

FAC No. CU-[text deleted]

MGE UPS Systems Inc.
c/o Sidley Austin, LLP
1501 K Street, N.W.
Washington, D.C. 20016
Attn: Robert Torresen, Esq.

PENALTY NOTICE

Dear Mr. Torresen:

The Office of Foreign Assets Control (“OFAC”) issued to you a Prepenalty Notice (“PPN”) dated September 1, 2008 based on evidence that MGE UPS Systems, Inc. (“you”) engaged in certain transactions prohibited by the Cuban Assets Control Regulations, 31 C.F.R. part 515 (the “CACR”). The PPN proposed a penalty in the amount of \$13,788.34 and informed you of your right to submit a written response within 60 days explaining why you believe there should be no finding of violation, why a monetary penalty should not be imposed, or why the monetary penalty should be in a lesser amount than proposed. The PPN also informed you that the submission of a written response is a factor that may result in a lower penalty absent any aggravating factors and that OFAC may proceed with the issuance of a Penalty Notice in 60 days whether or not you submit a written response.

On September 1, 2008, OFAC mailed the PPN by first class (regular) mail to you at your last known address. OFAC did not receive a timely written response from you.

After consideration of the entire record, OFAC determines that you violated the CACR and that a monetary penalty is warranted. OFAC further determines that the following mitigating factors are present: compliance program (internal controls and written procedures) in place and strengthened by training as a result of internal investigations; other remedial measures taken (employees were disciplined); first violation. OFAC also determines that the following aggravating factor is present: the regional sales manager should have recognized that the shipment in question might be destined for Cuba and taken steps to stop the transaction. Accordingly, OFAC determines that the proposed civil penalty should be reduced to **\$10,341**.

If you believe this determination is incorrect and wish to argue this matter at a hearing before an administrative law judge, you may submit a written request for an administrative hearing. Such a request must be postmarked no later than 30 days after the date of service* of this Penalty Notice.

Absent your timely written request for an administrative hearing:

* The date of service of this Penalty Notice is the date stamped on the first page of this Penalty Notice, unless you submit to OFAC a copy of the envelope in which this Penalty Notice was sent showing a later postmark date, in which case the later date will be the date of service.

(1) The issuance of this Penalty Notice constitutes final agency action, and a civil monetary penalty in the amount of **\$10,341** is imposed;

(2) You must submit this full penalty amount by check payable to “U.S. Treasury” postmarked no later than 30 days after the date of service of this Penalty Notice. Alternatively, you may arrange with the Office of Financial Management of the Department of the Treasury for installment payment. Such an arrangement must be completed no later than 30 days after the date of service of this Penalty Notice. Failure to pay in full or make arrangements with the Office of Financial Management will result in interest, administrative charges, and late fees beginning to accrue 30 days after the date of service of this Penalty Notice; and

(3) You must provide to OFAC your taxpayer identification number (for example, your social security number) pursuant to 31 U.S.C. 7701. OFAC intends to use your taxpayer identification number for the purposes of collecting and reporting on any delinquent penalty amount in the event of a failure to pay the penalty imposed.

Any request for an administrative hearing, submission of payment, or other correspondence concerning this penalty matter should be sent to: Assistant Director, Civil Penalties, Office of Foreign Assets Control, U.S. Treasury Department, 1500 Pennsylvania Avenue, N.W., Washington, DC 20220.

For more information on the OFAC civil penalty process and on the consideration of mitigating and aggravating factors, see the Reporting, Procedures and Penalties Regulations, 31 C.F.R. part 501, and the OFAC Enforcement Guidelines, which are available on OFAC’s website at www.treas.gov/ofac.

Sincerely,

[signature]

Adam J. Szubin
Director
Office of Foreign Assets Control

cc: MGE UPS Systems, Inc.
Attn: Daniel Doimo, President
1660 Scenic Avenue.
Costa Mesa, CA 92626