

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

In the Matter of:

Computerlinks FZCO
P.O. Box 341027
Dubai Silicon Oasis, Headquarters Building
Office C609
Dubai, United Arab Emirates

Respondent

ORDER RELATING TO COMPUTERLINKS FZCO

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has notified Computerlinks FZCO, of Dubai, United Arab Emirates (“Computerlinks FZCO”), of its intention to initiate an administrative proceeding against Computerlinks FZCO 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 Computerlinks FZCO that alleges that Computerlinks FZCO committed three violations of the Regulations. Specifically, the charges are:

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2013). The charged violations occurred in 2010-2011. The Regulations governing the violations at issue are found in the 2010-2011 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2010-2011)). The 2013 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 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 15, 2012 (77 Fed. Reg. 49,699 (Aug. 16, 2012)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.*) (2006 & Supp. IV 2010).

Charges 1-3: 15 C.F.R. § 764.2(h) – Evasion

On three occasions between on or about October 29, 2010, and on or about May 26, 2011, Computerlinks FZCO, a U.A.E.-based distributor of information technology and Internet security products, engaged in transactions or took actions with intent to evade the Regulations in connection with the unlawful export and reexport to Syria of items subject to the Regulations. The items included equipment and software designed for use in monitoring and controlling Web traffic that are classified under Export Control Classification Numbers (“ECCNs”) 5A002 and 5D002, respectively, controlled for National Security and Anti-Terrorism reasons and as Encryption items, and valued at approximately \$1,400,000.

The United States has a long-standing and widely-known trade embargo against Syria. With the exception of certain medicines and food, no item subject to the Regulations may be exported or reexported to Syria without a Department of Commerce license, as set forth at all times pertinent hereto in General Order No. 2, codified in Supplement No. 1 to Part 736 of the Regulations.³

At all times pertinent hereto, Computerlinks FZCO operated as an authorized distributor in the Middle East for Blue Coat Systems, Inc., of Sunnyvale, California (“Blue Coat”), distributing Blue Coat hardware and software products and providing support services to resellers and end users, including account, sales, and installation support and assistance. Under the distribution agreement with Blue Coat, Computerlinks FZCO was obligated, inter alia, to “comply with all export and import laws, rules, policies, procedures, restrictions, and regulations of the Department of Commerce[.]” The distribution agreement also contained additional safeguards specially applicable to Computerlinks FZCO, including that all orders to Blue Coat were to specify the end user of the ordered items.

Notwithstanding the above, Computerlinks FZCO provided Blue Coat, the U.S. manufacturer and exporter, with false information concerning the end user and ultimate destination of the items in connection with the transactions described herein. Computerlinks FZCO knew that the items were destined for end users in Syria. When placing orders with Blue Coat, however, Computerlinks FZCO falsely stated that the ultimate destination and end users for the items was either in Iraq (on two occasions) or in Afghanistan (on one occasion), when in fact the end user was in Syria. The items ordered and subsequently exported and reexported to Syria, via Computerlinks FZCO and the U.A.E., were Blue Coat devices used to monitor and control web traffic and related equipment and software controlled, as referenced above, on National Security and Anti-Terrorism grounds and as Encryption items. Department of Commerce licenses were

³ General Order No. 2 was issued pursuant to the Syria Accountability and Lebanese Sovereignty Restoration Act of 2003. On December 12, 2011, the controls on exports and reexports to Syria were moved to Section 746.9 of the Regulations. The licensing requirements continued unchanged. *See* 76 Fed. Reg. 77,115 (Dec. 12, 2011).

required for their export or reexport to Syria, but not to Iraq or Afghanistan. As a result, the items were shipped to Computerlinks FZCO in the U.A.E. for ultimate delivery to Syria without the required licenses having been sought or obtained.

On or about October 29, 2010, Computerlinks FZCO placed an order with Blue Coat for eight devices used to monitor and control web traffic along with accompanying equipment and software. Computerlinks FZCO falsely stated that the items were intended for the Iraq Ministry of Telecom, concealing the fact that the items actually were destined for Syria. Upon receiving the order, Blue Coat reexported the items from its facility in the Netherlands to Computerlinks FZCO in the U.A.E. On or about December 15, 2010, Computerlinks FZCO directed the items' transfer within the U.A.E. for their subsequent shipment to Syria for use by the state-run Syrian Telecommunications Establishment (STE).

On or about December 31, 2010, Computerlinks FZCO again placed an order with Blue Coat for six of the same devices and again provided false information concerning the end-user and country of destination, stating that the items were intended for the Iraq Ministry of Telecom when the items were in fact destined for Syria. Upon receiving the order, Blue Coat shipped the items from the United States to Computerlinks FZCO in the U.A.E. On or about February 9, 2011, Computerlinks FZCO directed that three of the six devices be transferred within the U.A.E. for their subsequent shipment to Syria. From February through May 2011, email exchanges involving several Computerlinks FZCO employees, including its Managing Director and Finance Manager, occurred with the U.A.E. reseller concerning past due balance amounts, which eventually were paid via a wire transfer from Syria on May 12, 2011.

During this time period, Computerlinks FZCO was asked to provide, and provided, support on or about April 6, 2011, designed to help the end user of the devices monitor the Web activities of individual Internet users and prevent users from navigating around censorship controls. Computerlinks FZCO knew that the end user was in Syria.

On or about May 15, 2011, Computerlinks FZCO ordered five more of the devices, along with accompanying equipment and software, from Blue Coat for the same reseller, this time falsely stating that the items were intended for Liwalnet, an Internet service provider in Afghanistan, when in fact the items were again destined for Syria. Upon receiving the order, Blue Coat confirmed the order on May 20, 2011 and shipped the items from its facility in the Netherlands to Computerlinks FZCO in the U.A.E. On or about May 26, 2011, Computerlinks FZCO directed its freight forwarder to consolidate the remaining three of the six devices and software from the December 31, 2010 order, along with the five devices and software from the May 15, 2011 order, and directed the transfer of all eight devices and the accompanying equipment within the U.A.E. for their subsequent shipment to the end user in Syria.

Computerlinks FZCO engaged in these transactions and took these actions despite the U.S. trade embargo against Syria and despite also being bound by the Blue Coat distribution agreement, which, as referenced above, required Computerlinks FZCO to

comply with Department of Commerce export laws, rules, and regulations, and which included special provisions that pertained solely to Computerlinks FZCO, including that it was required to provide end user information to Blue Coat at the time of the order. Computerlinks FZCO's Managing Director and its Blue Coat Regional Manager also met with BIS's regional Export Compliance Officer in November 2009, concerning compliance with the Regulations for an export of another type of item manufactured by Blue Coat.

Computerlinks FZCO knew that the items were destined for end users in Syria, as evidenced by email discussions between Computerlinks FZCO, resellers and forwarders that indicated the final destination was Syria, shipping documents showing Syria as the ultimate destination, and wire transfer payment made from Syria for the items. Computerlinks FZCO nevertheless provided false destination and end user information to Blue Coat and otherwise directly engaged in the items' sale and shipment to Syria, in violation of the Regulations.

In so doing, Computerlinks FZCO committed three violations of Section 764.2(h).

WHEREAS, BIS and Computerlinks FZCO 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, Computerlinks FZCO shall be assessed a civil penalty in the amount of \$2,800,000, the payment of which shall be made to the U.S. Department of Commerce within 30 days of the date of this Order.

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, Computerlinks FZCO 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, Computerlinks FZCO shall complete three external audits of its export controls compliance program. Computerlinks FZCO shall hire an unaffiliated third-party consultant with expertise in U.S. export control laws to conduct the external audits of its compliance with U.S. export control laws (including recordkeeping requirements), with respect to all exports or reexports 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, Suite 725, 160 W. Santa Clara Street, San Jose, CA 95113 ("BIS San Jose Field Office"). The first audit shall cover the 12-month period immediately preceding the date of the Order, and the related report shall be due to the BIS San Jose Field Office no later than six (6) months from the date of the Order. The second audit shall cover the 12-month period immediately following the date of the Order, and the related report shall be due to the BIS San Jose Field Office no later than fifteen (15) months from the date of the Order. The third audit shall cover the 12-month period beginning 12 months after the date of the Order, and the related report shall be due to the BIS San Jose Field Office no later than twenty-seven (27) months from the date of the Order. Said audits shall be in substantial compliance with the EMS sample audit module, and shall include an assessment of Computerlinks FZCO's compliance with the Regulations. The EMS sample audit module is available on the BIS web site at http://www.bis.doc.gov/complianceandenforcement/revised_emcp_audit.pdf. In addition, where said audits identify actual or potential violations of the Regulations, Computerlinks FZCO shall promptly provide copies of the pertinent waybills and other export control documents and supporting documentation to the BIS San Jose Field Office.

FOURTH, that the full and timely payment of the civil penalty in accordance with the payment schedule set forth above and the completion and submission 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 Computerlinks FZCO. Accordingly, if Computerlinks FZCO should fail to pay the civil penalty in a full and timely manner as set forth above, or complete and submit the audits as set forth above, the undersigned may issue an order denying all of Computerlinks FZCO's export privileges under the Regulations for a period of one year from the date of failure to make such payment or complete and submit the audit report.

FIFTH, Computerlinks FZCO 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 Computerlinks FZCO'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.

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 29th day of April, 2013.

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

In the Matter of:

Computerlinks FZCO
P.O. Box 341027
Dubai Silicon Oasis, Headquarters Building
Office C609
Dubai, United Arab Emirates

Respondent

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made by and between Computerlinks FZCO, of Dubai, United Arab Emirates ("Computerlinks FZCO"), 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 Computerlinks FZCO of its intentions to initiate an administrative proceeding against Computerlinks FZCO, 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 (2013). The charged violations occurred in 2010-2011. The Regulations governing the violations at issue are found in the 2010-2011 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2010-2011)). The 2013 Regulations set forth the procedures that apply to this matter.

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WHEREAS, BIS has issued a Proposed Charging Letter to Computerlinks FZCO that alleges that Computerlinks FZCO committed three violations of the Regulations, specifically:

Charges 1-3: 15 C.F.R. § 764.2(h) – Evasion

On three occasions between on or about October 29, 2010, and on or about May 26, 2011, Computerlinks FZCO, a U.A.E.-based distributor of information technology and Internet security products, engaged in transactions or took actions with intent to evade the Regulations in connection with the unlawful export and reexport to Syria of items subject to the Regulations. The items included equipment and software designed for use in monitoring and controlling Web traffic that are classified under Export Control Classification Numbers ("ECCNs") 5A002 and 5D002, respectively, controlled for National Security and Anti-Terrorism reasons and as Encryption items, and valued at approximately \$1,400,000.

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At all times pertinent hereto, Computerlinks FZCO operated as an authorized distributor in the Middle East for Blue Coat Systems, Inc., of Sunnyvale, California ("Blue Coat"), distributing Blue Coat hardware and software products and providing support services to resellers and end users, including account, sales, and installation support and assistance. Under the distribution agreement with Blue Coat, Computerlinks FZCO was obligated, inter alia, to "comply with all export and import laws, rules, policies, procedures, restrictions, and regulations of the Department of Commerce[.]" The distribution agreement also contained additional safeguards specially applicable to Computerlinks FZCO, including that all orders to Blue Coat were to specify the end user of the ordered items.

Notwithstanding the above, Computerlinks FZCO provided Blue Coat, the U.S. manufacturer and exporter, with false information concerning the end user and ultimate destination of the items in connection with the transactions described herein. Computerlinks FZCO knew that the items were destined for end users in Syria. When placing orders with Blue Coat, however, Computerlinks FZCO falsely stated that the ultimate destination and end users for the items was either in Iraq (on two occasions) or in Afghanistan (on one occasion), when in fact the end user was in Syria. The items ordered and subsequently exported and reexported to Syria, via Computerlinks FZCO and the U.A.E., were Blue Coat devices used to monitor and control web traffic and related equipment and software controlled, as referenced above, on National Security and Anti-Terrorism grounds and as Encryption items. Department of Commerce licenses were required for their export or reexport to Syria, but not to Iraq or Afghanistan. As a result, the

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items were shipped to Computerlinks FZCO in the U.A.E. for ultimate delivery to Syria without the required licenses having been sought or obtained.

On or about October 29, 2010, Computerlinks FZCO placed an order with Blue Coat for eight devices used to monitor and control web traffic along with accompanying equipment and software. Computerlinks FZCO falsely stated that the items were intended for the Iraq Ministry of Telecom, concealing the fact that the items actually were destined for Syria. Upon receiving the order, Blue Coat reexported the items from its facility in the Netherlands to Computerlinks FZCO in the U.A.E. On or about December 15, 2010, Computerlinks FZCO directed the items' transfer within the U.A.E. for their subsequent shipment to Syria for use by the state-run Syrian Telecommunications Establishment (STE).

On or about December 31, 2010, Computerlinks FZCO again placed an order with Blue Coat for six of the same devices and again provided false information concerning the end-user and country of destination, stating that the items were intended for the Iraq Ministry of Telecom when the items were in fact destined for Syria. Upon receiving the order, Blue Coat shipped the items from the United States to Computerlinks FZCO in the U.A.E. On or about February 9, 2011, Computerlinks FZCO directed that three of the six devices be transferred within the U.A.E. for their subsequent shipment to Syria. From February through May 2011, email exchanges involving several Computerlinks FZCO employees, including its Managing Director and Finance Manager, occurred with the U.A.E. reseller concerning past due balance amounts, which eventually were paid via a wire transfer from Syria on May 12, 2011.

During this time period, Computerlinks FZCO was asked to provide, and provided, support on or about April 6, 2011, designed to help the end user of the devices monitor the Web activities of individual Internet users and prevent users from navigating around censorship controls. Computerlinks FZCO knew that the end user was in Syria.

On or about May 15, 2011, Computerlinks FZCO ordered five more of the devices, along with accompanying equipment and software, from Blue Coat for the same reseller, this time falsely stating that the items were intended for Liwalnet, an Internet service provider in Afghanistan, when in fact the items were again destined for Syria. Upon receiving the order, Blue Coat confirmed the order on May 20, 2011 and shipped the items from its facility in the Netherlands to Computerlinks FZCO in the U.A.E. On or about May 26, 2011, Computerlinks FZCO directed its freight forwarder to consolidate the remaining three of the six devices and software from the December 31, 2010 order, along with the five devices and software from the May 15, 2011 order, and directed the transfer of all eight devices and the accompanying equipment within the U.A.E. for their subsequent shipment to the end user in Syria.

Computerlinks FZCO engaged in these transactions and took these actions despite the U.S. trade embargo against Syria and despite also being bound by the Blue Coat distribution agreement, which, as referenced above, required Computerlinks FZCO to comply with Department of Commerce export laws, rules, and regulations, and which included special provisions that pertained solely to Computerlinks FZCO, including that it was required to provide end user information to Blue Coat at the time of the order. Computerlinks FZCO's Managing Director and its Blue Coat Regional Manager also met with BIS's regional Export Compliance Officer in

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November 2009, concerning compliance with the Regulations for an export of another type of item manufactured by Blue Coat.

Computerlinks FZCO knew that the items were destined for end users in Syria, as evidenced by email discussions between Computerlinks FZCO, resellers and forwarders that indicated the final destination was Syria, shipping documents showing Syria as the ultimate destination, and wire transfer payment made from Syria for the items. Computerlinks FZCO nevertheless provided false destination and end user information to Blue Coat and otherwise directly engaged in the items' sale and shipment to Syria, in violation of the Regulations.

In so doing, Computerlinks FZCO committed three violations of Section 764.2(h).

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

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

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

WHEREAS, Computerlinks FZCO neither admits nor denies the allegations contained in the Proposed Charging Letter; and

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

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

a. Computerlinks FZCO shall be assessed a civil penalty in the amount of \$2,800,000, 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. Computerlinks FZCO shall complete three external audits of its export controls compliance program. Computerlinks FZCO shall hire an unaffiliated third-party consultant with expertise in U.S. export control laws to conduct the external audits of its compliance with U.S. export control laws (including recordkeeping requirements), with respect to all exports or reexports 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, Suite 725, 160 W. Santa Clara Street, San Jose, CA 95113 ("BIS San Jose Field Office"). The first audit shall cover the 12-month period immediately preceding the date of the Order, and the related report shall be due to the BIS San Jose Field Office no later than six (6) months from the date of the Order. The second audit shall cover the 12-month period immediately following the date of the Order, and the related report shall be due to the BIS San Jose Field Office no later than fifteen (15) months from the date of the Order. The third audit shall cover the 12-month period beginning 12 months after the date of the Order, and the related report shall be due to the BIS San Jose Field Office no later than twenty-seven (27) months from the date of the Order. Said audits shall be in substantial compliance with the EMS sample audit module, and shall include an assessment of

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Computerlinks FZCO's compliance with the Regulations. The EMS sample audit module is available on the BIS web site at http://www.bis.doc.gov/complianceandenforcement/revised_emcp_audit.pdf. In addition, where said audits identify actual or potential violations of the Regulations, Computerlinks FZCO shall promptly provide copies of the pertinent waybills and other export control documents and supporting documentation to the BIS San Jose Field Office.

c. The full and timely payment of the civil penalty as set forth in Paragraph 2.a and the timely completion and submission 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 Computerlinks FZCO. Failure to make full and timely payment of the civil penalty as set forth in Paragraph 2.a, or to complete and submit any of the audits as set forth in Paragraph 2.b, may result in the denial of all of Computerlinks FZCO's export privileges under the Regulations for one year from the date of the failure to make such payment or complete and submit the audit report.

3. Subject to the approval of this Agreement pursuant to Paragraph 8 hereof, Computerlinks FZCO 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. Computerlinks FZCO also waives and will not assert any Statute of Limitations defense, and the Statute of Limitations will be tolled, in connection with any

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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 Computerlinks FZCO pays in full the civil penalty agreed to in Paragraph 2.a of this Agreement, or has completed and submitted the audits in Paragraph 2.b.

4. Computerlinks FZCO 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 Computerlinks FZCO'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 and completion and submission of the audits as set forth in Paragraph 2.b, BIS will not initiate any further administrative proceeding against Computerlinks FZCO 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

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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 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

Date: 4/24/13

COMPUTERLINKS FZCO



Ernst Stephan Link
Manager/Director

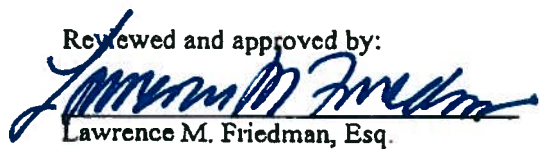
Date: 24.04.2013



Timothy Martin
Director/Secretary

Date: 24/4/2013

Reviewed and approved by:



Lawrence M. Friedman, Esq.
Barnes, Richardson & Colburn, LLP
Counsel for Computerlinks FZCO

Date: 4/24/2013

PROPOSED CHARGING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Computerlinks FZCO
P.O. Box 341027
Dubai Silicon Oasis, Headquarters Building
Office C609
Dubai, United Arab Emirates

Attn: President/CEO

Dear Sir/Madam:

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has reason to believe that Computerlinks FZCO, of Dubai, United Arab Emirates, committed three 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 Computerlinks FZCO committed the following violations:

Charges 1-3: 15 C.F.R. § 764.2(h) – Evasion

On three occasions between on or about October 29, 2010, and on or about May 26, 2011, Computerlinks FZCO, a U.A.E.-based distributor of information technology and Internet security products, engaged in transactions or took actions with intent to evade the Regulations in connection with the unlawful export and reexport to Syria of items subject to the Regulations. The items included equipment and software designed for use in monitoring and controlling Web traffic that are classified under Export Control Classification Numbers ("ECCNs") 5A002 and 5D002, respectively, controlled for National Security and Anti-Terrorism reasons and as Encryption items, and valued at approximately \$1,400,000.

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reexported to Syria without a Department of Commerce license, as set forth at all times pertinent hereto in General Order No. 2, codified in Supplement No. 1 to Part 736 of the Regulations.³

At all times pertinent hereto, Computerlinks FZCO operated as an authorized distributor in the Middle East for Blue Coat Systems, Inc., of Sunnyvale, California ("Blue Coat"), distributing Blue Coat hardware and software products and providing support services to resellers and end users, including account, sales, and installation support and assistance. Under the distribution agreement with Blue Coat, Computerlinks FZCO was obligated, inter alia, to "comply with all export and import laws, rules, policies, procedures, restrictions, and regulations of the Department of Commerce[.]" The distribution agreement also contained additional safeguards specially applicable to Computerlinks FZCO, including that all orders to Blue Coat were to specify the end user of the ordered items.

Notwithstanding the above, Computerlinks FZCO provided Blue Coat, the U.S. manufacturer and exporter, with false information concerning the end user and ultimate destination of the items in connection with the transactions described herein. Computerlinks FZCO knew that the items were destined for end users in Syria. When placing orders with Blue Coat, however, Computerlinks FZCO falsely stated that the ultimate destination and end users for the items was either in Iraq (on two occasions) or in Afghanistan (on one occasion), when in fact the end user was in Syria. The items ordered and subsequently exported and reexported to Syria, via Computerlinks FZCO and the U.A.E., were Blue Coat devices used to monitor and control web traffic and related equipment and software controlled, as referenced above, on National Security and Anti-Terrorism grounds and as Encryption items. Department of Commerce licenses were required for their export or reexport to Syria, but not to Iraq or Afghanistan. As a result, the items were shipped to Computerlinks FZCO in the U.A.E. for ultimate delivery to Syria without the required licenses having been sought or obtained.

On or about October 29, 2010, Computerlinks FZCO placed an order with Blue Coat for eight devices used to monitor and control web traffic along with accompanying equipment and software. Computerlinks FZCO falsely stated that the items were intended for the Iraq Ministry of Telecom, concealing the fact that the items actually were destined for Syria. Upon receiving the order, Blue Coat reexported the items from its facility in the Netherlands to Computerlinks FZCO in the U.A.E. On or about December 15, 2010, Computerlinks FZCO directed the items' transfer within the U.A.E. for their subsequent shipment to Syria for use by the state-run Syrian Telecommunications Establishment (STE).

On or about December 31, 2010, Computerlinks FZCO again placed an order with Blue Coat for six of the same devices and again provided false information concerning the end-user and country of destination, stating that the items were intended for the Iraq Ministry of Telecom when the items were in fact destined for Syria. Upon receiving the order, Blue Coat shipped the

³ General Order No. 2 was issued pursuant to the Syria Accountability and Lebanese Sovereignty Restoration Act of 2003. On December 12, 2011, the controls on exports and reexports to Syria were moved to Section 746.9 of the Regulations. The licensing requirements continued unchanged. *See* 76 Fed. Reg. 77,115 (Dec. 12, 2011).

items from the United States to Computerlinks FZCO in the U.A.E. On or about February 9, 2011, Computerlinks FZCO directed that three of the six devices be transferred within the U.A.E. for their subsequent shipment to Syria. From February through May 2011, email exchanges involving several Computerlinks FZCO employees, including its Managing Director and Finance Manager, occurred with the U.A.E. reseller concerning past due balance amounts, which eventually were paid via a wire transfer from Syria on May 12, 2011.

During this time period, Computerlinks FZCO was asked to provide, and provided, support on or about April 6, 2011, designed to help the end user of the devices monitor the Web activities of individual Internet users and prevent users from navigating around censorship controls. Computerlinks FZCO knew that the end user was in Syria.

On or about May 15, 2011, Computerlinks FZCO ordered five more of the devices, along with accompanying equipment and software, from Blue Coat for the same reseller, this time falsely stating that the items were intended for Liwalnet, an Internet service provider in Afghanistan, when in fact the items were again destined for Syria. Upon receiving the order, Blue Coat confirmed the order on May 20, 2011 and shipped the items from its facility in the Netherlands to Computerlinks FZCO in the U.A.E. On or about May 26, 2011, Computerlinks FZCO directed its freight forwarder to consolidate the remaining three of the six devices and software from the December 31, 2010 order, along with the five devices and software from the May 15, 2011 order, and directed the transfer of all eight devices and the accompanying equipment within the U.A.E. for their subsequent shipment to the end user in Syria.

Computerlinks FZCO engaged in these transactions and took these actions despite the U.S. trade embargo against Syria and despite also being bound by the Blue Coat distribution agreement, which, as referenced above, required Computerlinks FZCO to comply with Department of Commerce export laws, rules, and regulations, and which included special provisions that pertained solely to Computerlinks FZCO, including that it was required to provide end user information to Blue Coat at the time of the order. Computerlinks FZCO's Managing Director and its Blue Coat Regional Manager also met with BIS's regional Export Compliance Officer in November 2009, concerning compliance with the Regulations for an export of another type of item manufactured by Blue Coat.

Computerlinks FZCO knew that the items were destined for end users in Syria, as evidenced by email discussions between Computerlinks FZCO, resellers and forwarders that indicated the final destination was Syria, shipping documents showing Syria as the ultimate destination, and wire transfer payment made from Syria for the items. Computerlinks FZCO nevertheless provided false destination and end user information to Blue Coat and otherwise directly engaged in the items' sale and shipment to Syria, in violation of the Regulations.

In so doing, Computerlinks FZCO committed three violations of Section 764.2(h).

* * * * *

Accordingly, Computerlinks FZCO is hereby notified that an administrative proceeding is instituted against it 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;⁴
- Denial of export privileges; and/or
- Exclusion from practice before BIS.

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

Computerlinks FZCO 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. Computerlinks FZCO 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.

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18. Should Computerlinks FZCO have a proposal to settle this case, Computerlinks FZCO or its representative should transmit it to the attorney representing BIS named below.

Computerlinks FZCO is further notified that under the Small Business Regulatory Enforcement Flexibility Act, Computerlinks FZCO 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, Computerlinks FZCO's 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 International Emergency Economic Powers Enhancement Act of 2007, Pub. L. No. 110-96, 121 Stat. 1011 (2007).

Computerlinks FZCO
Proposed Charging Letter
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In addition, a copy of Computerlinks FZCO's answer must be served on BIS at the following address:

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

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

Sincerely,

Douglas R. Hassebrock
Director
Office of Export Enforcement

Schedule of Violations

Charge	Commodity/ECCN	Destination	Value
1	Network hardware and software/5A002.a.1 and 5D002	Syria	\$646,977
2	Network hardware and software/5A002.a.1	Syria	\$415,764
3	Network hardware and software/5A002.a.1 and 5D002	Syria	\$347,859