ORDER RELATING TO
WESTERN ADVANCED ENGINEERING COMPANY

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), initiated this administrative proceeding 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


WHEREAS, BIS issued a Charging Letter to Western Advanced Engineering Company ("WAECO") on September 14, 2010;

WHEREAS, BIS subsequently moved on June 14, 2013, to amend the Charging Letter to add C.A. Litzler Co., Inc. ("Litzler") as a respondent to this proceeding as a successor or successor-in-interest to WAECO under the "substantial continuity" test or standard adopted by BIS in In the Matter of Sigma-Aldrich Business Holdings, Inc., Sigma-Aldrich Corporation, and Sigma Aldrich Research Biochemicals, Inc., Cases 01-BXA-06, 01-BXA-07, and 01-BXA-11, Order Denying Motion for Summary Decision, dated August 29, 2002;

WHEREAS, on August 26, 2013, the administrative law judge granted BIS's motion to amend the Charging Letter under the "substantial continuity" standard, finding, inter alia, that Litzler had acquired at least a substantial portion of WAECO's assets, as well as the services of key personnel, and that BIS had provided information showing that WAECO has ceased operating even though it has continued to exist as a corporate entity following the acquisition;

WHEREAS, the Charging Letter, as amended ("Amended Charging Letter"), alleges that WAECO is liable for one violation of the Regulations, specifically:

Charge 1 15 C.F.R. § 764.2(a): Engaging in Prohibited Conduct by Exporting a Prepreg Machine to Spain Without the Required License

On or about May 17, 2005, Litzler/WAECO engaged in conduct prohibited by the Regulations by exporting a 24" Hot Melt Prepreg Machine for Uni-directional Tape, an item subject to the Regulations, classified under Export Control Classification Number 1B001.e, and valued at approximately $825,215, from the United States to Spain without the Department of Commerce license required by Section 742.5 (Missile Technology) of the Regulations. In so doing, Litzler/WAECO committed one violation of Section 764.2(a) of the Regulations.
WHEREAS, BIS and WAECO have entered into a Settlement Agreement pursuant to Section 766.18(b) 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, for a period of three (3) years from the date of this Order, Western Advanced Engineering Company, with a last known addresses of 955 North Elm, Orange, CA 92867 and P.O. Box 17753, Anaheim, CA 92807, and when acting for or on its behalf, its successors, assigns, directors, officers, employees, representatives, or agents (hereinafter collectively referred to as "Denied Person"), may not, directly or indirectly, participate in any way in any transaction involving any commodity, software or technology (hereinafter collectively referred to as "item") exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations, including, but not limited to:

A. Applying for, obtaining, or using any license, License Exception, or export control document;

B. Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way, any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations; or

3 C.A. Litzler Co., Inc. is not a party to the Settlement Agreement.
C. Benefitting in any way from any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations.

SECOND, no person may, directly or indirectly, do any of the following:

A. Export or reexport to or on behalf of the Denied Person any item subject to the Regulations;

B. Take any action that facilitates the acquisition or attempted acquisition by the Denied Person of the ownership, possession, or control of any item subject to the Regulations that has been or will be exported from the United States, including financing or other support activities related to a transaction whereby the Denied Person acquires or attempts to acquire such ownership, possession or control;

C. Take any action to acquire from or to facilitate the acquisition or attempted acquisition from the Denied Person of any item subject to the Regulations that has been exported from the United States;

D. Obtain from the Denied Person in the United States any item subject to the Regulations with knowledge or reason to know that the item will be, or is intended to be, exported from the United States; or

E. Engage in any transaction to service any item subject to the Regulations that has been or will be exported from the United States and which is owned, possessed or controlled by the Denied Person, or service any item, of whatever origin, that is owned, possessed or controlled by the Denied Person if such service involves the use of any item subject to the Regulations that has been or will be exported from the United States. For
purposes of this paragraph, servicing means installation, maintenance, repair, modification or testing.

THIRD, after notice and opportunity for comment as provided in Section 766.23 of the Regulations, any person, firm, corporation, or business organization related to the Denied Person by affiliation, ownership, control, or position of responsibility in the conduct of trade or related services may also be made subject to the provisions of the Order.

FOURTH, as authorized by Section 766.18(c) of the Regulations, the three-year denial period set forth above shall be suspended during a probationary period of three years from the date of this Order, and shall thereafter be waived, provided that WAECO has committed no other violation of the Act or the Regulations or any order, license or authorization issued thereunder. If WAECO commits another violation of the Act or the Regulations or any order, license or authorization issued thereunder during this three-year denial probationary period, the suspension may be modified or revoked by BIS and a denial order including a three-year denial period issued against WAECO.

FIFTH, WAECO shall not take any action or make or permit to be made any public statement, directly or indirectly, denying the allegations in the Amended Charging Letter, the Settlement Agreement, or the Order. The foregoing does not affect WAECO’s testimonial obligations in any proceeding, nor does it affect its right to take legal or factual positions in civil litigation or other civil proceedings in which the U.S. Department of Commerce is not a party.

SIXTH, that the Amended 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 as related to WAECO, is effective immediately.

David W. Mills  
Assistant Secretary of Commerce  
for Export Enforcement

Issued this 12th day of January, 2014.
In the Matter of:

Western Advanced Engineering Company
955 North Elm
Orange, CA 92867

and

P.O. Box 17753
Anaheim, CA 92807

C.A. Litzler Co., Inc.
4800 West 160th Street
Cleveland, OH 44135-2689

Respondents

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made by and between Western Advanced Engineering Company ("WAECO"), of California, and the Bureau of Industry and Security, U.S. Department of Commerce ("BIS") (collectively, the "Parties"), pursuant to Section 766.18(b) of the Export Administration Regulations (the "Regulations"), issued pursuant to the Export Administration Act of 1979, as amended (the "Act").


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
WHEREAS, BIS initiated and continues this administrative proceeding pursuant to the Act and the Regulations;

WHEREAS, BIS issued a Charging Letter to WAECO on September 14, 2010;

WHEREAS, BIS subsequently moved on June 14, 2013, to amend the Charging Letter to add C.A. Litzler Co., Inc. ("Litzler") as a respondent to this proceeding as a successor or successor-in-interest to WAECO under the "substantial continuity" test or standard adopted by BIS in In the Matter of Sigma-Aldrich Business Holdings, Inc., Sigma-Aldrich Corporation, and Sigma Aldrich Research Biochemicals, Inc., Cases 01-BXA-06, 01-BXA-07, and 01-BXA-11, Order Denying Motion for Summary Decision, dated August 29, 2002;

WHEREAS, on August 26, 2013, the administrative law judge granted BIS's motion to amend the Charging Letter under the "substantial continuity" standard, finding, inter alia, that Litzler had acquired at least a substantial portion of WAECO's assets, as well as the services of key personnel, and that BIS had provided information showing that WAECO has ceased operating even though it has continued to exist as a corporate entity following the acquisition;

WHEREAS, the Charging Letter, as amended ("Amended Charging Letter"),\(^3\) alleges that WAECO is liable for one violation of the Regulations, specifically:

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\(^3\) The Amended Charging Letter alleges that Litzler and WAECO are each liable for the violation. C.A. Litzler Co., Inc. is not a party to this Settlement Agreement.

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Western Advanced Engineering Company
Settlement Agreement
Page 3 of 7

Charge 1 15 C.F.R. § 764.2(a): Engaging in Prohibited Conduct by Exporting a Prepreg Machine to Spain Without the Required License

On or about May 17, 2005, Litzler/WAECO engaged in conduct prohibited by the Regulations by exporting a 24” Hot Melt Prepreg Machine for Uni-directional Tape, an item subject to the Regulations, classified under Export Control Classification Number 1B001.e, and valued at approximately $825,215, from the United States to Spain without the Department of Commerce license required by Section 742.5 (Missile Technology) of the Regulations. In so doing, Litzler/WAECO committed one violation of Section 764.2(a) of the Regulations.

WHEREAS, WAECO has reviewed the allegations made against it and the administrative sanctions that could be imposed against it if the allegations are found to be true;

WHEREAS, WAECO 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, WAECO enters into this Agreement voluntarily and with full knowledge of its rights, after having had the opportunity to consult with counsel;

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

WHEREAS, WAECO neither admits nor denies the allegation contained in the Amended Charging Letter; and

WHEREAS, WAECO 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 WAECO, under the Regulations, in connection with the matters alleged in the Amended Charging Letter.

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

   a. For a period of three (3) years from the date of the Order, Western Advanced Engineering Company, with last known addresses of 955 North Elm, Orange, CA 92867 and P.O. Box 17753, Anaheim, CA 92807, and when acting for or on its behalf, its successors, assigns, directors, officers, employees, representatives, or agents (hereinafter collectively referred to as “Denied Person”), may not, directly or indirectly, participate in any way in any transaction involving any commodity, software or technology (hereinafter collectively referred to as “item”) exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations, including, but not limited to:

      i. Applying for, obtaining, or using any license, License Exception, or export control document;

      ii. Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way, any transaction involving any item exported or to be exported from the
United States that is subject to the Regulations, or in any other activity subject to the Regulations; or

iii. Benefitting in any way from any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations.

b. BIS agrees that, as authorized by Section 766.18(c) of the Regulations, the three-year denial period set forth in Paragraph 2.a above shall be suspended during a probationary period of three years under the Order, and shall thereafter be waived, provided that WAECO has committed no other violation of the Act or the Regulations or any order, license or authorization issued thereunder. If WAECO commits another violation of the Act or the Regulations or any order, license or authorization issued thereunder during the three-year denial probationary period under the Order, the suspension may be modified or revoked by BIS and a denial order including a three-year denial period activated against WAECO.

3. Subject to the approval of this Agreement pursuant to Paragraph 8 hereof, WAECO 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. WAECO shall not take any action or make or permit to be made any public statement, directly or indirectly, denying the allegation in the Amended Charging Letter or the Order. The foregoing does not affect WAECO’s testimonial obligations in any proceeding, nor does it affect their right to take legal or factual positions in civil litigation or other civil proceedings in which the U.S. Department of Commerce is not a party.

5. BIS agrees that upon full and timely payment of the civil penalty as set forth in Paragraph 2.a, BIS will not initiate any further administrative proceeding against WAECO in connection with any violation of the Act or the Regulations arising out of the transaction specifically detailed in the Amended Charging Letter.

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(b) 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 pending or 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. BIS will make the Amended Charging Letter, this Agreement, and the Order, if issued, available to the public.

10. 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

WESTERN ADVANCED ENGINEERING COMPANY

John T. Masterson, Jr., Esq.
Chief Counsel for Industry and Security

Date: 5/27/14

Stephan G. Velleman, President

Date: 05/20/2014
Western Advanced Engineering Company
955 North Elm
Orange, CA 92867

and

P.O. Box 17753
Anaheim, CA 92807

Attention: Stephan Velleman, President

C.A. Litzler Co., Inc.
4800 West 160th Street
Cleveland, OH 44135-2689

Attention: Matthew Litzler, President

Dear Messrs. Velleman and Litzler,

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has reason to believe that Western Advanced Engineering Company, of Orange, California ("WAECO"), and C.A. Litzler Co., Inc., of Cleveland, Ohio, as successor to WAECO (collectively "Litzler/WAECO"), are liable, jointly and severally, for one violation 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 Litzler/WAECO committed the following violation:

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2013). The charged violation occurred in 2005. The Regulations governing the violation at issue are found in the 2005 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2005)). The 2013 Regulations set forth the procedures that apply to this matter.

Charge 1 - 15 C.F.R. § 764.2(a): Engaging in Prohibited Conduct by Exporting a Prepreg Machine to Spain Without the Required License

On or about May 17, 2005, Litzler/WAECO engaged in conduct prohibited by the Regulations by exporting a 24” Hot Melt Prepreg Machine for Uni-directional Tape, an item subject to the Regulations, classified under Export Control Classification Number 1B001.e, and valued at approximately $825,215, from the United States to Spain without the Department of Commerce license required by Section 742.5 (Missile Technology) of the Regulations. In so doing, Litzler/WAECO committed one violation of Section 764.2(a) of the Regulations.

Accordingly, Litzler and WAECO are hereby notified that an administrative proceeding is instituted against them pursuant to Section 13(e) 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 $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 Litzler and/or WAECO fails to answer the charges contained in this letter within 30 days after first 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. If Litzler and/or WAECO defaults, the Administrative Law Judge may find the charge alleged in this letter is true without a hearing or further notice to that respondent. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty for the charge in this letter.

Litzler and WAECO are further notified that they are entitled to an agency hearing on the record if Litzler and/or WAECO files a written demand for one with its answer. See 15 C.F.R. § 766.6. Litzler and WAECO are also entitled to be represented by counsel or other authorized representative who has power of attorney to represent them. See 15 C.F.R. §§ 766.3(a) and 766.4.

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\(^3\) By agreement between BIS and Litzler/WAECO, the statute of limitations was extended until September 16, 2010, with respect to any violation of the Act or Regulation allegedly committed by Litzler/WAECO on or about May 17, 2005, in connection with this matter.

The Regulations provide for settlement without a hearing. See 15 C.F.R. § 766.18. Should Litzler and/or WAECO have a proposal to settle this case, Litzler and/or WAECO or their representatives should transmit it to the attorney representing BIS named below. Litzler and WAECO are additionally notified that under the Small Business Regulatory Enforcement Flexibility Act, Litzler and/or WAECO 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, any 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 any answer must be served on BIS at the following address:

Chief Counsel for Industry and Security
Attention: Gregory Michelsen, Esq.
Room H-3839
United States Department of Commerce
1401 Constitution Avenue, N.W.
Washington, D.C. 20230

Gregory Michelsen is the attorney representing BIS in this case; any communications that Litzler and/or WAECO may wish to have concerning this matter should occur through him. Mr. Michelsen may be contacted by telephone at (202) 482-5301.

Sincerely,

Douglas R. Hassebrock
Director
Office of Export Enforcement