

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Industrial Scientific Corporation
1001 Oakdale Road
Oakdale, Pennsylvania 1507 1

Attention: Kent D. McElhatton, President & CEO

Dear Mr. McElhatton:

The Bureau of Industry and Security, United States Department of Commerce (“BIS”), has reason to believe that Industrial Scientific Corporation (“ISC”) has violated the Export Administration Regulations (the “Regulations”),¹ which are issued under the authority of the Export Administration Act of 1979 (the “Act”): on three occasions. Specifically, BIS charges that ISC committed the following violations:

Charge 1 (15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct - Failure to Obtain Proper Export Authorization)

On or about June 2, 1998, ISC exported two STX 70 gas monitors, classified under Export Control Classification Number (“ECCN”) 2B35 1, from the United States to the United Arab Emirates without obtaining proper authorization from BIS, as required by Section 742.2 of the Regulations. By exporting in violation of the Regulations, ISC violated Section 764.2(a) of the Regulations.

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2001). The Regulations are also available on the Government Printing Office website at: <http://w3.access.gpo.gov/bis/>.

² 50 U.S.C. app. §§ 2401-2420 (1994 & Supp. V 1999). From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period of lapse, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations then in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (1994 & Supp. V 1999)) (IEEPA). From November 13, 2000 through August 20, 2001, the Act was in effect. From August 21, 2001 to present, the Act is in lapse. During this period of lapse, the President, through Executive Order 13222 of August 17, 2001 (66 Fed. Reg. 44025 (August 22, 2001)), has continued the Regulations in effect under IEEPA. The Act and other legal authority for the Regulations is also available on the Government Printing Office website at: <http://w3.access.gpo.gov/bis/>.

Charge 2 (15 C.F.R. § 764.2(e) - Acting With Knowledge of a Violation)

On or about June 2, 1998, ISC transferred the goods referred to in Charge 1 from the United States to the United Arab Emirates with knowledge that a violation of the Regulations would occur – that the goods which were subject to both the Regulations and the Iranian Transactions Regulations³ would be transferred to Iran without proper authorization from BIS or the Department of the Treasury's Office of Foreign Assets Control (OFAC), as required by § 746.7 of the Regulations. By transferring goods when it knew that a violation of the Regulations would occur, ISC violated § 764.2(e) of the Regulations.

Charge 3 (15 C.F.R. § 764.2(d) - Conspiracy - Conspiracy to Export Gas Monitors to Iran without the Required License)

From November of 1997 through June of 1998, in connection with the export described in Charges 1 and 2, ISC conspired and acted in concert with others, known and unknown, including Pars Company, Inc., to violate the Regulations and the Iranian Transaction Regulations. The goal of the conspiracy was to export gas monitors from the United States to Iran through the United Arab Emirates. By taking actions in furtherance of the conspiracy, including but not limited to communications by e-mail, facsimile and letter regarding the structuring of the export transaction described in Charges 1 and 2 in a manner designed to avoid the prohibitions set forth in the Regulations and the Iranian Transaction Regulations, ISC, violated § 764.2(d) of the Regulations.

Accordingly, ISC 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 \$11,000 for each violation; and/or

A denial of export privileges; and/or

Exclusion from practice before BIS.

If ISC 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 & 766.7. If ISC defaults, the Administrative Law Judge may find the charges alleged in this letter

³ The Iranian Transactions Regulations are currently codified in the Code of Federal Regulations at 31 C.F.R. Part 560 (2001).

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are true without hearing or further notice to ISC. The Under Secretary for Industry and Security may then impose up to the maximum penalty on each of the charges in this letter.

ISC is further notified that it is entitled to an agency hearing on the record if ISC files a written demand for one with its answer. See 15 C.F.R. §766.6. ISC 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 & 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 me through the attorney representing the BIS named below.

The U.S. Coast Guard provides administrative law judge services in connection with the matters set forth in this letter. Accordingly, ISC's answer should be filed pursuant to the instructions set forth in §766.5(a) of the Regulations with:

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

A copy of ISC's answer must be served on BIS at:

Chief Counsel for Industry and Security
Attention: Glenn H. Kaminsky
Room H-3839
U.S. Department of Commerce
14th & Constitution Avenue, N.W.
Washington, DC 20230

Glenn Kaminsky is the attorney representing the BIS in this matter. He may be contacted by telephone at (202) 482-5301.

Sincerely,

Mark D. Menefee
Director
Office of Export Enforcement

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

In the Matter of:)
INDUSTRIAL SCIENTIFIC CORPORATION)
1001 Oakdale Road)
Oakdale, Pennsylvania 15071)

Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement is made by and between Industrial Scientific Corporation (“ISC”), and the Bureau of Industry and Security, United States Department of Commerce (“BIS”), pursuant to Section 766.18(a) of the Export Administration Regulations (15 C.F.R. Parts 730-774 (2002)) (the “Regulations”), issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (1994 & Supp. V 1999)) (the “Act”).²

WHEREAS, BIS has notified ISC of its intention to initiate administrative proceedings against ISC 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 (2002). The Regulations are also available on the Government Printing Office website at <http://w3.access.gpo.gov/bis/>.

² From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was issued on August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (1994 & Supp. V 1999)) (IEEPA). On November 13, 2000, the Act was reauthorized and it remained in effect through August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (66 Fed. Reg. 44025 (August 22, 2001)), as extended by the Notice of August 14, 2002 (67 Fed. Reg. 53721 (August 16, 2002)), has continued the Regulations in effect under IEEPA.

WHEREAS, BIS has issued a proposed charging letter to ISC alleging that ISC committed three violations pursuant to the Regulations, specifically:

1. On or about June 2, 1998, ISC exported two STX 70 gas monitors, classified under Export Control Classification Number ("ECCN") 2B351, from the United States to the United Arab Emirates without obtaining proper authorization from BIS, as required by Section 742.2 of the Regulations.

2. On or about June 2, 1998, ISC transferred the goods referred to in Charge 1 from the United States to the United Arab Emirates with knowledge that a violation of the Regulations would occur – that the goods which were subject to both the Regulations and the Iranian Transactions Regulations³ would be transferred to Iran without proper authorization from BIS or the Department of the Treasury's Office of Foreign Assets Control (OFAC), as required by §746.7 of the Regulations.

3. From November of 1997 through June of 1998, in connection with the export described in Charges 1 and 2, ISC conspired and acted in concert with others, known and unknown, including Pars Company, Inc., to violate the Regulations and the Iranian Transaction Regulations. By taking actions in furtherance of the conspiracy, including but not limited to communications by e-mail, facsimile and letter regarding the structuring of the export transaction

³ The Iranian Transactions Regulations are currently codified in the Code of Federal Regulations at 31 C.F.R. Part 560 (2001).

described in Charges 1 and 2 in a manner designed to avoid the prohibitions set forth in the Regulations and the Iranian Transaction Regulations, ISC, violated §764.2(d) of the Regulations.

WHEREAS, ISC has reviewed the proposed charging letter and is aware of the allegations made against it and the administrative sanctions which could be imposed against it if the allegations are found to be true;

WHEREAS, ISC fully understands the terms of this Settlement Agreement and understands that an Order consistent herewith will be issued to give effect to this Settlement Agreement (the "Order");

WHEREAS, ISC enters into this Agreement voluntarily and with full knowledge of its rights;

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

WHEREAS, ISC neither admits nor denies the allegations contained in the proposed charging letter;

WHEREAS, ISC wishes to settle and dispose of all matters alleged in the proposed charging letter by entering into this Settlement Agreement; and

WHEREAS, ISC agrees to be bound by the Order, when entered;

NOW THEREFORE, ISC and BIS agree as follows:

1. BIS has jurisdiction over ISC under the Regulations in connection with the matters alleged in the proposed charging letter.

2. BIS and ISC agree that the following sanction shall be imposed against ISC in complete settlement of the alleged violations set forth in the proposed charging letter:

- a. ISC shall be assessed a civil penalty in the amount of \$30,000. ISC shall pay this civil penalty to the U.S. Department of Commerce no later than 30 days after the date of execution of the Order.
- b. The timely payment of the civil penalty agreed to in paragraph 2a. is hereby made a condition to the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to ISC. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of ISC's export privileges for a period of one year from the date of imposition of the civil penalty.

3. ISC agrees that, subject to the approval of this Settlement Agreement pursuant to paragraph 8 hereof, it hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Settlement Agreement or the Order, when entered), including, without limitation, any right to: (a) administrative hearings regarding the allegations in the proposed charging letter; (b) request a refund of any civil penalty paid pursuant to this Settlement Agreement and the Order, when entered; and (c) seek judicial review or otherwise contest the validity of this Settlement Agreement or the Order, when entered.

5. BIS agrees that, once the Order has been issued, it will not initiate any administrative proceeding against ISC in connection with any violation of the Regulations arising out the transactions identified in the proposed charging letter.

6. ISC understands that BIS will make the proposed charging letter, this Settlement Agreement, and the Order, when entered, available to the public.

7. BIS and ISC agree that this Settlement Agreement is for settlement purposes only. Therefore, if this Settlement 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, BIS and ISC agree that they may not use this Settlement Agreement in any administrative or judicial proceeding and that the parties shall not be bound by the terms contained in this Settlement Agreement in any subsequent administrative or judicial proceeding.

8. No agreement, understanding, representation or interpretation not contained in or referred to in this Settlement Agreement may be used to vary or otherwise affect the terms of this Settlement Agreement or the Order, when entered, nor shall this Settlement Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances addressed herein.

9. This Settlement Agreement shall become binding on BIS only when the Assistant Secretary of Commerce for Export Enforcement approves it by entering the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

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
DEPARTMENT OF COMMERCE

INDUSTRIAL SCIENTIFIC U.S.
CORPORATION



& Mark D. Menefee
Director
Office of Export Enforcement



Kent D. McElhattan
President & CEO

Date: 3/19/03

Date: MARCH 10, 2003

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

In the Matter of:)
INDUSTRIAL SCIENTIFIC CORPORATION)
100 1 Oakdale Road)
Oakdale, Pennsylvania 15071)

Respondent)

ORDER

The Bureau of Industry and Security, United States Department of Commerce (“BIS”), has notified Industrial Scientific Corporation (“ISC”), of its intention to initiate an administrative proceeding against it pursuant to Section 13(c) of the the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (1994 & Supp. V 1999)) (the “Act”),¹ and the Export Administration Regulations (15 C.F.R. Parts 730-774 (2002)) (the “Regulations”),² based on allegations in the proposed charging letter issued to ISC that ISC committed three violations of the Regulations. The allegations were that ISC committed three violations pursuant to the Regulations, specifically:

¹ From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was issued on August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701 - 1706 (1994 & Supp. V 1999)) (IEEPA). On November 13, 2000, the Act was reauthorized and it remained in effect through August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (66 Fed. Reg. 44025 (August 22, 2001)), as extended by the Notice of August 14, 2002 (67 Fed. Reg. 53721 (August 16, 2002)), has continued the Regulations in effect under IEEPA.

² The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2002). The Regulations are also available on the Government Printing Office website at <http://w3.access.gpo.gov/bis/>.

1. On or about June 2, 1998, ISC exported two STX 70 gas monitors, classified under Export Control Classification Number (“ECCN”) 2B35 1, from the United States to the United Arab Emirates without obtaining proper authorization from BIS, as required by Section 742.2 of the Regulations.

2. On or about June 2, 1998, ISC transferred the goods referred to in Charge 1 from the United States to the United Arab Emirates with knowledge that a violation of the Regulations would occur – that the goods which were subject to both the Regulations and the Iranian Transactions Regulations³ would be transferred to Iran without proper authorization from BIS or the Department of the Treasury’s Office of Foreign Assets Control (OFAC), as required by §746.7 of the Regulations.

3. From November of 1997 through June of 1998, in connection with the export described in Charges 1 and 2, ISC conspired and acted in concert with others, known and unknown, including Pars Company, Inc., to violate the Regulations and the Iranian Transaction Regulations. By taking actions in furtherance of the conspiracy, including but not limited to communications by e-mail, facsimile and letter regarding the structuring of the export transaction described in Charges 1 and 2 in a manner designed to avoid the prohibitions set forth in the Regulations and the Iranian Transaction Regulations, ISC, violated §764.2(d) of the Regulations.

BIS and ISC, having 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

³ The Iranian Transactions Regulations are currently codified in the Code of Federal Regulations at 31 C.F.R. Part 560 (2001).

conditions set forth therein, the terms of the Settlement Agreement having been approved by me;

IT IS HEREBY ORDERED:

FIRST, that a civil penalty of \$30,000 is assessed against ISC, which shall be paid to the U.S. Department of Commerce no later than 30 days after the date of execution of the Order. Payment shall be made in the manner specified in the attached instructions.

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due dates specified herein, ISC 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, that the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to ISC. Accordingly, if ISC should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of ISC's export privileges for a period of one year from the date of entry of this Order. Prior to entry of such Order ISC shall be provided with notice and opportunity to cure.

FIFTH, that the proposed charging letter, the Settlement Agreement, and this Order shall be made available to the public.

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Industrial Scientific Corporation
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This Order, which constitutes the final agency action in this matter, is effective immediately.



@Lisa A. Prager
Acting Assistant Secretary of Commerce
for Export Enforcement

Entered this 16th day of April, 2003.