

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

In the Matter of:)
)
Star CNC Machine Tool Corp.)
123 Powerhouse Road)
P.O. Box 9)
Roslyn Heights, N.Y. 11577-0009)
)
Respondent)

ORDER RELATING TO STAR CNC MACHINE TOOL CORP.

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has notified Star CNC Machine Tool Corp. (“Star CNC”) of its intention to initiate an administrative proceeding against Star CNC 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 Star CNC that alleged that it committed four violations of the Regulations. Specifically, the charges are:

Charges 1-2 15 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct by Exporting Swiss Lathe machine tools without the Required License

On two occasions between on or about March 25, 2004 and on or about June 19, 2004, Star CNC engaged in conducted prohibited by the Regulations by exporting from the United States Swiss lathe machines,³ items subject to the Regulations and controlled for national security reasons to Brazil without the Department of Commerce licenses required by Section 742.2 of the

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2009). The violations alleged occurred in 2004 and 2005. The Regulations governing the violations at issue are found in the 2004 and 2005 versions of the Code of Federal Regulations, 15 C.F.R. Parts 730-774 (2004, 2005). The 2009 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 13, 2009 (74 Fed. Reg. 41,325 (Aug. 14, 2009)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 *et seq.*).

³ These items are classified under Export Control Classification Number (“ECCN”) 2B001.

Regulations. In doing so, Star CNC committed two violations of Section 764.2(a) of the Regulations.

Charges 3-4 15 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct by Exporting Swiss Lathe machine tools without the Required License

On two occasions between on or about September 15, 2004 and on or about April, 8, 2005, Star CNC engaged in conducted prohibited by the Regulations by exporting from the United States Swiss lathe machines,⁴ items subject to the Regulations and controlled for national security and nuclear non-proliferation reasons, to Colombia and Costa Rica without the Department of Commerce licenses required by Sections 742.2 and 742.4 of the Regulations. In doing so, Star CNC committed two violations of Section 764.2(a) of the Regulations.

WHEREAS, BIS and Star CNC 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, Star CNC shall be assessed a civil penalty in the amount of \$16,000. Star CNC shall pay the amount in full to the U.S. Department of Commerce within 30 days of the date of the 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, Star CNC 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.

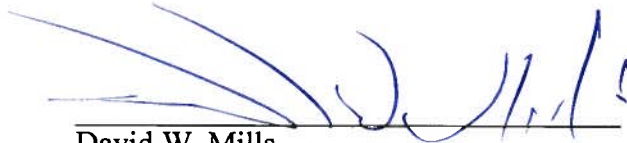
THIRD, that the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, license

⁴ These items are classified under ECCN 2B001.

exception, permission, or privilege granted, or to be granted, to Star CNC. Accordingly, if Star CNC should fail to pay the civil penalty in a timely manner, the undersigned may issue an Order denying all of Star CNC's export privileges under the Regulations for a period of one year from the date of this Order.

FOURTH, 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 29 day of April, 2010.

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

In the Matter of:)
)
Star CNC Machine Tool Corp.)
123 Powerhouse Road)
P.O. Box 9)
Roslyn Heights, N.Y. 11577-0009)
)
Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Star CNC Machine Tool Corp. (“Star CNC”) 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, Star CNC filed a voluntary self-disclosure with BIS’s Office of Export Enforcement in accordance with Section 764.5 of the Regulations concerning the transactions at issue herein;

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2009). The violations alleged occurred in 2004 and 2005. The Regulations governing the violations at issue are found in the 2004 and 2005 versions of the Code of Federal Regulations, 15 C.F.R. Parts 730-774 (2004, 2005). The 2009 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. However, 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 13, 2009 (74 Fed. Reg. 41,325 (Aug. 14, 2009)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 *et seq.*).

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

WHEREAS, BIS has issued a Proposed Charging Letter to Star CNC that alleged that Star CNC committed four violations of the Regulations, specifically:

Charges 1-2 15 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct by Exporting Swiss Lathe machine tools without the Required License

On two occasions between on or about March 25, 2004 and on or about June 19, 2004, Star CNC engaged in conducted prohibited by the Regulations by exporting from the United States Swiss lathe machines,³ items subject to the Regulations and controlled for national security reasons to Brazil without the Department of Commerce licenses required by Section 742.2 of the Regulations. In doing so, Star CNC committed two violations of Section 764.2(a) of the Regulations.

Charges 3-4 15 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct by Exporting Swiss Lathe machine tools without the Required License

On two occasions between on or about September 15, 2004 and on or about April, 8, 2005, Star CNC engaged in conducted prohibited by the Regulations by exporting from the United States Swiss lathe machines,⁴ items subject to the Regulations and controlled for national security and nuclear non-proliferation reasons, to Colombia and Costa Rica without the Department of Commerce licenses required by Sections 742.2 and 742.4 of the Regulations. In doing so, Star CNC committed two violations of Section 764.2(a) of the Regulations.

WHEREAS, Star CNC 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;

³ These items are classified under Export Control Classification Number (“ECCN”) 2B001.

⁴ These items are classified under ECCN 2B001.

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

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

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

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

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

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

a. Star CNC shall be assessed a civil penalty in the amount of \$16,000. Star CNC shall pay the amount in full 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. The timely payment of the civil penalty agreed to in paragraph 2.a 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 Star CNC. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Star CNC's export privileges for a period of one year from the date of imposition of the penalty.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, Star CNC 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, it will not initiate any further administrative proceeding against Star CNC in connection with any violation of the Act or the Regulations arising out of the transaction specifically detailed in the Proposed Charging Letter.

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

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

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



John Sonderman
Acting Director
Office of Export Enforcement

Date: 4/16, 2010



Thomas Haughey
Vice President and Treasurer
Star CNC Machine Tool Corp.

Date: April 5, 2010

PROPOSED CHARGING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Star CNC Machine Tool Corp.
123 Powerhouse Road
P.O. Box 9
Roslyn Heights, N.Y. 11577-0009

*Attention: Thomas Haughey
Vice President and Treasurer*

Dear Mr. Haughey:

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has reason to believe that Star CNC Machine Tool Corp. (“Star CNC”) of Roslyn Heights, New York, has committed four 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 Star CNC committed the following violations:

Charges 1-2 15 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct by Exporting Swiss Lathe machine tools without the Required License

As described in greater detail in the Schedule of Violations, which is enclosed herewith and incorporated herein by reference, on two occasions between on or about March 25, 2004 and on or about June 19, 2004, Star CNC engaged in conducted prohibited by the Regulations by exporting from the United States Swiss lathe machines,³ items subject to the Regulations and controlled for national security reasons to Brazil without the Department of Commerce licenses required by Section 742.2 of the Regulations. In doing so, Star CNC committed two violations of 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 (2009). The violation alleged occurred in 2004 and 2005. The Regulations governing the violation at issue are found in the 2004 and 2005 versions of the Code of Federal Regulations, 15 C.F.R. Parts 730-774 (2004, 2005). The 2009 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 13, 2009 (74 Fed. Reg. 41,325 (Aug. 14, 2009)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 *et seq.*).

³ These items are classified under Export Control Classification Number (“ECCN”) 2B001.

Charges 3-4 15 C.F.R. § 764.2(a) – Engaging in Prohibited Conduct by Exporting Swiss Lathe machine tools without the Required License

As described in greater detail in the Schedule of Violations, which is enclosed herewith and incorporated herein by reference, on two occasions between on or about September 15, 2004 and on or about April, 8, 2005, Star CNC engaged in conducted prohibited by the Regulations by exporting from the United States Swiss lathe machines,⁴ items subject to the Regulations and controlled for national security and nuclear non-proliferation reasons, to Colombia and Costa Rica without the Department of Commerce licenses required by Sections 742.2 and 742.4 of the Regulations. In doing so, Star CNC committed two violations of Section 764.2(a) of the Regulations.

* * * * *

Accordingly, Star CNC 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 purposes 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;⁵
- Denial of export privileges; and/or
- Exclusion from practice before BIS.

If Star CNC 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 (2009). If Star CNC defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Star CNC. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty for the charges in this letter.

Star CNC 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 (2009). Star CNC 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 (2009).

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18 (2009). Should Star CNC have a proposal to settle this case, Star CNC should transmit it to the attorney representing BIS named below.

⁴ These items are classified under ECCN 2B001.

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

Star CNC is further notified that under the Small Business Regulatory Enforcement Flexibility ACT, Star CNC 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, Star CNC'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

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

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

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

Sincerely,

John Sonderman
Acting Director
Office of Export Enforcement

Schedule of Violations

Charge	Export Date	Invoice	Ctry of Ult. Dest.	Commodity	ECCN	Qty	Value	Air Waybill / Bill of Lading
1	3/25/2004	N/A	Brazil	Electronics Star SA- 16RC	2B001	1	\$128,000.00	045 JFK 79496152
2	6/19/2004	68340	Brazil	Exhaust Valves/Auto Star SA- 16RC	2B001	1	\$141,230.00	8-609708 99-609708
3	9/15/2004	3098	Colombia	Medical Star SA- 16RC	2B001	2	\$277,096.00	PCA677441
4	4/8/2005	1	Costa Rica	Auto SV32JII	2B001	1	\$243,018.00	8-615920
					Total:	5	\$789,344.00	