

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

In the Matter of:)
)
Adam R. Karesh)
9188 Bay Hill Blvd.)
Orlando, FL 32819)
)
Respondent)

ORDER RELATING TO ADAM R. KARESH

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has notified Adam R. Karesh (“Karesh”) of its intention to initiate an administrative proceeding against Karesh pursuant to Section 766.3 of the Export Administration Regulations (the “Regulations”),¹ and Section 13(c) of the Export Administration Act of 1979, as amended (the “Act”),² through the issuance of a Proposed Charging Letter to Karesh that alleged that he committed two violations of the Regulations. Specifically, the charges are:

Charge 1 15 C.F.R. § 764.2(e): Acting with Knowledge of a Violation

On or about July 29, 2004, Karesh sold, in whole or in part, items exported or to be exported from the United States through Lebanon to Syria with knowledge that a violation of the Regulations was about to occur or was intended to occur in connection with the items. Specifically, Karesh sold and transferred photography equipment, items subject to the

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2010). The charged violations occurred during 2004 and 2006. The Regulations governing the violations at issue are found in the 2004 and 2006 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2004 & 2006)). The 2010 Regulations set forth the procedures that apply to this matter.

² 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. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 12, 2010 (75 Fed. Reg. 50,681 (Aug. 16, 2010)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701 *et seq.*).

Regulations and designated as EAR99 items,³ to a customer in Syria. Karesh had knowledge that a violation of the Regulations was about to occur or was intended to occur because on or about June 10, 2004 Karesh had been informed by his Syrian customer that he should check with a freight forwarder about whether U.S. export regulations applied to such exports to Syria. The customer further told Karesh that if it was not possible to deliver directly to Syria, Karesh could ship the items to Syria through Lebanon or the United Arab Emirates ("U.A.E."). Karesh determined that the freight forwarder would not ship to Syria, and informed his customer that the transaction would have to go to Syria through Lebanon or the U.A.E. In addition, Karesh knew that no U.S. Government authorization for this transaction had been obtained. Such authorization is required pursuant to General Order No. 2 of Supplement No. 1 to Part 736 of the Regulations. In so doing, Karesh committed one violation of Section 764.2(e) of the Regulations.

Charge 2 15 C.F.R. § 764.2(e): Acting with Knowledge of a Violation

Between on or about March 15, 2006 and on or about May 22, 2006, Karesh stored and sold in whole or in part, items to be exported from the United States with knowledge that a violation of the Regulations was about to occur or was intended to occur in connection with the items. Specifically, Karesh stored and sold photography equipment, items subject to the Regulations and designated as EAR99 items,⁴ to a customer in Syria. Karesh had knowledge that a violation of the Regulations was about to occur or was intended to occur because on or about April 19, 2006, a freight forwarder informed Karesh that the photography equipment could not be exported to Syria due to the U.S. sanctions in place on Syria. After the freight forwarder told Karesh that it did not know of any U.S. restrictions on exports to Lebanon, Karesh instructed the freight forwarder to ship the photography equipment to Lebanon so that Karesh's customer could pick up the items and drive them the rest of the way to Syria. Additionally, as described above in Charge 1, Karesh had knowledge of export controls on Syria from an earlier transaction. In so doing, Karesh committed one violation of Section 764.2(e) of the Regulations.

WHEREAS, BIS and Karesh 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:

³ EAR99 is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2004).

⁴ EAR99 is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2006).

FIRST, Karesh shall be assessed a civil penalty in the amount of \$45,000. Karesh shall pay \$3,000 to the U.S. Department of Commerce within 30 days of the date of the Order. Thereafter, Karesh shall pay \$2,200 to the U.S. Department of Commerce not later than November 1, 2010; \$2,200 not later than December 1, 2010; \$2,200 not later than January 3, 2011; \$2,200 not later than February 1, 2011; \$2,200 not later than March 1, 2011; \$2,200 not later than April 1, 2011; \$2,200 not later than May 2, 2011; \$2,200 not later than June 1, 2011; \$2,200 not later than July 1, 2011; \$2,200 not later than August 1, 2011. Payment of the remaining \$20,000 shall be suspended for a period of one (1) year from the date of issuance of the Order, and thereafter shall be waived, provided that during the period of suspension, Karesh has committed no violation of the Act, or any regulation, order, or license issued thereunder and has made full and timely payment of \$25,000 as set forth above.

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, Karesh 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.

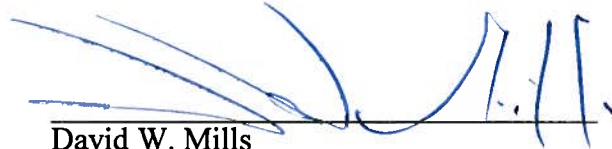
THIRD, that the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to Karesh. Accordingly, if Karesh should fail to pay the civil penalty in a timely manner, the undersigned may issue an Order denying all of Karesh's export privileges under the Regulations for a period of one year from the date of this Order.

FOURTH, that Karesh shall complete an export compliance training program on the Regulations within six months of the issuance of this Order. Before he attends, Karesh shall

notify the Office of Export Enforcement, Special Agent in Charge of the Miami Field Office, of the course he has selected. No later than seven months from the date of issuance of this Order, Karesh shall submit a certification of attendance from the training provider to the Office of Export Enforcement, East Las Olas Blvd. Suite 2060, Ft. Lauderdale, FL 33301.

FIFTH, 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.



David W. Mills
Assistant Secretary of Commerce
for Export Enforcement

Issued this 29 day of September, 2010.

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

In the Matter of:)
)
Adam R. Karesh)
9188 Bay Hill Blvd.)
Orlando, FL 32819)
)
Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Adam R. Karesh (“Karesh”) 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 (the “Regulations”),¹ issued pursuant to the Export Administration Act of 1979, as amended (the “Act”).²

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

WHEREAS, BIS has issued a Proposed Charging Letter to Karesh that alleged that Karesh committed two violations of the Regulations, specifically:

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2010). The charged violations occurred during 2004 and 2006. The Regulations governing the violations at issue are found in the 2004 and 2006 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2004 & 2006)). The 2010 Regulations set forth the procedures that apply to this matter.

² 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. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 12, 2010 (75 Fed. Reg. 50,681 (Aug. 16, 2010)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701 *et seq.*).

Charge 1 15 C.F.R. § 764.2(e): Acting with Knowledge of a Violation

On or about July 29, 2004, Karesh sold, in whole or in part, items exported or to be exported from the United States through Lebanon to Syria with knowledge that a violation of the Regulations was about to occur or was intended to occur in connection with the items. Specifically, Karesh sold and transferred photography equipment, items subject to the Regulations and designated as EAR99 items,³ to a customer in Syria. Karesh had knowledge that a violation of the Regulations was about to occur or was intended to occur because on or about June 10, 2004 Karesh had been informed by his Syrian customer that he should check with a freight forwarder about whether U.S. export regulations applied to such exports to Syria. The customer further told Karesh that if it was not possible to deliver directly to Syria, Karesh could ship the items to Syria through Lebanon or the United Arab Emirates (“U.A.E.”). Karesh determined that the freight forwarder would not ship to Syria, and informed his customer that the transaction would have to go to Syria through Lebanon or the U.A.E. In addition, Karesh knew that no U.S. Government authorization for this transaction had been obtained. Such authorization is required pursuant to General Order No. 2 of Supplement No. 1 to Part 736 of the Regulations. In so doing, Karesh committed one violation of Section 764.2(e) of the Regulations.

Charge 2 15 C.F.R. § 764.2(e): Acting with Knowledge of a Violation

Between on or about March 15, 2006 and on or about May 22, 2006, Karesh stored and sold in whole or in part, items to be exported from the United States with knowledge that a violation of the Regulations was about to occur or was intended to occur in connection with the items. Specifically, Karesh stored and sold photography equipment, items subject to the Regulations and designated as EAR99 items,⁴ to a customer in Syria. Karesh had knowledge that a violation of the Regulations was about to occur or was intended to occur because on or about April 19, 2006, a freight forwarder informed Karesh that the photography equipment could not be exported to Syria due to the U.S. sanctions in place on Syria. After the freight forwarder told Karesh that it did not know of any U.S. restrictions on exports to Lebanon, Karesh instructed the freight forwarder to ship the photography equipment to Lebanon so that Karesh’s customer could pick up the items and drive them the rest of the way to Syria. Additionally, as described above in Charge 1, Karesh had knowledge of export controls on Syria from an earlier transaction. In so doing, Karesh committed one violation of Section 764.2(e) of the Regulations.

³ EAR99 is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2004).

⁴ EAR99 is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2006).

WHEREAS, Karesh has reviewed the Proposed Charging Letter and is aware of the allegations made against him and the administrative sanctions which could be imposed against him if the allegations are found to be true;

WHEREAS, Karesh 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, Karesh enters into this Agreement voluntarily and with full knowledge of his rights;

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

WHEREAS, Karesh neither admits nor denies the allegations contained in the Proposed Charging Letter;

WHEREAS, Karesh wishes to settle and dispose of all matters alleged in the Proposed Charging Letter by entering into this Agreement; and

WHEREAS, Karesh agrees to be bound by the Order, if issued;

NOW THEREFORE, the Parties hereby agree, for purposes of this Settlement Agreement, as follows:

1. BIS has jurisdiction over Karesh, under the Regulations, in connection with the matters alleged in the Proposed Charging Letter.
2. The following sanction shall be imposed against Karesh in complete settlement of the alleged violation of the Regulations relating to the transaction specifically detailed in the Proposed Charging Letter:

a. Karesh shall be assessed a civil penalty in the amount of \$45,000.

Karesh shall pay \$3,000 to the U.S. Department of Commerce within 30 days of the date of the Order. Thereafter, Karesh shall pay \$2,200 to the U.S. Department of Commerce not later than November 1, 2010; \$2,200 not later than December 1, 2010; \$2,200 not later than January 3, 2011; \$2,200 not later than February 1, 2011; \$2,200 not later than March 1, 2011; \$2,200 not later than April 1, 2011; \$2,200 not later than May 2, 2011; \$2,200 not later than June 1, 2011; \$2,200 not later than July 1, 2011; \$2,200 not later than August 1, 2011. Payment of the remaining \$20,000 shall be suspended for a period of one (1) year from the date of issuance of the Order, and thereafter shall be waived, provided that during the period of suspension, Karesh has committed no violation of the Act, or any regulation, order, or license issued thereunder and has made full and timely payment of \$25,000 as set forth above.

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 Karesh. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Karesh's export privileges for a period of one year from the date of imposition of the penalty.

c. Karesh shall complete an export compliance training program on the Regulations within six months of the issuance of this Order. Before he attends, Karesh shall notify the Office of Export Enforcement, Special Agent in Charge of the Miami Field Office, of the course he has selected. No later than seven months

from the date of issuance of the Order, Karesh shall submit a certification of attendance from the training provider to the Office of Export Enforcement, East Las Olas Blvd. Suite 2060, Ft. Lauderdale, FL 33301.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, Karesh 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 issued), 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 issued; and (c) seek judicial review or otherwise contest the validity of this Agreement or the Order, if issued.

4. BIS agrees that, upon issuance of the Order, it will not initiate any further administrative proceeding against Karesh in connection with any violation of the Act or the Regulations arising out of the transactions specifically detailed in the Proposed Charging Letter.

5. BIS will make the Proposed Charging Letter, this Agreement, and the Order, if issued, 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 issued; 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 issuing the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

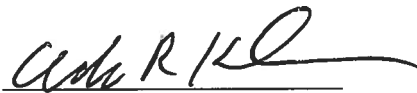
9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind its respective party to the terms and conditions set forth herein.

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



John Sonderman
Acting Director
Office of Export Enforcement

Date: 7/22, 2010



Adam R. Karesh

Date: Sept 1, 2010

PROPOSED CHARGING LETTER

REGISTERED MAIL - RETURN RECEIPT REQUESTED

Adam Karesh
9188 Bay Hill Blvd.
Orlando, FL 32819

Dear Mr. Karesh:

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has reason to believe that you, Adam Karesh ("Karesh"), in your individual capacity, have committed two violations of the Export Administration Regulations (the Regulations),¹ which are issued under the authority of the Export Administration Act of 1979, as amended (the "Act").² Specifically, BIS charges that Karesh committed the following violations:

Charge 1 15 C.F.R. § 764.2(e): Acting with Knowledge of a Violation

On or about July 29, 2004, Karesh sold, in whole or in part, items exported or to be exported from the United States through Lebanon to Syria with knowledge that a violation of the Regulations was about to occur or was intended to occur in connection with the items. Specifically, Karesh sold and transferred photography equipment, items subject to the Regulations and designated as EAR99 items,³ to a customer in Syria. Karesh had knowledge that a violation of the Regulations was about to occur or was intended to occur because on or about June 10, 2004 Karesh had been informed by his Syrian customer that he should check with a freight forwarder about whether U.S. export regulations applied to such exports to Syria. The customer further told Karesh that if it was not possible to deliver directly to Syria, Karesh could ship the items to Syria through Lebanon or the United Arab Emirates ("U.A.E."). Karesh determined that the freight forwarder would not ship to Syria, and informed his customer that the transaction would have to go to Syria through Lebanon or the U.A.E. In addition, Karesh knew that no U.S. Government authorization for this transaction had been obtained. Such

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² 50 U.S.C. app. §§ 2401-2420 (2000). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13,222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended most recently by the Notice of July 23, 2008 (73 Fed. Reg. 43,603 (July 25, 2008)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1707 (2000)).

³ EAR99 is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2009).

authorization is required pursuant to General Order No. 2 of Supplement No. 1 to Part 736 of the Regulations. In so doing, Karesh committed one violation of Section 764.2(e) of the Regulations.

Charge 2 15 C.F.R. § 764.2(e): Acting with Knowledge of a Violation

Between on or about March 15, 2006 and on or about May 22, 2006, Karesh stored and sold in whole or in part, items to be exported from the United States with knowledge that a violation of the Regulations was about to occur or was intended to occur in connection with the items. Specifically, Karesh stored and sold photography equipment, items subject to the Regulations and designated as EAR99 items, to a customer in Syria. Karesh had knowledge that a violation of the Regulations was about to occur or was intended to occur because on or about April 19, 2006, a freight forwarder informed Karesh that the photography equipment could not be exported to Syria due to the U.S. sanctions in place on Syria. After the freight forwarder told Karesh that it did not know of any U.S. restrictions on exports to Lebanon, Karesh instructed the freight forwarder to ship the photography equipment to Lebanon so that Karesh's customer could pick up the items and drive them the rest of the way to Syria. Additionally, as described above in Charge 1, Karesh had knowledge of export controls on Syria from an earlier transaction. In so doing, Karesh committed one violation of Section 764.2(e) of the Regulations.

* * * * *

Accordingly, Karesh 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 the greater of \$250,000 per violation or twice the value of the transaction that is the basis of the violation;³
- Denial of export privileges; and/or
- Exclusion from practice before BIS.

If Karesh 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. *See* 15 C.F.R. §§ 766.6 and 766.7 (2009). If Karesh defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Karesh. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty for the charges in this letter.

Karesh is further notified that he is entitled to an agency hearing on the record if he files a written demand for one with his answer. *See* 15 C.F.R. § 766.6 (2009). Karesh is also entitled to

³ *See* International Emergency Economic Powers Enhancement Act of 2007, Pub. L. No. 110-96, 121 Stat. 1011 (2007).

Adam Karesh
Proposed Charging Letter
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be represented by counsel or other authorized representative who has power of attorney to represent him. *See* 15 C.F.R. §§ 766.3(a) and 766.4 (2009).

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18 (2009). Should Karesh have a proposal to settle this case, Karesh or his representative should transmit it to the attorney representing BIS named below.

Karesh is further notified that under the Small Business Regulatory Enforcement Flexibility Act, Karesh may be eligible for assistance from the Office of the National Ombudsman of the Small Business Administration in this matter. To determine eligibility and get more information, please see: <http://www.sba.gov/ombudsman/>.

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

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

Elias Wolfberg is the attorney representing BIS in this case; any communications that Karesh may wish to have concerning this matter should occur through him. Mr. Wolfberg may be contacted by telephone at (202) 482-5301.

Sincerely,

Thomas Madigan
Director
Office of Export Enforcement