

AMENDED PROPOSED CHARGING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Spectrum Laboratory Products, Inc.  
14422 S. San Pedro St.  
Gardena, California 90248

Attention: *Elizabeth Ferguson-Brown*  
*President*

Dear Ms. Ferguson-Brown:

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has reason to believe that Spectrum Laboratory Products, Inc. (“Spectrum”), of Gardena, California, has committed four violations of the Export Administration Regulations (the “Regulations”),<sup>1</sup> which are issued under the authority of the Export Administration Act of 1979, as amended (the “Act”).<sup>2</sup> Specifically, BIS charges that Spectrum committed the following violations:

**Charges 1-4 (15 C.F.R. §764.2(a) - Exporting without the Required License)**

On four occasions, between on or about July 9, 2001 and on or about December 4, 2002, Spectrum engaged in conduct prohibited by the Regulations by exporting trolamine and phosphorus oxychloride, items classified under Export Control Classification Number (“ECCN”) 1C350, to Israel and Hong Kong without obtaining a Department of Commerce license, as required by Section 742.2 of the Regulations. *See* Schedule A, which is enclosed

---

<sup>1</sup> The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2006). The violations charged occurred in 2001 and 2002. The Regulations governing the violations at issue are found in the 2001 and 2002 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2001-2002)). The 2006 Regulations govern the procedural aspects of this case.

<sup>2</sup> 50 U.S.C. app. §§ 2401- 2420 (2000). Since August 21, 2001, the Act has been in lapse and the President through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp., p. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 2, 2005 (70 *Fed. Reg.* 45273 (Aug. 5, 2005)), has continued the Regulations in effect under IEEPA.

herewith and incorporated herein by reference. In so doing, Spectrum committed four violations of Section 764.2(a) of the Regulations.

\* \* \* \* \*

Accordingly, Spectrum 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 up to \$11,000 per violation;<sup>3</sup>

Denial of export privileges; and/or

Exclusion from practice before BIS.

If Spectrum 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 Spectrum defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Spectrum. 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.

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

---

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

Spectrum Laboratory Products, Inc.  
Revised Proposed Charging Letter  
Page 3

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

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

Peter R. Klason is the attorney representing BIS in this case; any communications that Spectrum 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 A

CHARGE NUMBERS	DATE OF VIOLATION	DESTINATION	COMMODITY EXPORTED	ECCN	VALUE	VIOLATIONS CHARGED
1	7/9/01	Israel	Trolamine	1C350.c.9	\$41.66	15 C.F.R. § 764.2(a)
2	7/9/02	Hong Kong	Trolamine	1C350.c.9	\$963.50	15 C.F.R. § 764.2(a)
3	12/4/02	Israel	Trolamine	1C350.c.9	\$46.75	15 C.F.R. § 764.2(a)
4	12/4/02	Israel	Phosphorus Oxychloride	1C350.c.3	\$471.30	15 C.F.R. § 764.2(a)

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

\_\_\_\_\_  
In the Matter of: )  
 )  
Spectrum Laboratory Products, Inc. )  
14422 S. San Pedro St. )  
Gardena, California 90248 )  
 )  
Respondent )  
\_\_\_\_\_

SETTLEMENT AGREEMENT

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

<sup>1</sup> The violations charged occurred in 2001 and 2002. The Regulations governing the violations at issue are found in the 2001 and 2002 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2001-2002)). The 2006 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 2, 2005 (70 Fed. Reg. 45,273 (Aug. 5, 2005)), has continued the Regulations in effect under IEEPA.

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

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

WHEREAS, BIS has issued an amended proposed charging letter to Spectrum that alleged that Spectrum committed four violations of the Regulations, specifically:

- 1. Four violations of 15 C.F.R. § 764.2(a) - Exporting without the Required Licenses:* On four occasions, between on or about July 9, 2001 and on or about December 4, 2002, Spectrum engaged in conduct prohibited by the Regulations by exporting trolamine and phosphorus oxychloride, items classified under Export Control Classification Number ("ECCN") 1C350, to Israel and Hong Kong without obtaining a Department of Commerce license, as required by Section 742.2 of the Regulations.

WHEREAS, Spectrum has reviewed the amended 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, Spectrum 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, Spectrum enters into this Agreement voluntarily and with full knowledge of its rights;

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

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

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

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

NOW THEREFORE, the Parties hereby agree as follows:

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

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

a. Spectrum shall be assessed a civil penalty in the amount of \$20,000, 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 Spectrum. Failure to make timely payment of the civil penalty set forth above may result in

the denial of all of Spectrum's export privileges under the Regulations 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, Spectrum 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 \$20,000 civil penalty, BIS will not initiate any further administrative proceeding against Spectrum in connection with any violation of the Act or the Regulations arising out of the transactions identified in the amended proposed charging letter and the voluntary self-disclosure.

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

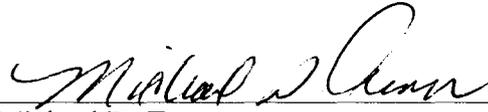
6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial 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 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.

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

  
\_\_\_\_\_  
Michael D. Turner  
Director  
Office of Export Enforcement

Date: 08/11/06

SPECTRUM LABORATORY PRODUCTS,  
INC.

  
\_\_\_\_\_  
Mark Hurd  
President

Date: 8-4-06

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

\_\_\_\_\_  
In the Matter of: )  
)  
Spectrum Laboratory Products, Inc. )  
14422 S. San Pedro St. )  
Gardena, California 90248 )  
)  
Respondent )  
\_\_\_\_\_

ORDER RELATING TO SPECTRUM LABORATORY PRODUCTS, INC.

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has notified Spectrum Laboratory Products, Inc. (“Spectrum”) of its intention to initiate an administrative proceeding against Spectrum pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (the “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)) (the “Act”),<sup>2</sup> through the issuance of an amended

---

<sup>1</sup>The violations charged occurred in 2001 and 2002. The Regulations governing the violations at issue are found in the 2001 and 2002 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2001-2002)). The 2006 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 3, 2006 (71 Fed. Reg. 44551 (Aug. 7, 2006)), has continued the Regulations in effect under IEEPA.

proposed charging letter to Spectrum that alleged that Spectrum committed four violations of the Regulations. Specifically, the charges are:

1. *Four violations of 15 C.F.R. § 764.2(a) - Exporting without the Required Licenses:* On four occasions, between on or about July 9, 2001 and on or about December 4, 2002, Spectrum engaged in conduct prohibited by the Regulations by exporting trolamine and phosphorus oxychloride, items classified under Export Control Classification Number ("ECCN") 1C350, to Israel and Hong Kong without obtaining a Department of Commerce license, as required by Section 742.2 of the Regulations.

WHEREAS, BIS and Spectrum 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:

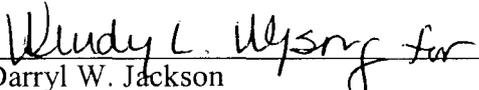
FIRST, that a civil penalty of \$20,000 is assessed against Spectrum, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment shall be made in the manner specified in the attached instructions.

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, Spectrum 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 Spectrum. Accordingly, if Spectrum should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Spectrum's export privileges under the Regulations for a period of one year from the date of entry of this Order.

FOURTH, that the amended 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.

  
Darryl W. Jackson  
Assistant Secretary of Commerce  
for Export Enforcement

Entered this 16th day of August, 2006.