

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Cerac, Inc.
407 North 13th Street
Milwaukee, WI 53233

Attn: Mr. Bart A. Ott
General Manager

Dear Mr. Ott:

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has reason to believe that on 76 occasions, Cerac, Inc., of Milwaukee, Wisconsin (“Cerac”), both in its own capacity and as successor to Cerac, Inc.¹, violated the Export Administration Regulations (the “Regulations”),² which are issued under the authority of the Export Administration Act of 1979, as amended (the “Act”).³ Specifically, BIS charges that Cerac committed the following violations:

¹ On May 10, 2000, CR International, Inc. purchased the assets of Cerac, Inc., and then subsequently changed its name to Cerac, Inc.

² The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2006). The violations charged occurred from 1999 to 2001. The Regulations governing the violation at issue are found in the 1999-2001 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1999-2001)). The procedural aspects of this matter are governed by the 2006 Regulations (15 C.F.R. Parts 730-774 (2006)).

³ 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 - 1707 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized by Pub. L. No. 106-508, and it remained in effect through August 20, 2001. The Act expired on August 21, 2001. Since August 21, 2001, the President, through 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 3, 2006 (71 Fed. Reg. 44551, August 7, 2006), has continued the Regulations in effect under IEEPA.

Charges 1-29 15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct - Unlicensed Exports

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on 29 occasions between on or about October 1, 1999, and on or about March 26, 2001, Cerac engaged in conduct prohibited by the Regulations when it exported items subject to the Regulations without the license required by the Regulations. Specifically, Cerac exported specialty inorganic materials listed on the Commerce Control List and controlled for reasons of Nuclear Nonproliferation to destinations in India, Israel, the People's Republic of China, Taiwan and Thailand without the U.S. Department of Commerce licenses required by Section 742.3 of the Regulations. In so doing, Cerac committed 29 violations of Section 764.2(a) of the Regulations.

Charges 30-58 15 C.F.R. § 764.2(e) - Transferring items with knowledge that a violation of the Regulations would occur

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on 29 occasions between on or about October 1, 1999 and on or about March 26, 2001, Cerac transferred one or more items subject to the Regulations with knowledge that a violation of the Regulations would subsequently occur. Specifically, Cerac transferred specialty inorganic materials listed on the Commerce Control List and controlled for reasons of Nuclear Nonproliferation to destinations in India, Israel, the People's Republic of China, Taiwan and Thailand despite knowing that U.S. Department of Commerce licenses were required for the export of the items and that such licenses would not be obtained. At the time of the transactions in question, Cerac had several years of experience in the export licensing process. Cerac had also been warned about problems in their export compliance efforts. In 1992 and again in 1996, Cerac received warning letters from the Department of Commerce regarding violations of the Regulations. In transferring items subject to the Regulations with knowledge that violations would occur, Cerac committed 29 violations of Section 764.2(e) of the Regulations.

Charge 59 15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct - Unlicensed Export

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on or about October 13, 1999, Cerac engaged in conduct prohibited by the Regulations when it exported specialty inorganic materials, items subject to the Regulations, to an entity in India without obtaining the U.S. Department of Commerce license required by the Regulations. Specifically, Cerac exported quantities of Iron and Selenium to the Inter University Consortium in India, which was then on the Entity List in Supplement No. 4 to

Part 744 of the Regulations, without the U.S. Department of Commerce license required by Section 744.11 of the Regulations. At the time of export, all exports of items subject to the Regulations that were made to the Inter University Consortium in India required a license. In exporting items subject to the Regulations to this entity without the required license, Cerac committed one violation of Section 764.2(a) of the Regulations.

Charge 60 15 C.F.R. § 764.2(e) - Transferring items with knowledge that a violation of the Regulations would occur

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on or about October 13, 1999 Cerac transferred items subject to the Regulations with knowledge that a violation of the Regulations would subsequently occur. Specifically, Cerac transferred quantities of Iron and Selenium to the Inter University Consortium in India, which was then on the Entity List in Supplement No. 4 to Part 744 of the Regulations, despite knowing that a U.S. Department of Commerce license was required for the export of the items and that such license would not be obtained. At the time of the transaction in question, Cerac had several years of experience in the export licensing process. Cerac had also been warned about problems in their export compliance efforts. In 1992 and again in 1996, Cerac received warning letters from the Department of Commerce regarding violations of the Regulations. In transferring items subject to the Regulations with knowledge that a violation would occur, Cerac committed one violation of Section 764.2(e) of the Regulations.

Charges 61-68 15 C.F.R. § 764.2(g) - False or Misleading Representations of Fact - False Statements on Shipper's Export Declarations Concerning Authority to Export

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on eight occasions between on or about October 16, 1999 and on or about March 26, 2001, Cerac made false statements to the U.S. Government for the purpose of or in connection with effecting an export subject to the Regulations. Specifically, Cerac filed or caused to be filed Shipper's Export Declarations with the U.S. Government, stating that the items being exported in the described transactions qualified for export from the United States as NLR ("No License Required") when in fact a U.S. Department of Commerce license was required for those transactions by section 742.3 of the Regulations. In so doing, Cerac committed eight violations of Section 764.2(g) of the Regulations.

Charges 69-76 15 C.F.R. § 764.2(e) - Transferring items with knowledge that a violation of the Regulations would occur

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on eight occasions between on or about October 16, 1999 and

on or about March 26, 2001, Cerac transferred items subject to the Regulations with knowledge that a violation of the Regulations would subsequently occur. Specifically, Cerac transferred specialty inorganic materials listed on the Commerce Control List and controlled for reasons of Nuclear Nonproliferation to Taiwan with knowledge that a false statement would be made to the U.S. Government in connection with the transfer. Cerac knew a false statement would be made to the U.S. Government because Cerac filed or caused to be filed Shipper's Export Declarations with the U.S. Government, stating that the items being exported in the described transactions qualified for export from the United States as NLR ("No License Required") when in fact Cerac knew that a U.S. Department of Commerce license was required for those transactions under the Regulations. At the time of the transaction in question, Cerac had several years of experience in the export licensing process. Cerac had also been warned about problems in their export compliance efforts. In 1992 and again in 1996, Cerac received warning letters from the Department of Commerce regarding violations of the Regulations. In so doing, Cerac committed eight violations of Section 764.2(g) of the Regulations.

Accordingly, Cerac 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 \$11,000;⁴

Denial of export privileges; and/or

Exclusion from practice before BIS.

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

Cerac is further notified that it is entitled to a hearing on the record if Cerac files a written demand for one with its answer. (Regulations, Section 766.6). Cerac 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).

⁴ See 15 C.F.R. § 6.4(a)(2).

Cerac, Inc.
Proposed Charging Letter
Page 5

The Regulations provide for settlement without a hearing. (Regulations, Section 766.18). Should Cerac have a proposal to settle this case, Cerac or its representative should transmit the offer 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, Cerac'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 Cerac's answer must be served on BIS at the following address:

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

Charles Wall is the attorney representing BIS in this case. Any communications that Cerac may wish to have concerning this matter should occur through him. He may be contacted by telephone at (202) 482-5301.

Sincerely,

Michael D. Turner
Director
Office of Export Enforcement

Enclosure: Schedule of Violations

Schedule of Violations

	Date	Order	Export Description	Item #	ECCN	Destination	Value	False Statement
1.	13-Oct-99	194783	Iron Selenium	I-1020 S-1037	EAR99 EAR99	India	\$ 196.80	
2.	18-Jan-01	211067	Magnesium metal Calcium metal	M-1000 C-2039	1C228 1C227	India	\$ 304.00	
3.	31-Mar-00	200906	Hafnium Flouride	H-1043	1C231	Israel	\$ 643.00	
4.	19-Jul-00	203751	Nickel Bismuth	N-2003 B-1122	1C240 1C229	Israel	\$ 100.00	
5.	11-Oct-00	207845	Bismuth metal	B-1122	1C229	Israel	\$ 98.00	
6.	18-Dec-00	210348	Hafnium metal	H-1001	1C231	Israel	\$ 192.00	
7.	07-Dec-99	196904	Hafnium oxide	H-1059	1C231	PRC	\$1,102.00	
8.	01-Jun-00	203142	Hafnium oxide	H-1059	1C231	PRC	\$1,102.00	
9.	23-Nov-00	209287	Hafnium oxide	H-1059	1C231	PRC	\$1,102.00	
10.	02-Mar-01	213190	Hafnium oxide	H-1059	1C231	PRC	\$1,102.00	
11.	01-Oct-99	194369	Magnesium metal	M-1000	1C228	Taiwan	\$ 73.60	
12.	16-Oct-99	194635 194927	Bismuth Metal Nickel Metal	B-1122 N-1089	1C229 1C240	Taiwan	\$ 118.40	YES
13.	29-Oct-99	195327	Bismuth Metal	B-1122	1C229	Taiwan	\$ 78.40	
14.	05-Nov-99	195610	Hafnium metal	H-1060	1C231	Taiwan	\$ 56.80	
15.	26-Nov-99	195609, 827 195933	Magnesium Metal Zirconium Metal	M-1000 Z-1024	1C228 1C234	Taiwan	\$1,433.60	
16.	16-Dec-99	196975	Calcium metal Zirconium Metal	C-2039 Z-1024	1C227 1C234	Taiwan	\$ 223.20	
17.	14-Jan-00	197767 198022	Magnesium Metal Calcium Metal	M-1000 C-2039	1C228 1C227	Taiwan	\$ 232.00	
18.	11-Feb-00	198758	Nickel Metal	N-2010 N-2003	1C240 1C240	Taiwan	\$ 171.20	
19.	12-May-00	202294	Bismuth metal	B-1094	1C229	Taiwan	\$ 43.20	YES
20.	25-Aug-00	205348	Nickel metal	N-2010	1C240	Taiwan	\$ 85.60	
21.	01-Sep-00	206297	Hafnium metal	H-1060	1C231	Taiwan	\$ 165.60	YES
22.	29-Sep-00	206965	Magnesium metal	M-1000	1C228	Taiwan	\$ 73.60	YES
23.	13-Oct-00	208167	Zirconium metal	Z-1024	1C234	Taiwan	\$ 184.00	
24.	05-Dec-00	209834	Magnesium metal	M-1000	1C228	Taiwan	\$ 73.60	
25.	19-Dec-00	210126	Bismuth metal	B-1093	1C229	Taiwan	\$ 134.40	YES
26.	12-Jan-01	210771	Zirconium metal	Z-1024	1C234	Taiwan	\$ 321.60	YES
27.	30-Jan-01	211644	Zirconium oxide	Z-1042	1C234	Taiwan	\$ 74.40	YES
28.	09-Feb-01	212163	Magnesium metal	M-1000	1C228	Taiwan	\$ 73.60	
29.	26-Mar-01	213399 213582	Bismuth metal Magnesium metal	B-1122 M-1000	1C229 1C228	Taiwan	\$ 268.80	YES
30.	25-Jul-00	204599	Hafnium	H-1001	1C231	Thailand	\$ 153.60	
TOTAL VALUE							\$9,981.00	

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

In the Matter of:)
)
Cerac, Inc.)
407 North 13th Street)
Milwaukee, WI 53233)
)
Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Respondent, Cerac, Inc. (“Cerac”), and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively referred to as “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (“Regulations”),¹ issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”),²

¹ The violations charged occurred from 1999 to 2001. The Regulations governing the violations at issue are found in the 1999-2001 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1999-2001)). The 2006 Regulations establish the procedures that apply to this matter.

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 August 3, 2000 (3 CFR, 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. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 CFR, 2001 Comp. 783 (2002)), as extended by the Notice of August 3, 2006, (71 FR 44551 (August 7, 2006)), has continued the Regulations in effect under IEEPA.

WHEREAS, Cerac filed a voluntary self-disclosure with BIS's Office of Export Enforcement in accordance with Section 764.5 of the Regulations concerning certain transactions at issue herein;

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

WHEREAS, BIS has issued a proposed charging letter to Cerac that alleged that Cerac, both in its own capacity and as successor to Cerac, Inc.³, committed 76 violations of the Regulations, specifically:

Charges 1-29 15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct - Unlicensed Exports

On 29 occasions between on or about October 1, 1999, and on or about March 26, 2001, Cerac engaged in conduct prohibited by the Regulations when it exported items subject to the Regulations without the license required by the Regulations. Specifically, Cerac exported specialty inorganic materials listed on the Commerce Control List and controlled for reasons of Nuclear Nonproliferation to destinations in India, Israel, the People's Republic of China, Taiwan and Thailand without the U.S. Department of Commerce licenses required by Section 742.3 of the Regulations. In so doing, Cerac committed 29 violations of Section 764.2(a) of the Regulations.

³ On May 10, 2000, CR International, Inc. purchased the assets of Cerac, Inc., and then subsequently changed its name to Cerac, Inc.

Charges 30-58 15 C.F.R. § 764.2(e) - Transferring items with knowledge that a violation of the Regulations would occur

On 29 occasions between on or about October 1, 1999 and on or about March 26, 2001, Cerac transferred one or more items subject to the Regulations with knowledge that a violation of the Regulations would subsequently occur. Specifically, Cerac transferred specialty inorganic materials listed on the Commerce Control List and controlled for reasons of Nuclear Nonproliferation to destinations in India, Israel, the People's Republic of China, Taiwan and Thailand despite knowing that U.S. Department of Commerce licenses were required for the export of the items and that such licenses would not be obtained. At the time of the transactions in question, Cerac had several years of experience in the export licensing process. Cerac had also been warned about problems in their export compliance efforts. In 1992 and again in 1996, Cerac received warning letters from the Department of Commerce regarding violations of the Regulations. In transferring items subject to the Regulations with knowledge that violations would occur, Cerac committed 29 violations of Section 764.2(e) of the Regulations.

Charge 59 15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct - Unlicensed Export

On or about October 13, 1999, Cerac engaged in conduct prohibited by the Regulations when it exported specialty inorganic materials, items subject to the Regulations, to an entity in India without obtaining the U.S. Department of Commerce license required by the Regulations.

Specifically, Cerac exported quantities of Iron and Selenium to the Inter University Consortium in India, which was then on the Entity List in Supplement No. 4 to Part 744 of the Regulations, without the U.S. Department of Commerce license required by Section 744.11 of the Regulations. At the time of export, all exports of items subject to the Regulations that were made to the Inter University Consortium in India required a license. In exporting items subject to the Regulations to this entity without the required license, Cerac committed one violation of Section 764.2(a) of the Regulations.

Charge 60 15 C.F.R. § 764.2(e) - Transferring items with knowledge that a violation of the Regulations would occur

On or about October 13, 1999 Cerac transferred items subject to the Regulations with knowledge that a violation of the Regulations would subsequently occur. Specifically, Cerac transferred quantities of Iron and Selenium to the Inter University Consortium in India, which was then on the Entity List in Supplement No. 4 to Part 744 of the Regulations, despite knowing that a U.S. Department of Commerce license was required for the export of the items and that such license would not be obtained. At the time of the transaction in question, Cerac had several years of experience in the export licensing process. Cerac had also been warned about problems in their export compliance efforts. In 1992 and again in 1996, Cerac received warning letters from the Department of Commerce regarding violations of the Regulations. In transferring items subject to the Regulations with knowledge that a violation would occur, Cerac committed one violation of Section 764.2(e) of the Regulations.

**Charges 61-68 15 C.F.R. § 764.2(g) - False or Misleading Representations of Fact -
False Statements on Shipper's Export Declarations Concerning
Authority to Export**

On eight occasions between on or about October 16, 1999 and on or about March 26, 2001, Cerac made false statements to the U.S. Government for the purpose of or in connection with effecting an export subject to the Regulations. Specifically, Cerac filed or caused to be filed Shipper's Export Declarations with the U.S. Government, stating that the items being exported in the described transactions qualified for export from the United States as NLR ("No License Required") when in fact a U.S. Department of Commerce license was required for those transactions by section 742.3 of the Regulations. In so doing, Cerac committed eight violations of Section 764.2(g) of the Regulations.

**Charges 69-76 15 C.F.R. § 764.2(e) - Transferring items with knowledge that a
violation of the Regulations would occur**

On eight occasions between on or about October 16, 1999 and on or about March 26, 2001, Cerac transferred items subject to the Regulations with knowledge that a violation of the Regulations would subsequently occur. Specifically, Cerac transferred specialty inorganic materials listed on the Commerce Control List and controlled for reasons of Nuclear Nonproliferation to Taiwan with knowledge that a false statement would be made to the U.S. Government in connection with the transfer. Cerac knew a false statement would be made to the U.S. Government because Cerac filed or caused to be filed Shipper's Export Declarations with the U.S. Government, stating that the items being exported in the described transactions qualified

for export from the United States as NLR (“No License Required”) when in fact Cerac knew that a U.S. Department of Commerce license was required for those transactions under the Regulations. At the time of the transaction in question, Cerac had several years of experience in the export licensing process. Cerac had also been warned about problems in their export compliance efforts. In 1992 and again in 1996, Cerac received warning letters from the Department of Commerce regarding violations of the Regulations. In so doing, Cerac committed eight violations of Section 764.2(g) of the Regulations.

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

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

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

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

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

NOW THEREFORE, the Parties hereby agree as follows:

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

2. The following sanction shall be imposed against Cerac in complete settlement of the violations of the Regulations relating to the transactions specifically detailed in the voluntary self-disclosure and the proposed charging letter:

- a. Cerac shall be assessed a civil penalty in the amount of \$297,000 which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the Order.
- 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 Cerac. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Cerac'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, Cerac 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 any 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 \$297,000 civil penalty, BIS will not initiate any further administrative proceeding against Cerac in connection with any violation of the Act or the Regulations arising out of the transactions identified in the voluntary self-disclosure and the proposed charging letter.

5. BIS will make the proposed charging letter, this Agreement, and the Order, if entered, 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 entered, 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 BIS 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.

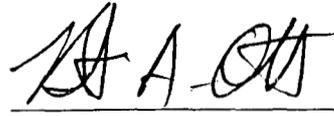
BUREAU OF INDUSTRY AND SECURITY
U.S. DEPARTMENT OF COMMERCE



Michael D. Turner
Director
Office of Export Enforcement

Date: 09/01/2006

CERAC, INC.



Bart A. Ott
General Manager

Date: 8/28/06

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

In the Matter of:)
)
Cerac, Inc.)
407 North 13th Street)
Milwaukee, WI 53233)
)
Respondent)

ORDER RELATING TO CERAC, INC.

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has notified Cerac, Inc. (“Cerac”) of its intention to initiate an administrative proceeding against Cerac pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (“Regulations”),¹ and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”),² by issuing a proposed

¹ The violations charged occurred from 1999 to 2001. The Regulations governing the violations at issue are found in the 1999-2001 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1999-2001)). The 2006 Regulations establish the procedures that apply to this matter.

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 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. 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 3, 2006, (71 FR 44551 (August 7, 2006)), has continued the Regulations in effect under IEEPA.

charging letter to Cerac that alleged that Cerac , both in its own capacity and as successor to Cerac, Inc.³, committed 76 violations of the Regulations. Specifically, the charges are:

Charges 1-29 15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct - Unlicensed Exports

On 29 occasions between on or about October 1, 1999, and on or about March 26, 2001, Cerac engaged in conduct prohibited by the Regulations when it exported items subject to the Regulations without the license required by the Regulations. Specifically, Cerac exported specialty inorganic materials listed on the Commerce Control List and controlled for reasons of Nuclear Nonproliferation to destinations in India, Israel, the People's Republic of China, Taiwan and Thailand without the U.S. Department of Commerce licenses required by Section 742.3 of the Regulations. In so doing, Cerac committed 29 violations of Section 764.2(a) of the Regulations.

Charges 30-58 15 C.F.R. § 764.2(e) - Transferring items with knowledge that a violation of the Regulations would occur

On 29 occasions between on or about October 1, 1999 and on or about March 26, 2001, Cerac transferred one or more items subject to the Regulations with knowledge that a violation of the Regulations would subsequently occur. Specifically, Cerac transferred specialty inorganic materials listed on the Commerce Control List and controlled for reasons of Nuclear Nonproliferation to destinations in India, Israel, the People's Republic of China, Taiwan and Thailand despite knowing that U.S. Department of Commerce licenses were required for the

³ On May 10, 2000, CR International, Inc. purchased the assets of Cerac, Inc., and then subsequently changed its name to Cerac, Inc.

export of the items and that such licenses would not be obtained. At the time of the transactions in question, Cerac had several years of experience in the export licensing process. Cerac had also been warned about problems in their export compliance efforts. In 1992 and again in 1996, Cerac received warning letters from the Department of Commerce regarding violations of the Regulations. In transferring items subject to the Regulations with knowledge that violations would occur, Cerac committed 29 violations of Section 764.2(e) of the Regulations.

Charge 59 15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct - Unlicensed Export

On or about October 13, 1999, Cerac engaged in conduct prohibited by the Regulations when it exported specialty inorganic materials, items subject to the Regulations, to an entity in India without obtaining the U.S. Department of Commerce license required by the Regulations. Specifically, Cerac exported quantities of Iron and Selenium to the Inter University Consortium in India, which was then on the Entity List in Supplement No. 4 to Part 744 of the Regulations, without the U.S. Department of Commerce license required by Section 744.11 of the Regulations. At the time of export, all exports of items subject to the Regulations that were made to the Inter University Consortium in India required a license. In exporting items subject to the Regulations to this entity without the required license, Cerac committed one violation of Section 764.2(a) of the Regulations.

Charge 60 15 C.F.R. § 764.2(e) - Transferring items with knowledge that a violation of the Regulations would occur

On or about October 13, 1999 Cerac transferred items subject to the Regulations with knowledge that a violation of the Regulations would subsequently occur. Specifically, Cerac transferred quantities of Iron and Selenium to the Inter University Consortium in India, which was then on the Entity List in Supplement No. 4 to Part 744 of the Regulations, despite knowing that a U.S. Department of Commerce license was required for the export of the items and that such license would not be obtained. At the time of the transaction in question, Cerac had several years of experience in the export licensing process. Cerac had also been warned about problems in their export compliance efforts. In 1992 and again in 1996, Cerac received warning letters from the Department of Commerce regarding violations of the Regulations. In transferring items subject to the Regulations with knowledge that a violation would occur, Cerac committed one violation of Section 764.2(e) of the Regulations.

Charges 61-68 15 C.F.R. § 764.2(g) - False or Misleading Representations of Fact - False Statements on Shipper's Export Declarations Concerning Authority to Export

On eight occasions between on or about October 16, 1999 and on or about March 26, 2001, Cerac made false statements to the U.S. Government for the purpose of or in connection with effecting an export subject to the Regulations. Specifically, Cerac filed or caused to be filed Shipper's Export Declarations with the U.S. Government, stating that the items being exported in the described transactions qualified for export from the United States as NLR ("No License Required") when in fact a U.S. Department of Commerce license was required for those

transactions by section 742.3 of the Regulations. In so doing, Cerac committed eight violations of Section 764.2(g) of the Regulations.

Charges 69-76 15 C.F.R. § 764.2(e) - Transferring items with knowledge that a violation of the Regulations would occur

On eight occasions between on or about October 16, 1999 and on or about March 26, 2001, Cerac transferred items subject to the Regulations with knowledge that a violation of the Regulations would subsequently occur. Specifically, Cerac transferred specialty inorganic materials listed on the Commerce Control List and controlled for reasons of Nuclear Nonproliferation to Taiwan with knowledge that a false statement would be made to the U.S. Government in connection with the transfer. Cerac knew a false statement would be made to the U.S. Government because Cerac filed or caused to be filed Shipper's Export Declarations with the U.S. Government, stating that the items being exported in the described transactions qualified for export from the United States as NLR ("No License Required") when in fact Cerac knew that a U.S. Department of Commerce license was required for those transactions under the Regulations. At the time of the transaction in question, Cerac had several years of experience in the export licensing process. Cerac had also been warned about problems in their export compliance efforts. In 1992 and again in 1996, Cerac received warning letters from the Department of Commerce regarding violations of the Regulations. In so doing, Cerac committed eight violations of Section 764.2(g) of the Regulations.

WHEREAS, BIS and Cerac 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, that a civil penalty of \$297,000 is assessed against Cerac, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment shall be made in the manner specified in the attached instructions.

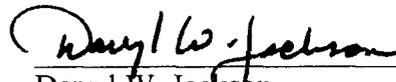
SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, Cerac will be assessed, in addition 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 Cerac. Accordingly, if Cerac should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Cerac's export privileges for a period of one year from the date of entry of this Order.

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

Order
Cerac, Inc.
Page 7 of 7

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



Darryl W. Jackson
Assistant Secretary of Commerce
for Export Enforcement

Entered this 7th day of September 2006.