

**DRAFT**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

ADCO Sales, Inc.  
4 Draper Street  
Woburn, Massachusetts 01801

Attention: Mr. Alfred DePaoli  
President

Dear Mr. DePaoli:

The Bureau of Industry and Security, United States Department of Commerce ("BIS") has reason to believe that on four occasions, ADCO Sales, Inc. ("ADCO") violated 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 ADCO committed the following violations:

**Charges 1-4                    15 C.F.R. § 764.2(a) -Conduct Prohibited by or Contrary to the  
Regulations - Unlicensed Exports of Items**

From in or about October 1998 through in or about May 1999, ADCO exported optical sighting devices to recipients in Hong Kong, Switzerland and Israel. These items are subject to the Regulations and were, at the time of export, described in ECCNs 0A985 (for shipments in 1998) and 0A987 (for shipments in 1999). These exports are further described in the attached

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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 (2003). The violations charged occurred from 1998 to 1999. The Regulations governing the violations at issue are found in the 1998 and 1999 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1998-1999)). The Regulations define the violations that BIS alleges occurred and 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 by Pub. L. No. 106-508, 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 7, 2003 (68 *Fed. Reg.* 47833, August 11, 2003), continues the Regulations in effect under IEEPA.

Schedule A, which is incorporated by reference herein. ADCO caused the export of items without obtaining the licenses required by Section 742.7 of the Regulations. In so doing, ADCO committed four violations of Section 764.2(a) of the Regulations.

Accordingly, ADCO 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 per violation;<sup>3</sup>

Denial of export privileges; and/or

Exclusion from practice before BIS.

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

ADCO is further notified that it is entitled to an agency hearing on the record if ADCO files a written demand for one with its answer. (Regulations, Section 766.6). ADCO 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 ADCO have a proposal to settle this case, ADCO or its representative should transmit the offer to me through 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, ADCO'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

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

Adco Sales, Inc.  
Charging Letter  
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In addition, a copy of ADCO's answer must be served on BIS at the following address:

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

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

Sincerely,

Mark D. Menefee  
Director  
Office of Export Enforcement

**ATTACHMENT A**  
**ADCO SALES, INC.**  
**SCHEDULE OF VIOLATIONS**

| <b>Charges</b> | <b>Export Date<br/>(on or about)</b> | <b>ECCN</b> | <b>Destination</b> |
|----------------|--------------------------------------|-------------|--------------------|
| 1              | 10/1/98                              | 0A985       | Hong Kong          |
| 2              | 10/2798                              | 0A985       | Switzerland        |
| 3              | 4/21/99                              | 0A987       | Switzerland        |
| 4              | 5/7/99                               | 0A987       | Israel             |

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

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In the Matter of: )  
 )  
ADCO Sales, Inc. )  
4 Draper Street )  
Woburn, Massachusetts 01801 )  
 )  
Respondent. )  
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SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Respondent, ADCO Sales, Inc. (“ADCO”), and the Bureau of Industry and Security, United States Department of Commerce (“BIS”) (collectively referred to as “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (“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>

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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 (2003). The violations charged occurred from 1998 to 1999. The Regulations governing the violations at issue are found in the 1998 and 1999 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1998-1999)). The 2003 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 7, 2003 (68 *Fed. Reg.* 47833, August 11, 2003), has continued the Regulations in effect under IEEPA.

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

WHEREAS, BIS has issued a proposed charging letter to ADCO that alleged that ADCO committed four violations of the Regulations, specifically:

1. *Four Violations of 15 C.F.R. § 764.2(a) - Unlicensed Exports of Optical Sighting Devices:* From in or about October 1998 through in or about May 1999, ADCO exported optical sighting devices, items subject to the Regulations and covered by export classification number 0A985 (for shipments in 1998) and 0A987 (for shipments in 1999), to Hong Kong, Switzerland and Israel, without obtaining the Department of Commerce licenses required by Section 742.7 of the Regulations.

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

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

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

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

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

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

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over ADCO, under the Regulations, in connection with the matters alleged in the proposed charging letter.
2. The following sanction shall be imposed against ADCO in complete settlement of the violations of the Regulations set forth in the proposed charging letter:
  - a. ADCO shall be assessed a civil penalty in the amount of \$2,000 which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the appropriate 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, license exception, permission, or privilege granted, or to be granted, to ADCO. Failure to make timely payment of the civil penalty set forth above shall result in the denial of all of ADCO'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, ADCO 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 proposed 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 \$2,000 civil penalty, BIS will not initiate any further administrative proceeding against ADCO in connection with any violation of the Act or the Regulations arising out of the transactions identified in 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

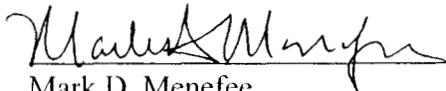
entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances addressed herein.

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.

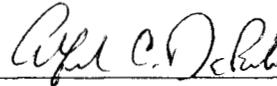
9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

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

ADCO SALES, INC.



Mark D. Menefee  
Director  
Office of Export Enforcement



Mr. Alfred DePaoli  
President

Date: 3/23/04

Date: 3/22/04

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

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In the Matter of: )  
 )  
ADCO Sales, Inc. )  
4 Draper Street )  
Woburn, Massachusetts 01801 )  
 )  
Respondent. )  
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ORDER

The Bureau of Industry and Security, United States Department of Commerce (“BIS”) having notified ADCO Sales, Inc. (“ADCO”) of its intention to initiate an administrative proceeding against ADCO pursuant to Section 766.3 of the Export Administration Regulations (“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> based on the proposed charging letter issued to ADCO that alleged that ADCO committed four violations of the Regulations. Specifically, the charges are:

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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 (2003). The violations charged occurred from 1998 to 1999. The Regulations governing the violations at issue are found in the 1998 and 1999 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1998-1999)). The 2003 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 7, 2003 (68 *Fed. Reg.* 47833, August 11, 2003), has continued the Regulations in effect under IEEPA.

1. *Four Violations of 15 C.F.R. § 764.2(a) - Unlicensed Exports of Optical Sighting Devices:* From in or about October 1998 through in or about May 1999, ADCO exported optical sighting devices, items subject to the Regulations and covered by export classification number 0A985 (for shipments in 1998) and 0A987 (for shipments in 1999), to Hong Kong, Switzerland and Israel, without obtaining the Department of Commerce licenses required by Section 742.7 of the Regulations.

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

IT IS THEREFORE ORDERED:

FIRST, that a civil penalty of \$2,000 is assessed against ADCO 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.

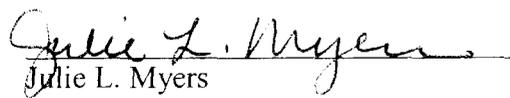
SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, ADCO will be assessed, in addition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

denying all of ADCO'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.

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

  
Julie L. Myers  
Assistant Secretary of Commerce  
for Export Enforcement

Entered this 3<sup>rd</sup> day of May 2004.