

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

In the Matter of:

Matthew Kallgren
1088 N. Washington
Afton, WY 83110

Respondent

ORDER RELATING TO MATTHEW KALLGREN

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has notified Matthew Kallgren, of Afton, Wyoming (“Kallgren”), of its intention to initiate an administrative proceeding against Kallgren 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 Kallgren that alleges that Kallgren committed two violations of the Regulations. Specifically, the charges are:

Charges 1-2 15 C.F.R. § 764.2(h) – Evasion

Between on or about November 2006 and on or about May 24, 2007, and between on or about October 2007 and on or about October 10, 2008, Kallgren engaged in transactions or took actions with intent to evade the Regulations. Specifically, on two occasions, Kallgren negotiated the sale of diesel engine parts, items subject to the Regulations and designated as EAR99 items,³ to a company located in Syria, and then arranged for the

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2011). The violations alleged occurred in 2006, 2007 and 2008. The Regulations governing the violations at issue are found in the 2006, 2007 and 2008 versions of the Code of Federal Regulations. 15 C.F.R. Parts 730-774 (2006-2008). The 2011 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 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 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) (2006-2008).

export or attempted export of the items from the United States to Syria, via the United Arab Emirates ("UAE"), in order to evade the restrictions on exports to Syria under the Regulations, either directly or via a third country, including the requirement for U.S. Government authorization set forth under General Order No. 2 to Supplement No. 1, Part 736 of the Regulations.

In or about November 2006, Powerline Components Industries, LLC ("PC Industries") received a request for quote from a company based in Damascus, Syria, for diesel engine parts. As a sales manager for PC Industries, Kallgren was involved in negotiating this sale, and became the point of contact at PC Industries for this transaction. After several modifications to the original quote, Kallgren arranged for PC Industries to sell the diesel engine parts, valued at \$8,478.10 and designated as EAR99 items under the Regulations, to the company in Damascus, Syria. Kallgren knew or had reason to know that there were prohibitions on exporting to Syria because when Kallgren contacted PC Industries' regular freight forwarder, the freight forwarder informed him on or about November 7, 2006, that U.S. sanctions against Syria prohibited movement of freight to Syria, and provided Kallgren with a link to U.S. Government web guidance on the Syria sanctions program. After learning of the restrictions on Syria, Kallgren informed the Syrian buyer that PC Industries' regular freight forwarder could not move freight into Syria. Kallgren nonetheless proceeded with the transaction without seeking or obtaining the required license and exported the items to Syria, via the UAE, using a freight forwarder that had been identified by the Syrian buyer after PC Industries' regular forwarder indicated that no service was offered to Syria, citing U.S. sanctions restrictions. Pursuant to Section 734.2(b)(6) of the Regulations, the export or reexport of items subject to the Regulations that will transit through a country or be transshipped in a country to a new country or are intended for reexport to the new country, are deemed to be exports to the new country.

In or about October 2007, PC Industries received a second order for diesel parts from the same company located in Damascus, Syria, and Kallgren thereafter negotiated the sale of these items, valued at \$12,577.90 and designated as EAR99 items, and arranged for their transshipment to Syria, via the UAE, without the required license, using the same freight forwarder identified by the Syrian buyer. Kallgren had knowledge of the prohibitions against exporting items to Syria based on his involvement in the prior export described above, including his prior communications on or about November 7, 2006, with PC Industries' regular freight forwarder. In addition, on or about January 16, 2008, prior to the attempted export of these items to Syria, PC Industries received an outreach visit from agents from the Department of Homeland Security, Immigration and Customs Enforcement ("ICE"), as part of ICE's "Shield America" program. The ICE agents met with Kallgren and provided him with information regarding export controls, export licensing, and export restrictions to embargoed destinations. Nevertheless, Kallgren continued to engage in this second transaction and take actions with intent to evade the Regulations. Moreover, after this second shipment was stopped by U.S. Customs and Border Protection on or about June 18, 2008, Kallgren continued to represent in communications with U.S. Customs and Border Protection that the shipments were intended for the UAE and not Syria, even though shipping documents and his email communications with the freight forwarder demonstrated otherwise.

In so doing, Kallgren committed two violations of Section 764.2(h) of the Regulations.

WHEREAS, BIS and Kallgren 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, Kallgren shall be assessed a civil penalty in the amount of \$75,000, all of which shall be suspended for a period of three year from the date of this Order, and thereafter shall be waived, provided that during this three-year probationary period under this Order, Kallgren has complied with the terms of the plea agreement he has entered into with the U.S. Attorney's Office for the District of Wyoming ("the plea agreement") and any sentence imposed upon or following his plea and conviction, and has committed no violation of the Act or any regulation, order, license, or authorization issued thereunder. If Kallgren does not comply with the terms of the plea agreement and sentence, or commits a violation of the Act or any regulation, order, license, or authorization issued thereunder, during the probationary period under this Order, the suspension of the civil penalty may be may be modified or revoked by BIS and the \$75,000 made due and owing immediately.

SECOND, that for a period of three (3) years from the date of this Order, Kallgren, with a last known address of 1088 N. Washington, Afton, WY 83110, and when acting for or on his behalf, his successors, assigns, representatives, 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:

- 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.

THIRD, 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.

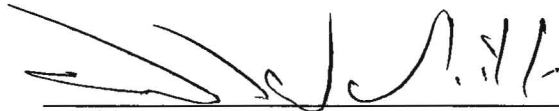
FOURTH, that, after notice and opportunity for comment as provided in Section 766.23 of the Regulations, any person, firm, corporation, or business organization related to the Denied Person by affiliation, ownership, control, or position of responsibility in the conduct of trade or related services may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

FIFTH, that, as authorized by Section 766.18(c) of the Regulations, the three-year denial period set forth above shall be suspended, and shall thereafter be waived, provided that Kallgren has complied with the plea agreement and any sentence imposed upon or following the entry of his plea and conviction, and has committed no other violation of the Act or any regulation, order, license or authorization issued thereunder during the

three-year probationary period under the Order. If Kallgren does not comply with the plea agreement and sentence, or commits a violation of the Act or any regulation, order, license or authorization issued thereunder, during the three-year probationary period under this Order, the suspension of the denial period may be modified or revoked by BIS and a denial order including a three-year denial period activated against Kallgren.

SIXTH, 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 8 day of March, 2012.

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

In the Matter of:

Matthew Kallgren
1088 N. Washington
Afton, WY 83110

Respondent

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Matthew Kallgren, of Afton, Wyoming (“Kallgren”), 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 Kallgren of its intentions to initiate an administrative proceeding against Kallgren, pursuant to the Act and the Regulations;

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

Charges 1-2 15 C.F.R. § 764.2(h) – Evasion

Between on or about November 2006 and on or about May 24, 2007, and between on or about October 2007 and on or about October 10, 2008, Kallgren engaged in transactions or took

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2011). The violations alleged occurred in 2006, 2007 and 2008. The Regulations governing the violations at issue are found in the 2006, 2007 and 2008 versions of the Code of Federal Regulations. 15 C.F.R. Parts 730-774 (2006-2008). The 2011 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 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.*).

actions with intent to evade the Regulations. Specifically, on two occasions, Kallgren negotiated the sale of diesel engine parts, items subject to the Regulations and designated as EAR99 items,³ to a company located in Syria, and then arranged for the export or attempted export of the items from the United States to Syria, via the United Arab Emirates (“UAE”), in order to evade the restrictions on exports to Syria under the Regulations, either directly or via a third country, including the requirement for U.S. Government authorization set forth under General Order No. 2 to Supplement No. 1, Part 736 of the Regulations.

In or about November 2006, Powerline Components Industries, LLC (“PC Industries”) received a request for quote from a company based in Damascus, Syria, for diesel engine parts. As a sales manager for PC Industries, Kallgren was involved in negotiating this sale, and became the point of contact at PC Industries for this transaction. After several modifications to the original quote, Kallgren arranged for PC Industries to sell the diesel engine parts, valued at \$8,478.10 and designated as EAR99 items under the Regulations, to the company in Damascus, Syria. Kallgren knew or had reason to know that there were prohibitions on exporting to Syria because when Kallgren contacted PC Industries’ regular freight forwarder, the freight forwarder informed him on or about November 7, 2006, that U.S. sanctions against Syria prohibited movement of freight to Syria, and provided Kallgren with a link to U.S. Government web guidance on the Syria sanctions program. After learning of the restrictions on Syria, Kallgren informed the Syrian buyer that PC Industries’ regular freight forwarder could not move freight into Syria. Kallgren nonetheless proceeded with the transaction without seeking or obtaining the required license and exported the items to Syria, via the UAE, using a freight forwarder that had been identified by the Syrian buyer after PC Industries’ regular forwarder indicated that no service was offered to Syria, citing U.S. sanctions restrictions. Pursuant to Section 734.2(b)(6) of the Regulations, the export or reexport of items subject to the Regulations that will transit through a country or be transshipped in a country to a new country or are intended for reexport to the new country, are deemed to be exports to the new country.

In or about October 2007, PC Industries received a second order for diesel parts from the same company located in Damascus, Syria, and Kallgren thereafter negotiated the sale of these items, valued at \$12,577.90 and designated as EAR99 items, and arranged for their transshipment to Syria, via the UAE, without the required license, using the same freight forwarder identified by the Syrian buyer. Kallgren had knowledge of the prohibitions against exporting items to Syria based on his involvement in the prior export described above, including his prior communications on or about November 7, 2006, with PC Industries’ regular freight forwarder. In addition, on or about January 16, 2008, prior to the attempted export of these items to Syria, PC Industries received an outreach visit from agents from the Department of Homeland Security, Immigration and Customs Enforcement (“ICE”), as part of ICE’s “Shield America” program. The ICE agents met with Kallgren and provided him with information regarding export controls, export licensing, and export restrictions to embargoed destinations. Nevertheless, Kallgren continued to engage in this second transaction and take actions with intent to evade the Regulations. Moreover, after this second shipment was stopped by U.S. Customs and Border Protection on or about June 18, 2008, Kallgren continued to represent in communications with

³ EAR99 is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2006-2008).

U.S. Customs and Border Protection that the shipments were intended for the UAE and not Syria, even though shipping documents and his email communications with the freight forwarder demonstrated otherwise.

In so doing, Kallgren committed two violations of Section 764.2(h) of the Regulations.

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

WHEREAS, Kallgren 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, Kallgren enters into this Agreement voluntarily and with full knowledge of his rights, after having consulted with counsel;

WHEREAS, the Parties enter into this Agreement having taken into consideration a plea agreement entered between Kallgren and the U.S. Attorney's Office for the District of Wyoming;

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

WHEREAS, Kallgren admits the allegations contained in the Proposed Charging Letter;

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

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

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

a. Kallgren shall be assessed a civil penalty in the amount of \$75,000, all of which shall be suspended for a period of three years from the date of the Order, and thereafter shall be waived, provided that during this three-year probationary period under the Order, Kallgren has complied with the terms of the plea agreement he has entered into with the U.S. Attorney's Office for the District of Wyoming ("the plea agreement") and any sentence imposed upon or following his plea and conviction, and has committed no violation of the Act or any regulation, order, license, or authorization issued thereunder. If Kallgren does not comply with the terms of the plea agreement and sentence, or commits a violation of the Act or any regulation, order, license, or authorization issued thereunder, during the probationary period under the Order, the suspension of the civil penalty may be modified or revoked by BIS and the \$75,000 made due and owing immediately.

b. For a period of three (3) years from the date of the Order, Kallgren, with a last known address of 1088 N. Washington, Afton, WY 83110, and when acting for or on his behalf, his successors, assigns, representatives, 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.

c. BIS agrees that, as authorized by Section 766.18(c) of the Regulations, the three-year denial period set forth in Paragraph 2.b shall be suspended, and shall thereafter be waived, provided that Kallgren has complied with the plea agreement and any sentence imposed upon or following the entry of his plea and conviction, and has committed no other violation of the Act or any regulation, order, license or authorization issued thereunder during the three-year probationary period under the Order. If Kallgren does not comply with the plea agreement and sentence, or commits a violation of the Act or any regulation, order, license or authorization issued thereunder, during the three-year probationary period under the Order, the suspension of the denial period may be modified or revoked by BIS and a denial order including a three-year denial period activated against Kallgren.

3. Subject to the approval of this Agreement pursuant to Paragraph 7 hereof, Kallgren hereby waives all rights to further procedural steps in this matter (except with respect to

any alleged violations of this Agreement or the Order, if issued), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in any charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if issued; and (c) seek judicial review or otherwise contest the validity of this Agreement or the Order, if issued.

4. BIS agrees that upon issuance of the Order and Kallgren's compliance in full with the plea agreement and any sentence imposed upon or following his conviction, BIS will not initiate any further administrative proceeding against Kallgren in connection with any violation of the Act or the Regulations arising out of the transactions specifically detailed in the Proposed Charging Letter.

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.

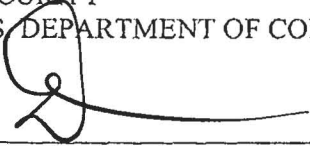
7. This Agreement shall become binding on the Parties only if the Assistant Secretary of Commerce for Export Enforcement approves it by issuing the Order, which will

have the same force and effect as a decision and order issued after a full administrative hearing on the record.

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

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 of Export Enforcement

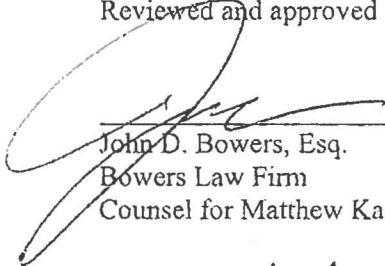
MATTHEW KALLGREN


Matthew Kallgren

Date: 2/15/2012

Date: 2/10/12

Reviewed and approved by:



John D. Bowers, Esq.
Bowers Law Firm
Counsel for Matthew Kallgren

Date: 2/10/12

PROPOSED CHARGING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Matthew Kallgren
1088 N. Washington
Afton, WY 83110

Dear Mr. Kallgren:

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has reason to believe that you, Matthew Kallgren, of Afton, Wyoming (“Kallgren”), have committed two 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 alleges that Kallgren committed the following violations:

Charges 1-2 15 C.F.R. § 764.2(h) – Evasion

Between on or about November 2006 and on or about May 24, 2007, and between on or about October 2007 and on or about October 10, 2008, Kallgren engaged in transactions or took actions with intent to evade the Regulations. Specifically, on two occasions, Kallgren negotiated the sale of diesel engine parts, items subject to the Regulations and designated as EAR99 items,³ to a company located in Syria, and then arranged for the export or attempted export of the items from the United States to Syria, via the United Arab Emirates (“UAE”), in order to evade the restrictions on exports to Syria under the Regulations, either directly or via a third country, including the requirement for U.S. Government authorization set forth under General Order No. 2 to Supplement No. 1, Part 736 of the Regulations.

In or about November 2006, Powerline Components Industries, LLC (“PC Industries”) received a request for quote from a company based in Damascus, Syria, for diesel engine parts. As a sales manager for PC Industries, Kallgren was involved in negotiating this sale, and became the point of contact at PC Industries for this transaction. After several modifications to the original quote, Kallgren arranged for PC Industries to sell the diesel

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2011). The violations alleged occurred in 2006, 2007 and 2008. The Regulations governing the violations at issue are found in the 2006, 2007 and 2008 versions of the Code of Federal Regulations. 15 C.F.R. Parts 730-774 (2006-2008). The 2011 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 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 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) (2006-2008).

engine parts, valued at \$8,478.10 and designated as EAR99 items under the Regulations, to the company in Damascus, Syria. Kallgren knew or had reason to know that there were prohibitions on exporting to Syria because when Kallgren contacted PC Industries' regular freight forwarder, the freight forwarder informed him on or about November 7, 2006, that U.S. sanctions against Syria prohibited movement of freight to Syria, and provided Kallgren with a link to U.S. Government web guidance on the Syria sanctions program. After learning of the restrictions on Syria, Kallgren informed the Syrian buyer that PC Industries' regular freight forwarder could not move freight into Syria. Kallgren nonetheless proceeded with the transaction without seeking or obtaining the required license and exported the items to Syria, via the UAE, using a freight forwarder that had been identified by the Syrian buyer after PC Industries' regular forwarder indicated that no service was offered to Syria, citing U.S. sanctions restrictions. Pursuant to Section 734.2(b)(6) of the Regulations, the export or reexport of items subject to the Regulations that will transit through a country or be transshipped in a country to a new country or are intended for reexport to the new country, are deemed to be exports to the new country.

In or about October 2007, PC Industries received a second order for diesel parts from the same company located in Damascus, Syria, and Kallgren thereafter negotiated the sale of these items, valued at \$12,577.90 and designated as EAR99 items, and arranged for their transshipment to Syria, via the UAE, without the required license, using the same freight forwarder identified by the Syrian buyer. Kallgren had knowledge of the prohibitions against exporting items to Syria based on his involvement in the prior export described above, including his prior communications on or about November 7, 2006, with PC Industries' regular freight forwarder. In addition, on or about January 16, 2008, prior to the attempted export of these items to Syria, PC Industries received an outreach visit from agents from the Department of Homeland Security, Immigration and Customs Enforcement ("ICE"), as part of ICE's "Shield America" program. The ICE agents met with Kallgren and provided him with information regarding export controls, export licensing, and export restrictions to embargoed destinations. Nevertheless, Kallgren continued to engage in this second transaction and take actions with intent to evade the Regulations. Moreover, after this second shipment was stopped by U.S. Customs and Border Protection on or about June 18, 2008, Kallgren continued to represent in communications with U.S. Customs and Border Protection that the shipments were intended for the UAE and not Syria, even though shipping documents and his email communications with the freight forwarder demonstrated otherwise.

In so doing, Kallgren committed two violations of Section 764.2(h) of the Regulations.

* * * * *

Accordingly, Kallgren is hereby notified that an administrative proceeding is instituted against him pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions and any other liability,

sanction or penalty available under law, including, but not limited to any or all of the following:

- The maximum civil penalty allowed by law of up to the greater of \$250,000 per violation, or twice the value of the transaction that is the basis of the violation;⁴
- Denial of export privileges; and/or
- Exclusion from practice before BIS.

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

Kallgren is further notified that he is entitled to an agency hearing on the record if he files a written demand for one with his answer. *See* 15 C.F.R. § 766.6. Kallgren is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent him. *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 Kallgren have a proposal to settle this case, Kallgren should transmit it to the attorney representing BIS named below.

Kallgren is further notified that under the Small Business Regulatory Enforcement Flexibility Act, Kallgren may be eligible for assistance from the Office of the National Ombudsman of the Small Business Administration in this matter. To determine eligibility and get more information, please see: <http://www.sba.gov/ombudsman/>.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, Kallgren' 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

⁴ *See* International Emergency Economic Powers Enhancement Act of 2007, Pub. L. No. 110-96, 121 Stat. 1011 (2007).

Matthew Kallgren
Proposed Charging Letter
Page 4 of 4

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

Chief Counsel for Industry and Security
Attention: R. Elizabeth Abraham, Esq.
Room H-3839
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

R. Elizabeth ("Liz") Abraham is the attorney representing BIS in this case; any communications that Kallgren may wish to have concerning this matter should occur through her. Ms. Abraham may be contacted by telephone at (202) 482-5301.

Sincerely,

Douglas R. Hassebrock
Director
Office of Export Enforcement