

**DRAFT**

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

Reliance Steel & Aluminum Company  
350 S. Grand Avenue  
Suite 5100  
Los Angeles, California 90071

Attention: David Hannah  
Chief Executive Officer

Dear Mr. Hannah;

The Bureau of Industry and Security, United States Department of Commerce (“BIS”) has reason to believe that Reliance Steel & Aluminum Company (“Reliance Steel”), acting through its Bralco Metals division, 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> on 26 occasions. Specifically, BIS charges that Reliance Steel committed the following violations:

**Charges 1-13            (15 C.F.R. §764.2(a) - Engaging in Prohibited Conduct)**

From on or about February 19, 1999, to on or about May 5, 2002, Reliance Steel made 13 exports of aluminum alloy rods, Export Control Classification Number (ECCN) 1C202, to the Peoples Republic of China, Taiwan, Malaysia, and Singapore, without the required license from BIS, as required by Section 742.3 of the Regulations. In doing so, Reliance Steel committed 13 violations of Section 764.2(a) of the Regulations.

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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 1999 through 2002. The Regulations governing the violations at issue are found in the 1999 through 2002 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1999-2001)). 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. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222, which has been extended by a Presidential Notice of August 14, 2002 (67 *Fed. Reg.* 159 (August 16, 2002)), has continued the Regulations in effect under IEEPA.

**Charge 14 - 25            (15 C.F.R. § 764.2(g) - Misrepresentation and Concealment of Facts or Misleading Representation on Export Control Document)**

From on or about February 19, 1999, to on or about May 5, 2002, in connection with the exports in Charges 1 - 11 and Charge 13 above, on 12 occasions, Reliance Steel submitted Shipper's Export Declarations, export control documents as defined in Part 772 of the Regulations, that represented that the shipments were eligible for export without a license ("NLR") when, in fact, the shipments required a license from BIS. BIS alleges that, by making false or misleading statements of material fact in connection with the preparation and submission of export control documents, Reliance Steel committed 12 violations of Section 764.2(g) of the Regulations.

Accordingly, Reliance Steel 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;<sup>3</sup>

Denial of export privileges; and/or

Exclusion from practice before BIS.

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

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

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

Reliance Steel  
Charging Letter  
Page 3

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, Reliance Steel'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 Reliance Steel's answer must be served on BIS at the following address:

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

Lairold M. Street 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

Enclosure

**SCHEDULE OF VIOLATION**  
*Reliance Steel & Aluminum Company*

CHARGES	DATE OF EXPORT	COMMODITY	DESTINATION	INVOICE NUMBER	AIRWAYBILL NUMBER
1, 14	2/19/99	(6pcs) 7075 Aluminum Forging Rod	Peoples Republic of China	43 IV-030429	180 99176630
2, 15	3/24/99	(2pcs) 7075 Aluminum Forging Rod	Peoples Republic of China	43 IV-034993	180 9917 6674
3, 16	5/26/99	(106 pcs) 7075 Aluminum Forging Rod	Peoples Republic of China	43 IV-045523	MBL# XIN0599UH601
4, 17	6/13/99	(2pcs) 7075 Aluminum Round Rod	Peoples Republic of China	43 IV-048462	1050-LBDLC
5, 18	9/29/99	(1pc) 7075 Aluminum Round Bar	Taiwan	43 IV-064007	SEIKA0991291
6, 19	3/28/01	(4pcs) 2024 Aluminum Round (6pcs) 2024 Aluminum Round	Malaysia	43 IV-172730 43 IV-172727	LAX491080
7, 20	4/01/01	(9pcs) 7075 Aluminum Forging Rod	Peoples Republic of China	43 IV-175305	4192-LBXIN
8, 21	8/15/01	(1pc) 7075 Aluminum Round	Taiwan	43 IV-200580	4402-LBKEE
9, 22	12/26/01	(1pc) 7075 Extruded Aluminum Rod (4pcs) 7075 Aluminum Rod	Taiwan	43 IV-218169 43 IV-221968	LBPKA010014421

10, 23	2/01/02	(1pc) 7075 Aluminum Rod	Singapore	43 IV-228705	618-2666-6743
11, 24	4/23/02	(1pc) 7075 Aluminum Rod	Taiwan	43 IV-243034	LAX 7628 4188 MAWB3 297-80752755
12	05/04/02	(2pcs) 2024 Aluminum Rod	Malaysia	43 IV-243785	NGLAPKL-1071
13, 25	5/5/02	(1pc) 7075 Aluminum Rod	Taiwan	43 IV-244556	TOO-005595

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

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In the Matter of: )  
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RELIANCE STEEL & ALUMINUM COMPANY )  
350 S. Grand Avenue )  
Suite 5100 )  
Los Angeles, California 90071, )  
 )  
Respondent. )  
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SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Respondent, Reliance Steel & Aluminum Company (“Reliance Steel”), acting through its Bralco Metals division, 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 (currently codified at 15 C.F.R. Parts 730-774 (2003)) (“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 1999 through 2002. The Regulations governing the violations at issue are found in the 1999 through 2002 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1999-2002)). 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 issued on 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 (1994 & Supp. V 1999)) (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)), which has been extended by successive

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

WHEREAS, BIS has issued a proposed charging letter to Reliance Steel that alleged that Reliance Steel committed 25 violations of the Regulations, specifically:

1. *13 Violations of 15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct:* From on or about February 19, 1999, to on or about May 5, 2002, Reliance Steel made 13 exports of aluminum alloy rods, Export Control Classification Number (ECCN) 1C202, to the Peoples Republic of China, Taiwan, Malaysia, and Singapore, without the required license from BIS, as required by Section 742.3 of the Regulations.
2. *12 Violations of 15 C.F.R. § 764.2(g) - Misrepresentation and Concealment of Facts or Misleading Representation on Export Control Document:* From on or about February 19, 1999, to on or about May 5, 2002, in connection with the exports in Charges 1 - 11 and Charge 13 above, on 12 occasions, Reliance Steel submitted Shipper's Export Declarations, export control documents as defined in Part 772 of the Regulations, that represented that the shipments were eligible for export without a license ("NLR") when, in fact, the shipments required a license from BIS.

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Presidential Notices, the most recent being that of August 7, 2003 (68 *Fed. Reg.* 47833 (August 11, 2003)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)).

WHEREAS, Reliance Steel 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;

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

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

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

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

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

NOW THEREFORE, the Parties hereby agree as follows:

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

2. The following sanction shall be imposed against Reliance Steel in accordance with Section 766.18 of the Regulations in complete settlement of the violations of the Regulations alleged in the proposed charging letter:

- a. Reliance Steel shall be assessed a civil penalty in the amount of \$95,850 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 Reliance Steel. Failure to make timely payment of the civil penalty set forth above shall result in the denial of all of Reliance Steel'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, Reliance Steel 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; and (c) 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 \$95,850 civil penalty, BIS will not initiate any further administrative proceeding against Reliance Steel 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.

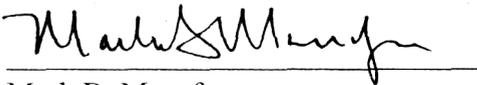
7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department 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

RELIANCE STEEL & ALUMINUM COMPANY



Mark D. Menefee  
Director  
Office of Export Enforcement



William K. Sales  
Senior Vice President of Non-Ferrous Operations

Date: 10/29/03

Date: October 21, 03

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

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In the Matter of: )  
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RELIANCE STEEL & ALUMINUM COMPANY )  
350 S. Grand Avenue )  
Suite 5100 )  
Los Angeles, California 90071, )  
 )  
Respondent. )  
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ORDER

The Bureau of Industry and Security, United States Department of Commerce (“BIS”) having notified Reliance Steel & Aluminum Company (“Reliance Steel”), acting through its Bralco Metals division, of its intention to initiate an administrative proceeding against Reliance Steel pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2003)) (“Regulations”), and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”)<sup>1</sup>, based on the proposed charging letter issued to Reliance Steel that alleged Reliance Steel committed 25 violations of the Regulations. Specifically, the charges are:

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<sup>1</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 issued on 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 (1994 & Supp. V 1999)) (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)), which has been extended by successive Presidential Notices, the most recent being that of August 7, 2003 (68 *Fed. Reg.* 47833 (August 11, 2003)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)).

1. *13 Violations of 15 C.F.R. § 764.2(a) - Engaging in Prohibited Conduct:* From on or about February 19, 1999, to on or about May 5, 2002, Reliance Steel made 13 exports of aluminum alloy rods, Export Control Classification Number (ECCN) 1C202, to the Peoples Republic of China, Taiwan, Malaysia, and Singapore, without the required license from BIS, as required by Section 742.3 of the Regulations.
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BIS and Reliance Steel 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 \$95,850 is assessed against Reliance Steel, 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, Reliance Steel 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 Reliance Steel. Accordingly, if Reliance Steel should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Reliance Steel'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 December 2003.