

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SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Nelson S. Galgoul (“Galgoul”) 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”),<sup>1</sup> issued pursuant to the Export Administration Act of 1979, as amended (the “Act”).<sup>2</sup>

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

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

<sup>1</sup> The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2011). The charged violation occurred between 1995 and 2007. The Regulations governing the violation at issue is found in the 1995-2007 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1995-2007)). The 2011 Regulations set forth the procedures that apply to this matter.

<sup>2</sup> 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.*).



**Charge 1 15 C.F.R. §764.2(d) – Conspiracy**

From on or about March 1, 1995, and continuing through on or about February 28, 2007, Galgoul conspired and acted in concert with others, known and unknown, to bring about an act that constitutes a violation of the Regulations by agreeing to export an engineering software program from the United States to Iran via Brazil, without the required U.S. Government authorization. Pursuant to Section 746.7 of the Regulations, authorization was required from the Office of Foreign Assets Control, U.S. Department of the Treasury (“OFAC”), before the engineering software program, an item subject to the Regulations<sup>3</sup> and the Iranian Transactions Regulations (“ITR”)<sup>4</sup>, could be exported from the United States to Iran. Pursuant to Section 560.204 of the ITR, an export to a third country intended for transshipment to Iran is a transaction subject to the ITR. In furtherance of the conspiracy, Galgoul and his co-conspirators devised and employed a scheme under which they would market, sell, and service the engineering software program to Iranian clients through Galgoul, who was located in Brazil. In so doing, Galgoul committed one violation of Section 764.2(d) of the Regulations.

WHEREAS, Galgoul has reviewed the Proposed Charging Letter and is aware of the allegations made against him and the administrative sanctions which could be imposed against him if the allegations are found to be true;

WHEREAS, Galgoul 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, Galgoul enters into this Agreement voluntarily and with full knowledge of his rights;

WHEREAS, the Parties enter into this Agreement having taken into consideration a plea agreement entered between Galgoul and the U.S. Attorney’s Office for the Eastern District of Louisiana and a plea entered by Galgoul in the U.S. District Court for the Eastern District of Louisiana;

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<sup>3</sup> The engineering software program is classified under Export Control Classification Number (“ECCN”) 8D992.

<sup>4</sup> 31 CFR § 560 (1995-2007).



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

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

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

WHEREAS, Galgoul 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 Galgoul, under the Regulations, in connection with the matters alleged in the Proposed Charging Letter.

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

a. For a period of three (3) years from the date of issuance of the Order, Nelson S. Galgoul, with last known address of Av. Edison Passess 909, Rio De Janeiro, R.J., Brazil 20531-070, and when acting for or on his behalf, his representatives, assigns, agents, or employees (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.

3. Subject to the approval of this Agreement pursuant to Paragraph 7 hereof, Galgoul hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the Order, if issued), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in any charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if issued; and (c) seek judicial review or otherwise contest the validity of this Agreement or the Order, if issued.

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

5. 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



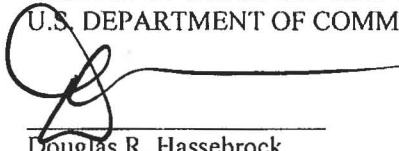
Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

6. 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.

7. 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.

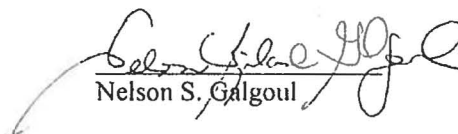
8. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

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



Douglas R. Hassebrock  
Director  
Office of Export Enforcement

NELSON S. GALGOUL



Nelson S. Galgoul

Date: December 23, 2011

Date: December 16, 2011

PROPOSED CHARGING LETTER

REGISTERED MAIL - RETURN RECEIPT REQUESTED

Nelson Szilard Galgoul  
Av. Edison Passess 909  
Rio De Janeiro  
R.J., Brazil 20531-070

Dear Mr. Galgoul:

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has reason to believe that you, in your individual capacity, (“Galgoul”) have committed one violation of the Export Administration Regulations (the “Regulations”),<sup>1</sup> which are issued under the authority of the Export Administration Act of 1979, as amended (the “Act”).<sup>2</sup> Specifically, BIS charges that you committed the following violation:

**Charge 1      15 C.F.R. §764.2(d) – Conspiracy**

From on or about March 1, 1995, and continuing through on or about February 28, 2007, Galgoul conspired and acted in concert with others, known and unknown, to bring about an act that constitutes a violation of the Regulations by agreeing to export an engineering software program from the United States to Iran, via Brazil, without the required U.S. Government authorization. Pursuant to Section 746.7 of the Regulations, authorization was required from the Office of Foreign Assets Control, U.S. Department of the Treasury (“OFAC”), before the engineering software program, an item subject to the Regulations<sup>3</sup> and the Iranian Transactions Regulations (“ITR”)<sup>4</sup>, could be exported from the United States to Iran. Pursuant to Section 560.204 of the ITR, an export to a third country intended for transshipment to Iran is a transaction subject to the ITR. In furtherance of the conspiracy, Galgoul and his co-conspirators devised and employed a scheme under which they would market, sell, and service the

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<sup>1</sup> The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2008). The alleged violation occurred between 1995 and 2007. The Regulations governing the alleged violation at issue are found in the 1995-2007 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1995-2007)). The 2011 Regulations set forth the procedures that apply to this matter.

<sup>2</sup> 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. §§ 1701-1706 (2000) (“IEEPA”). The Act and the Regulations are available on the Government Printing Office website at: <http://www.access.gpo.gov/bis/>.

<sup>3</sup> The engineering software program is classified under Export Control Classification Number (“ECCN”) 8D992.

<sup>4</sup> 31 CFR § 560 (1995-2007)

engineering software program to Iranian clients through Galgoul, who was located in Brazil. In so doing, Galgoul committed one violation of Section 764.2(d) of the Regulations.

\* \* \* \* \*

Accordingly, you are hereby notified that an administrative proceeding is instituted against you pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

- The maximum civil penalty allowed by law of up to the greater of \$250,000 per violation, or twice the value of the transaction that is the basis of the violation;<sup>5</sup>
- Denial of export privileges; and/or
- Exclusion from practice before BIS.

If you fail to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. *See* 15 C.F.R. §§ 766.6 and 766.7. If you default, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to you. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty for the charges in this letter.

You are further notified that you are entitled to an agency hearing on the record if you file a written demand for one with your answer. *See* 15 C.F.R. § 766.6. You are also entitled to be represented by counsel or other authorized representative who has power of attorney to represent you. *See* 15 C.F.R. §§ 766.3(a) and 766.4.

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18. Should you have a proposal to settle this case, you or your 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, your answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

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

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

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

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

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

Sincerely,

Douglas R. Hassebrock  
Director  
Office of Export Enforcement