

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

In the Matter of:)
)
Texas Armoring Corporation)
4323 Factory Hill Drive)
San Antonio, TX 78219)
)
Respondent)

ORDER RELATING TO TEXAS ARMORING CORPORATION

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has notified Texas Armoring Corporation (“TAC”) of its intention to initiate an administrative proceeding against TAC 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 TAC that alleged that TAC committed five violations of the Regulations. Specifically, these charges are:

Charges 1 - 2 15 C.F.R. § 764.2(a): Exporting Armored Vehicles to Saudi Arabia Without the Required Licenses.

On two occasions, on or about October 8, 2004 and on or about October 27, 2004, TAC engaged in conduct prohibited by the Regulations by exporting armored vehicles, items subject to the Regulations and classified under ECCN 9A018, to Saudi Arabia without the Department of Commerce licenses required by Section 742.4 (National Security) and Section 742.6 (Regional

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2011). The charged violations occurred in 2004-2006. The Regulations governing the violations at issue are found in the 2004-2006 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2004-2006)). The 2011 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, 2011 (76 Fed. Reg. 50661 (Aug. 16, 2011)), continues the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.*).

Stability) of the Regulations.³ In so doing, TAC committed two violations of Section 764.2(a) of the Regulations.

Charges 3 – 4 15 C.F.R. § 764.2(e): Selling Armored Vehicles for Export to Indonesia and Nigeria with Knowledge That a Violation Was About or Intended To Occur.

On two occasions, on or about February 3, 2005 and on or about May 10, 2005, TAC sold armored vehicles, items subject to the Regulations and classified under ECCN 9A018, with knowledge that a violation of the Regulations was about or intended to occur in connection with the items. Specifically, TAC sold the armored vehicles for export from the United States to Indonesia and Nigeria, respectively, without the Department of Commerce licenses required by Section 742.4 (National Security) and Section 742.6 (Regional Stability) of the Regulations and with knowledge that the licenses were required but would not be obtained. TAC knew that licenses were required because, *inter alia*, on January 19, 2005, TAC was copied on an email message from a freight forwarder indicating that a license was required to export armored vehicles of the type made by TAC. TAC received a second email on the same day from the same freight forwarder that attached a copy of the BIS regulation published in the Federal Register on August 31, 2004, that established the license requirement for the type of armored vehicles involved. In so doing, TAC committed two violations of Section 764.2(e) of the Regulations.

Charge 5 15 C.F.R. § 764.2(e): Selling an Armored Vehicle for Export to Mexico with Knowledge a Violation Was About or Intended To Occur.

On or about January 10, 2006, TAC sold an armored vehicle, an item subject to the Regulations and classified under ECCN 9A018, with knowledge that a violation of the Regulations was about or intended to occur in connection with the item. Specifically, TAC sold the armored vehicle for export from the United States to Mexico without the Department of Commerce license required by Sections 742.4 (National Security) and 742.6 (Regional Stability) of the Regulations and with knowledge that a license was required but would not be obtained prior to the attempted export of the item on or about January 10, 2006. TAC knew that a license was required because, *inter alia*, on January 19, 2005, TAC was copied on an email message from a freight forwarder indicating that a license was required to export armored vehicles of the type made by TAC. TAC received a second email on the same day from the same freight forwarder that attached a copy of the BIS regulation published in the Federal Register on August 31, 2004, that established the license requirement for the type of armored vehicle involved. TAC also received an outreach visit from BIS Special Agents on May 13, 2005, during which this regulation was discussed with TAC, including possible license requirements for exporting vehicles armored by TAC. In so doing, TAC committed one violation of Section 764.2(e) of the Regulations.

³ The term "ECCN" refers to an Export Control Classification Number. See 15 C.F.R. § 772.1 (2011).

WHEREAS, BIS and TAC 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, TAC shall be assessed a civil penalty in the amount of \$300,000. TAC shall pay \$16,300 to the U.S. Department of Commerce not later than December 31, 2011. Thereafter, TAC shall pay \$16,700 to the U.S. Department of Commerce not later than March 31, 2012; \$16,700 not later than June 30, 2012; \$16,700 not later than September 30, 2012; \$16,700 not later than December 31, 2012; \$16,700 not later than March 31, 2013; \$16,700 not later than June 30, 2013; \$16,700 not later than September 30, 2013; \$16,700 not later than December 31, 2013; \$16,700 not later than March 31, 2014; \$16,700 not later than June 30, 2014; and \$16,700 not later than September 30, 2014. If any of these installment payments is not fully and timely made in accordance with this payment schedule, any remaining scheduled installment payments shall become due and owing immediately. Payment shall be made in the manner specified in the attached instructions. Payment of the remaining \$100,000 shall be suspended for a period of three years from the date of issuance of the Order, and thereafter shall be waived, provided that during this three-year payment probationary period, TAC has committed no violation of the Act, or any regulation, order, or license issued thereunder and has made full and timely payment of \$200,000 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 any payment is not made in full by the due dates set forth

herein, TAC 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, TAC shall complete an external audit of its export control compliance program. TAC shall hire an unaffiliated third party consultant with expertise in U.S. export control laws to conduct the external audit of its compliance with U.S. export control laws (including recordkeeping requirements), with respect to all exports or re-exports that are subject to the Regulations. The results of the audit, including any relevant supporting materials, shall be submitted to the Department of Commerce, Bureau of Industry and Security, Office of Export Enforcement, 525 South Griffin Street, Room 622, Dallas, TX 75202 ("BIS Dallas Field Office"). The audit shall cover the 12-month period beginning on the date of the Order, and the related report shall be due to the BIS Dallas Field Office no later than fifteen (15) months from the date of the Order. Said audit shall be in substantial compliance with the Export Management Compliance Program Audit Module: Self Assessment Tool, and shall include an assessment of TAC's compliance with the Regulations. The Export Management Compliance Program Audit Module: Self Assessment Tool is available on the BIS web site at http://www.bis.doc.gov/complianceand enforcement/ revised_emcp_audit.pdf. In addition, where said audit identifies actual or potential violations of the Regulations, TAC must promptly provide copies of the pertinent air waybills and other export control documents and supporting documentation to the BIS Dallas Field Office.

FOURTH, TAC's Chief Executive Officer and TAC's employee in charge of export control compliance shall each complete an export compliance training program on the Regulations within six months of the issuance of this Order. Before TAC's Chief Executive Officer and before TAC's employee in charge of export control compliance attend the training

program, TAC shall notify the Office of Export Enforcement, Special Agent in Charge of the Dallas Office, of the course that it has selected for each individual. No later than seven months from the date of issuance of this Order, TAC shall submit a certification of attendance from the training for each individual to the Office of Export Enforcement, Special Agent in Charge, 525 South Griffin Street, Room 622, Dallas, TX 75202.

FIFTH, the full and timely payment of the civil penalty in accordance with the payment schedule set forth above, the timely completion and submission of the results of the audit set forth above, and the timely completion of the training requirements and submission of the certification of attendance set forth above, are hereby made conditions to the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to TAC. Accordingly, if TAC should fail to pay the civil penalty in a timely manner, fail to complete and submit the results of the audit in a timely manner, or fail to complete the training requirements and submit the certification of attendance, the undersigned may issue an Order denying all of TAC's export privileges under the Regulations for any or all of the period from the date of the failure through, as applicable, one year from the scheduled due date of the final civil penalty installment payment, one year from the due date for the submission of the results of the completed audit, or one year from the due date for the submission of the certification of attendance for the training requirements.

SIXTH, 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.

A handwritten signature in blue ink, appearing to read 'D. Mills', is written over a horizontal line.

David W. Mills
Assistant Secretary of Commerce
for Export Enforcement

Issued this 27 day of September 2011.

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

In the Matter of:)
)
Texas Armoring Corporation)
4323 Factory Hill Drive)
San Antonio, TX 78219)
)
Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Texas Armoring Corporation, of San Antonio, Texas (“TAC”) 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 TAC of its intention to initiate an administrative proceeding against it, pursuant to the Act and the Regulations;

WHEREAS, BIS has issued a Proposed Charging Letter to TAC that alleges that TAC committed five 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 (2011). The charged violations occurred from 2004-2006. The Regulations governing the violations at issue are found in the 2004-2006 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2004-2006)). The 2011 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. However, 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, 2011 (76 Fed. Reg. 50,661 (Aug. 16, 2011)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.*).

Charges 1 - 2 15 C.F.R. § 764.2(a): Exporting Armored Vehicles to Saudi Arabia Without the Required Licenses.

On two occasions, on or about October 8, 2004 and on or about October 27, 2004, TAC engaged in conduct prohibited by the Regulations by exporting armored vehicles, items subject to the Regulations and classified under ECCN 9A018, to Saudi Arabia without the Department of Commerce licenses required by Section 742.4 (National Security) and Section 742.6 (Regional Stability) of the Regulations.³ In so doing, TAC committed two violations of Section 764.2(a) of the Regulations.

Charges 3 - 4 15 C.F.R. § 764.2(e): Selling Armored Vehicles for Export to Indonesia and Nigeria with Knowledge That a Violation Was About or Intended To Occur.

On two occasions, on or about February 3, 2005 and on or about May 10, 2005, TAC sold armored vehicles, items subject to the Regulations and classified under ECCN 9A018, with knowledge that a violation of the Regulations was about or intended to occur in connection with the items. Specifically, TAC sold the armored vehicles for export from the United States to Indonesia and Nigeria, respectively, without the Department of Commerce licenses required by Section 742.4 (National Security) and Section 742.6 (Regional Stability) of the Regulations and with knowledge that the licenses were required but would not be obtained. TAC knew that licenses were required because, *inter alia*, on January 19, 2005, TAC was copied on an email message from a freight forwarder indicating that a license was required to export armored vehicles of the type made by TAC. TAC received a second email on the same day from the same freight forwarder that attached a copy of the BIS regulation published in the Federal Register on August 31, 2004, that established the license requirement for the type of armored vehicles involved. In so doing, TAC committed two violations of Section 764.2(e) of the Regulations.

Charge 5 15 C.F.R. § 764.2(e): Selling an Armored Vehicle for Export to Mexico with Knowledge a Violation Was About or Intended To Occur.

On or about January 10, 2006, TAC sold an armored vehicle, an item subject to the Regulations and classified under ECCN 9A018, with knowledge that a violation of the Regulations was about or intended to occur in connection with the item. Specifically, TAC sold the armored vehicle for export from the United States to Mexico without the Department of Commerce license required by Sections 742.4 (National Security) and 742.6 (Regional Stability) of the Regulations and with knowledge that a license was required but would not be obtained prior to the attempted export of the item on or about January 10, 2006. TAC knew that a license was required because, *inter alia*, on January 19, 2005, TAC was copied on an email message from a freight forwarder indicating that a

³ The term "ECCN" refers to an Export Control Classification Number. *See* 15 C.F.R. § 772.1 (2011).

license was required to export armored vehicles of the type made by TAC. TAC received a second email on the same day from the same freight forwarder that attached a copy of the BIS regulation published in the Federal Register on August 31, 2004, that established the license requirement for the type of armored vehicle involved. TAC also received an outreach visit from BIS Special Agents on May 13, 2005, during which this regulation was discussed with TAC, including possible license requirements for exporting vehicles armored by TAC. In so doing, TAC committed one violation of Section 764.2(e) of the Regulations.

WHEREAS, TAC 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, TAC 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, TAC enters into this Agreement voluntarily and with full knowledge of its rights after having consulted with counsel;

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

WHEREAS, TAC neither admits nor denies the allegations contained in the Proposed Charging Letter:

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

WHEREAS, TAC 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 TAC, under the Regulations, in connection with the matters alleged in the Proposed Charging Letter.

2. The following sanction shall be imposed against TAC in complete settlement of the alleged violation of the Regulations relating to the transaction specifically detailed in the Proposed Charging Letter:

a. TAC shall be assessed a civil penalty in the amount of \$300,000. TAC shall pay \$16,300 to the U.S. Department of Commerce not later than December 31, 2011. Thereafter, TAC shall pay \$16,700 to the U.S. Department of Commerce not later than March 31, 2012; \$16,700 not later than June 30, 2012; \$16,700 not later than September 30, 2012; \$16,700 not later than December 31, 2012; \$16,700 not later than March 31, 2013; \$16,700 not later than June 30, 2013; \$16,700 not later than September 30, 2013; \$16,700 not later than December 31, 2013; \$16,700 not later than March 31, 2014; \$16,700 not later than June 30, 2014; and \$16,700 not later than September 30, 2014. If any of these installment payments is not fully and timely made in accordance with this payment schedule, any remaining scheduled installment payments shall become due and owing immediately. Payment shall be made in the manner specified in the attached instructions. Payment of the remaining \$100,000 shall be suspended for a period of three years from the date of issuance of the Order, and thereafter shall be waived, provided that during this three-year payment probationary period, TAC has committed no violation of the Act, or any regulation, order, or license issued thereunder and has made full and timely payment of \$200,000 as set forth above.

b. TAC shall complete an external audit of its export control compliance program. TAC shall hire an unaffiliated third party consultant with

expertise in U.S. export control laws to conduct the external audit of its compliance with U.S. export control laws (including recordkeeping requirements), with respect to all exports or re-exports that are subject to the Regulations. The results of the audit, including any relevant supporting materials, shall be submitted to the Department of Commerce, Bureau of Industry and Security, Office of Export Enforcement, 525 South Griffin Street, Room 622, Dallas, TX 75202 ("BIS Dallas Field Office"). The audit shall cover the 12-month period beginning on the date of the Order, and the related report shall be due to the BIS Dallas Field Office no later than fifteen (15) months from the date of the Order. Said audit shall be in substantial compliance with the Export Management Compliance Program Audit Module: Self Assessment Tool, and shall include an assessment of TAC's compliance with the Regulations. The Export Management Compliance Program Audit Module: Self Assessment Tool is available on the BIS web site at http://www.bis.doc.gov/complianceand enforcement/ revised_emcp_audit.pdf. In addition, where said audit identifies actual or potential violations of the Regulations, TAC must promptly provide copies of the pertinent air waybills and other export control documents and supporting documentation to the BIS Dallas Field Office.

c. TAC's Chief Executive Officer and TAC's employee in charge of export control compliance shall each complete an export compliance training program on the Regulations within six months of the issuance of this Order. Before TAC's Chief Executive Officer and before TAC's employee in charge of

export control compliance attend the training program, TAC shall notify the Office of Export Enforcement, Special Agent in Charge of the Dallas Office, of the course that it has selected for each individual. No later than seven months from the date of issuance of this Order, TAC shall submit a certification of attendance from the training for each individual to the Office of Export Enforcement, Special Agent in Charge, 525 South Griffin Street, Room 622, Dallas, TX 75202.

d. The full and timely payment of the civil penalty in accordance with the payment schedule agreed to in paragraph 2.a, above, the timely completion and submission of the results of the audit agreed to in paragraph 2.b, above, and the timely completion and submission of certification of attendance of the training requirements agreed to in paragraph 2.c, above, are hereby made conditions to the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to TAC. Accordingly, failure to pay the civil penalty in a timely manner, failure to complete and submit the results of the audit in a timely manner, or failure to complete the training requirements and submit the certification of attendance, may result in the denial of all of TAC's export privileges under the Regulations for any or all of the period from the date of the failure through, as applicable, one year from the scheduled due date of the final civil penalty installment payment, one year from the due date for the submission of the results of the completed audit, or one year from the due date for the submission of the certification of attendance for the training requirements.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, TAC 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. TAC also waives and will not assert any Statute of Limitations defense, and the Statute of Limitations will be tolled for the time period from the date of the Order, if issued, until the latest of the date TAC pays in full the civil penalty agreed to in Paragraph 2.a of this Agreement, the date TAC submits the results of the completed compliance audit agreed to in Paragraph 2.b of this Agreement, or the date TAC completes the training requirements and submits the certification of attendance agreed to in Paragraph 2.c of this Agreement, in connection with any violation of the Act or the Regulations arising out of the transactions identified in the Proposed Charging Letter, or in connection with collection of the civil penalty or enforcement of the Agreement and Order, if issued.

4. BIS agrees that upon full and timely payment of the civil penalty as set forth in Paragraph 2.a. above, timely completion and submission of the results of the audit as set forth in Paragraph 2.b above, and timely completion of the training requirements and submission of the certification of attendance as set forth in Paragraph 2.c above, it will not initiate any further administrative proceeding against TAC 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.

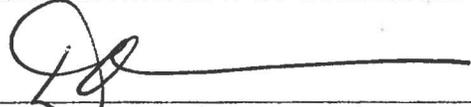
6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not approved and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial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

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



Douglas R. Hassebrock
Director
Office of Export Enforcement

Date: 9/23/11

TEXAS ARMORING CORPORATION



Trent Kimball
President and Chief Executive Officer

Date: 9/22/11

PROPOSED CHARGING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Texas Armoring Corporation
4323 Factory Hill Drive
San Antonio, TX 78219

Attention: Trent R. Kimball
President

Dear Mr. Kimball:

The Bureau of Industry and Security, U. S. Department of Commerce ("BIS"), has reason to believe that Texas Armoring Corporation, of San Antonio, Texas ("TAC") has committed five 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 TAC committed the following violations:

Charges 1 - 2 15 C.F.R. § 764.2(a): Exporting Armored Vehicles to Saudi Arabia Without the Required Licenses.

As described in greater detail in Schedule A, which is enclosed herewith and incorporated herein by reference, on two occasions, on or about October 8, 2004 and on or about October 27, 2004, TAC engaged in conduct prohibited by the Regulations by exporting armored vehicles, items subject to the Regulations and classified under ECCN 9A018, to Saudi Arabia without the Department of Commerce licenses required by Section 742.4 (National Security) and Section

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2011). The violations charged occurred in 2004-2006. The Regulations governing the violations at issue are found in the 2004-2006 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2004-2006)). The 2011 Regulations govern the procedural aspects of this case.

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, 2011 (76 Fed. Reg. 50661 (Aug. 16, 2011)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.* (2000)) ("IEEPA").

742.6 (Regional Stability) of the Regulations.³ In so doing, TAC committed two violations of Section 764.2(a) of the Regulations.

Charges 3 – 4 15 C.F.R. § 764.2(e): Selling Armored Vehicles for Export to Indonesia and Nigeria with Knowledge That a Violation Was About or Intended To Occur.

As described in greater detail in Schedule A, which is enclosed herewith and incorporated herein by reference, on two occasions, on or about February 3, 2005 and on or about May 10, 2005, TAC sold armored vehicles, items subject to the Regulations and classified under ECCN 9A018, with knowledge that a violation of the Regulations was about or intended to occur in connection with the items. Specifically, TAC sold the armored vehicles for export from the United States to Indonesia and Nigeria, respectively, without the Department of Commerce licenses required by Section 742.4 (National Security) and Section 742.6 (Regional Stability) of the Regulations and with knowledge that the licenses were required but would not be obtained. TAC knew that licenses were required because, *inter alia*, on January 19, 2005, TAC was copied on an email message from a freight forwarder indicating that a license was required to export armored vehicles of the type made by TAC. TAC received a second email on the same day from the same freight forwarder that attached a copy of the BIS regulation published in the Federal Register on August 31, 2004, that established the license requirement for the type of armored vehicles involved. In so doing, TAC committed two violations of Section 764.2(e) of the Regulations.

Charge 5 15 C.F.R. § 764.2(e): Selling an Armored Vehicle for Export to Mexico with Knowledge a Violation Was About or Intended To Occur.

As described in greater detail in Schedule A, which is enclosed herewith and incorporated herein by reference, on or about January 10, 2006, TAC sold an armored vehicle, an item subject to the Regulations and classified under ECCN 9A018, with knowledge that a violation of the Regulations was about or intended to occur in connection with the item. Specifically, TAC sold the armored vehicle for export from the United States to Mexico without the Department of Commerce license required by Sections 742.4 (National Security) and 742.6 (Regional Stability) of the Regulations and with knowledge that a license was required but would not be obtained prior to the attempted export of the item on or about January 10, 2006. TAC knew that a license was required because, *inter alia*, on January 19, 2005, TAC was copied on an email message from a freight forwarder indicating that a license was required to export armored vehicles of the type made by TAC. TAC received a second email on the same day from the same freight forwarder that attached a copy of the BIS regulation published in the Federal Register on August 31, 2004, that established the license requirement for the type of armored vehicle involved. TAC

³ The term "ECCN" refers to an Export Control Classification Number. *See* 15 C.F.R. § 772.1 (2011).

also received an outreach visit from BIS Special Agents on May 13, 2005, during which this regulation was discussed with TAC, including possible license requirements for exporting vehicles armored by TAC. In so doing, TAC committed one violation of Section 764.2(e) of the Regulations.

* * * * *

Accordingly, TAC 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;⁴

Denial of export privileges; and/or

Exclusion from practice before BIS.

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

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

TAC is further notified that under the Small Business Regulatory Enforcement Flexibility Act, TAC 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 Regulations provide for settlement without a hearing. (Regulations, Section 766.18). Should TAC have a proposal to settle this case, TAC's representative should transmit it to the attorney representing BIS named below.

⁴ See International Emergency Economic Powers Enhancement Act of 2007, Pub. L. No. 110-96, 121 Stat. 1011 (2007).

Texas Armoring Corporation
Proposed Charging Letter
Page 4 of 5

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

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

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

Sincerely,

Douglas Hassebrock
Director
Office of Export Enforcement

Schedule A - Schedule of Violations

| <u>CHARGES</u> | <u>DATE</u> | <u>COMMODITY</u> | <u>ECCN</u> | <u>DESTINATION</u> | <u>INVOICE/ PROJECT</u> | <u>VALUE</u> |
|---------------------|-------------|--|-------------|--------------------|-----------------------------|--------------|
| Section 764.2(a) | 8-Oct-04 | Armored Vehicles (2 Chevy Suburban) | 9A018.b | Saudi Arabia | BR-9805, BR-9806 | \$245,000 |
| Section 764.2(a) | 27-Oct-04 | Armored Vehicle (Ford Expedition) | 9A018.b | Saudi Arabia | BR-9786 | \$145,000 |
| Section 764.2(e) | 3-Feb-05 | Armored Vehicle (Toyota Land Cruiser) | 9A018.b | Indonesia | BR-9842 | \$ 98,377.50 |
| Section 764.2(e) | 10-May-05 | Armored Vehicle (Range Rover) | 9A018.b | Nigeria | BR-9837 | \$ 84,440 |
| Section 764.2(e) | 10-Jan-06 | Armored Vehicle (Chevy Suburban) | 9A018.b | Mexico | 1722-E4 | \$127,295 |