

OCT 12 2004



**UNITED STATES DEPARTMENT OF COMMERCE**  
**Bureau of Industry and Security**  
Washington, D.C. 20230

*CHARGING LETTER*

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

Laurel Industrial, Inc.  
2190 Fortune Drive  
San Jose, California 95131

Attention: Li Fang  
President

Dear Mr. Fang:

The Bureau of Industry and Security, United States Department of Commerce ("BIS"), has reason to believe that Laurel Industrial, Inc. ("Laurel") of San Jose, California, has committed nine violations of the Export Administration Regulations (the "Regulations"),<sup>1</sup> which are issued under the authority of the Export Administration Act of 1979 (the "Act").<sup>2</sup> Specifically, BIS charges that Laurel committed the following violations:

**Charges 1-3            15 C.F.R. § 764.2(a) - Exports of Acoustic Systems Without the Required Licenses**

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<sup>1</sup> The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2004). The charged violations occurred from 1999 to 2000. The Regulations governing the violations at issue are found in the 1999 to 2000 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1999-2000)). The 2004 Regulations establish the procedures that apply to this matter.

<sup>2</sup> 50 U.S.C. app. §§ 2401- 2420 (2000). 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 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 (2000)) ("IEEPA"). On November 13, 2000, the Act was reauthorized by Pub. L. No. 106-508 (114 Stat. 2360 (2000)) and it remained in effect through August 20, 2001. Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp., p. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 6, 2004 (69 Fed. Reg. 48763 (August 10, 2004)), continues the Regulations in effect under IEEPA.



On three occasions, from on or about March 19, 1999, through on or about February 14, 2000, Laurel exported acoustic systems, items subject to the Regulations and covered by Export Control Classification Number (ECCN) 6A001 from the United States to the People's Republic of China without obtaining the licenses from the Department of Commerce as required by Section 742.4 of the Regulations. In doing so, Laurel committed three violations of Section 764.2(a) of the Regulations. Each transaction is described in greater detail in Schedule A, which is enclosed herewith and incorporated herein by reference.

**Charges 4-6            15 C.F.R. § 764.2(e) - Export of Acoustics Systems from the United States with Knowledge that a Violation of the Regulations Would Occur**

On three occasions, from between on or about March 19, 1999 and on or about February 14, 2000, in connection with the exports referenced in Charges 1 through 3 above, Laurel sold and transferred such acoustic systems from the United States to the People's Republic of China knowing that the items would be exported from the United States in violation of the Regulations. At all times relevant hereto, Laurel knew that a Department of Commerce license was required to export the acoustic systems to the PRC. In doing so, Laurel committed three violations of Section 764.2(e) of the Regulations. See Schedule A.

**Charges 7-9            15 C.F.R. § 764.2(g) - False or Misleading Representations as to Authority to Export on Shipper's Export Declarations**

On three occasions, from on or about March 19, 1999, through on or about February 14, 2000, in connection with the exports referenced in Charges 1 through 3 above, Laurel submitted to the U.S. Government Shipper's Export Declarations, export control documents as defined in Part 772 of the Regulations, that represented that the exports were eligible for export as NLR (no license required) when, in fact, the exports required licenses from the Department of Commerce. In doing so, Laurel committed three violations of Section 764.2(g) of the Regulations. See Schedule A.

Accordingly, Laurel is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(e) 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 per violation;<sup>3</sup>

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<sup>3</sup> See 15 C.F.R. § 6.4(a)(2) (2003).

Laurel Industrial, Inc.  
Charging Letter  
Page 3 of 4

Denial of export privileges; and/or

Exclusion from practice before BIS.

If Laurel 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. (Regulations, Sections 766.6 and 766.7). If Laurel defaults, the Administrative Law Judge may find the charges alleged in this letter are true without hearing or further notice to Laurel. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty on each of the charges in this letter.

Laurel is further notified that it is entitled to an agency hearing on the record if Laurel files a written demand for one with its answer. (Regulations, Section 766.6). Laurel is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. (Regulations, Sections 766.3(a) and 766.4).

The Regulations provide for settlement without a hearing. (Regulations, Section 766.18). Should you have a proposal to settle this case, you or your representative should transmit it to the attorney representing BIS named below.

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

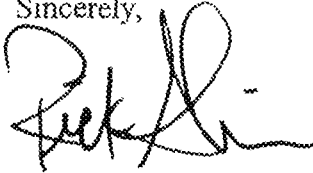
In addition, a copy of Laurel's answer must be served on BIS at the following address:

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

Laurel Industrial, Inc.  
Charging Letter  
Page 4 of 4

Parvin Huda is the attorney representing BIS in this case; any communications that Laurel may wish to have concerning this matter should occur through her. Ms. Huda may be contacted by telephone at (202) 482-5301.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Shimon". The signature is stylized with a large, looped initial "R" and a long, sweeping underline.

Rick Shimon  
Acting Director  
Office of Export Enforcement

Enclosure

**SCHEDULE A**

**SCHEDULE OF VIOLATIONS  
EXPORTS BY  
LAUREL INDUSTRIAL, INC.**

<b>Charge No.</b>	<b>Export Date (on or about)</b>	<b>Commodity</b>	<b>Air Waybill No./ Bill of Lading No.</b>	<b>Invoice No.</b>	<b>Destination</b>
1, 4, 7	3/19/99	ACOUSTIC SYSTEM	781-1154 8252	P91388	PEOPLE'S REPUBLIC OF CHINA
2, 5, 8	11/18/99	ACOUSTIC SYSTEM	999-596 2613	91416-2	PEOPLE'S REPUBLIC OF CHINA
3, 6, 9	2/14/00	ACOUSTIC SYSTEM	999-9652 1364	N/A	PEOPLE'S REPUBLIC OF CHINA

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

In the Matter of:	)	
	)	
Laurel Industrial, Inc.	)	Docket No. 04-BIS-19
2190 Fortune Drive	)	
San Jose, California 95131	)	
	)	
Respondent.	)	

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made by and between Respondent, Laurel Industrial, Inc. ("Laurel"), and the Bureau of Industry and Security, U.S. Department of Commerce ("BIS") (collectively referred to as "Parties"), pursuant to Section 766.18(b) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2004)) ("Regulations"),<sup>1</sup> issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) ("Act"),<sup>2</sup>

WHEREAS, BIS has initiated an administrative proceeding against Laurel, pursuant to the Act and the Regulations;

<sup>1</sup> The charged violations occurred in 1999 and 2000. The Regulations governing the violations at issue are found in the 1999 and 2000 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1999-2000)). The 2004 Regulations establish the procedures that apply to this matter.

<sup>2</sup> 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 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 (2000)) ("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 (3 C.F.R., 2001 Comp. 783 (2002)), as extended by the Notice of August 6, 2004 (69 *Fed. Reg.* 48763, August 10, 2004), has continued the Regulations in effect under the IEEPA.

WHEREAS, BIS has issued a charging letter to Laurel that alleged that Laurel committed nine violations of the Regulations, specifically:

1. *Three Violations of 15 C.F.R. § 764.2(a) - Exports of Acoustic Systems to the PRC Without the Required Licenses:* On three occasions between on or about March 19, 1999 and on or about February 14, 2000, Laurel exported acoustic systems, items subject to the Regulations (ECCN<sup>3</sup> 6A001), from the United States to the People's Republic of China (PRC) without obtaining licenses from the Department of Commerce as required by Section 742.4 of the Regulations.
2. *Three Violations of 15 C.F.R. § 764.2(e) - Export of Acoustic Systems from the United States to the PRC with Knowledge that a Violation of the Regulations Would Occur:* In connection with the exports referenced above, Laurel sold and transferred acoustic systems, items subject to the Regulations, from the United States to the PRC knowing that the items would be exported from the United States in violation of the Regulations. At all times relevant hereto, Laurel knew that a Department of Commerce license was required to export the acoustic systems to the PRC.
3. *Three Violations of 15 C.F.R. § 764.2(g) - False or Misleading Representations as to Authority to Export to the PRC on Shipper's Export Declarations:* In connection with the exports referenced in Charges 1-3 above, Laurel submitted to

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<sup>3</sup>"ECCN" refers to "Export Control Classification Number." See Supp. 1 to 15 C.F.R. § 774.



the U.S. Government Shipper's Export Declarations, export control documents as defined in Part 772 of the Regulations, that represented that the exports were eligible for export as NLR ("no license required") when, in fact, the exports required licenses from the Department of Commerce.

WHEREAS, Laurel has reviewed the 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, Laurel fully understands the terms of this Agreement and the Order ("Order") that the Assistant Secretary of Commerce for Export Enforcement will issue if she approves this Agreement as the final resolution of this matter;

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

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

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

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

WHEREAS, Laurel agrees to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

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

2. The following sanction shall be imposed against Laurel in complete settlement and final resolution of the violations of the Regulations set forth in the charging letter:

- a. Laurel shall be assessed a civil penalty in the amount of \$44,000, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry 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, License Exception, permission, or privilege granted, or to be granted, to Laurel. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Laurel's export privileges for a period of one year from the date of imposition of the penalty.
- c. Laurel shall perform an audit of its internal compliance program not less than 12 months from the date of entry of the Order. Said audit shall be in substantial compliance with the Export Management Systems audit module, which is available from the BIS web site at <http://www.bis.doc.gov/exportmanagementsystems/default.htm> and which is incorporated by reference. A copy of said audit shall be transmitted to the Office

of Export Enforcement, 96 North Third Street, San Jose CA 95112, no later than  
May 20, 2006.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, Laurel 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 entered), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in the charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if entered; (c) request any relief from the Order, if entered, including without limitation relief from the terms of a denial order under 15 C.F.R. § 764.3(a)(2); and (d) seek judicial review or otherwise contest the validity of this Agreement or the Order, if entered.

4. Upon entry of the Order and timely payment of the \$44,000 civil penalty, BIS will not initiate any further administrative proceeding against Laurel in connection with any violation of the Act or the Regulations arising out of the transactions identified in the charging letter.

5. BIS will make the charging letter, this Agreement, the Order, if entered, and the record of the case as defined in Section 766.20 of the Regulations 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(b) 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

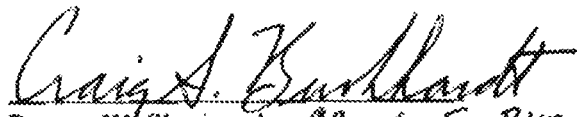
entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances addressed herein.

8. This Agreement shall become binding on the Parties only if 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.

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.

OFFICE OF CHIEF COUNSEL FOR  
INDUSTRY AND SECURITY  
U.S. DEPARTMENT OF COMMERCE

LAUREL INDUSTRIAL, INC.



~~Roman W. Slomewsky~~ CRAIG S. BURKHARDT  
Acting Chief Counsel



Li Fang  
President

Date: May 12, 2005

Date: May 10, 2005

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

.....  
In the Matter of: )  
 )  
Laurel Industrial, Inc. ) Docket No. 04-BIS-19  
2190 Fortune Drive )  
San Jose, California 95131 )  
 )  
Respondent. )  
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ORDER RELATING TO LAUREL INDUSTRIAL, INC.

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has initiated an administrative proceeding against Laurel Industrial, Inc. (“Laurel”) pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2004) (“Regulations”),<sup>1</sup> and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”),<sup>2</sup> by filing a charging letter issued that alleged that Laurel committed nine violations of the Regulations. Specifically, the charges are:

<sup>1</sup> The charged violations occurred in 1999 and 2000. The Regulations governing the violations at issue are found in the 1999 and 2000 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1999-2000)). The 2004 Regulations establish the procedures that apply to this matter.

<sup>2</sup> 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 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 (2000)) (“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 (3 C.F.R., 2001 Comp. 783 (2002)), as extended by the Notice of August 6, 2004 (69 *Fed. Reg.* 48763, August 10, 2004), has continued the Regulations in effect under the IEEPA.

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2. *Three Violations of 15 C.F.R. § 764.2(e) - Export of Acoustic Systems from the United States to the PRC with Knowledge that a Violation of the Regulations Would Occur:* In connection with the exports referenced above, Laurel sold and transferred acoustic systems, items subject to the Regulations, from the United States to the PRC knowing that the items would be exported from the United States in violation of the Regulations. At all times relevant hereto, Laurel knew that a Department of Commerce license was required to export the acoustic systems to the PRC.
3. *Three Violations of 15 C.F.R. § 764.2(g) - False or Misleading Representations as to Authority to Export to the PRC on Shipper's Export Declarations:* In connection with the exports referenced above, Laurel submitted to the U.S. Government Shipper's Export Declarations, export control documents as defined in Part 772 of the Regulations, that represented that the exports were eligible for export as NLR ("no license required") when, in fact, the exports required licenses from the Department of Commerce.

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<sup>3</sup>"ECCN" refers to "Export Control Classification Number." See Supp. 1 to 15 C.F.R. § 774.  
Order  
Laurel  
Page 2 of 4

WHEREAS, BIS and Laurel have entered into a Settlement Agreement pursuant to Section 766.18(b) 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, that a civil penalty of \$44,000 is assessed against Laurel, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the Order. Payment shall be made in the manner specified in the attached instructions.

SECOND, that Laurel shall perform an audit of its internal compliance program not less than 12 months from the date of entry of the Order. Said audit shall be in substantial compliance with the Export Management Systems audit module, which is available from the BIS web site at <http://www.bis.doc.gov/exportmanagementsystems/default.htm> and which is incorporated by reference. A copy of said audit shall be transmitted to the Office of Export Enforcement, 96 North Third Street, San Jose CA 95112, no later than May 20, 2006.

THIRD, 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, Laurel 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.

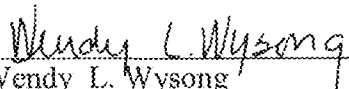
FOURTH, that the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to Laurel. Accordingly, if Laurel should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order

denying all of Laurel's export privileges for a period of one year from the date of entry of this Order.

FIFTH, that a copy of this Order shall be delivered to the Honorable Parlen L. McKenna, United States Coast Guard, Coast Guard Island, Building 54C, Alameda, CA 94501-5100; and the United States Coast Guard ALJ Docketing Center, 40 Gay Street, Baltimore, Maryland 21202-4022, notifying them that this case is withdrawn from adjudication, as provided by Section 766.18 of the Regulations.

SIXTH, that the charging letter, the Settlement Agreement, this Order, and the record of this case as defined in Section 766.20 of the Regulations shall be made available to the public.

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

  
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Wendy L. Wysong  
Acting Assistant Secretary of Commerce  
for Export Enforcement

Entered this 13th day of May 2005.