

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

In the Matter of:)
)
Essex Group, Inc.)
1601 Wall Street)
P.O. Box 1601)
Fort Wayne, IN 46801 – 1601)
)
Respondent)

ORDER RELATING TO ESSEX GROUP, INC.

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has notified Essex Group, Inc. (“Essex”) of its intention to initiate an administrative proceeding against Essex 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 Essex that alleged that it committed fourteen violations of the Regulations. Specifically, the charges are:

Charges 1-14 15 C.F.R. § 754.2(a) – Engaging in Prohibited Conduct by Exporting Without the Required License

On 14 occasions between on or about September 5, 2006 and on or about October 1, 2007, Essex engaged in conduct prohibited by the Regulations. Specifically, Essex exported from the United

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2011). The violations alleged occurred in 2006 and 2007. The Regulations governing the violations at issue are found in the 2006 and 2007 versions of the Code of Federal Regulations, 15 C.F.R. Parts 730-774. 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. 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.*).

States to the People's Republic of China ("PRC") aromatic polyamide-imide solution, an item classified under Export Classification Control Number 1C008.a.2, controlled for national security reasons, and valued at approximately \$381,700, without the Department of Commerce licenses required by Section 742.4(a) of the Regulations. In so doing, Essex committed 14 violations of Section 764.2(a) of the Regulations.

WHEREAS, BIS and Essex 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:

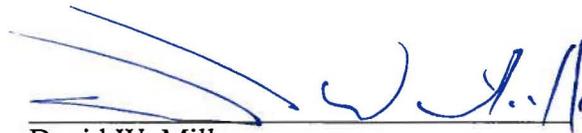
FIRST, Essex shall be assessed a civil penalty in the amount of \$200,000. Essex shall pay the amount in full to the U.S. Department of Commerce within 30 days of the date of the Order. Payment shall be made in the manner specified in the attached instructions.

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, Essex 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 full and 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 Essex. Accordingly, if Essex should fail to pay the civil penalty in a full and timely manner, the undersigned may issue an Order denying all of Essex's export privileges under the Regulations for a period of one year from the date of failure to make such payment.

FOURTH, that the Proposed Charging Letter, the Settlement Agreement, and this Order shall be made available to the public.

This Order, which constitutes the final agency action in this matter, is effective immediately.



David W. Mills
Assistant Secretary of Commerce
for Export Enforcement

Issued this 23 day of September, 2011.

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

In the Matter of:)
)
Essex Group, Inc.)
1601 Wall Street)
P.O. Box 1601)
Fort Wayne, IN 46801 – 1601)
)
Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Essex Group, Inc. (“Essex”) 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, Essex 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;

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2011). The violations alleged occurred in 2006 and 2007. The Regulations governing the violations at issue are found in the 2006 and 2007 versions of the Code of Federal Regulations, 15 C.F.R. Parts 730-774. 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. 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.*).

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

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

Charges 1-14 15 C.F.R. § 754.2(a) – Engaging in Prohibited Conduct by Exporting Without the Required License

On 14 occasions between on or about September 5, 2006 and on or about October 1, 2007, Essex engaged in conduct prohibited by the Regulations. Specifically, Essex exported from the United States to the People's Republic of China ("PRC") aromatic polyamide-imide solution, an item classified under Export Classification Control Number 1C008.a.2, controlled for national security reasons, and valued at approximately \$381,700, without the Department of Commerce licenses required by Section 742.4(a) of the Regulations. In so doing, Essex committed 14 violations of Section 764.2(a) of the Regulations.

WHEREAS, Essex has reviewed the 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, Essex 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, Essex enters into this Agreement voluntarily and with full knowledge of its rights after having consulted with counsel;

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

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

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

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

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

a. Essex shall be assessed a civil penalty in the amount of \$200,000.

Essex shall pay the amount in full to the U.S. Department of Commerce within 30 days of the date of the Order. Payment shall be made in the manner specified in the attached instructions.

b. The full and 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 Essex. Failure to make full and timely payment of the civil penalty set forth above may result in the denial of all of Essex's export privileges under the Regulations for one year from the date of the failure to make such payment.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, Essex 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. Essex 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 date Essex pays in full the civil penalty agreed to in paragraph 2.a of this Agreement, in connection with any violations 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. Upon full and timely payment of the civil penalty as set forth in paragraph 2.a above, BIS will not initiate any further administrative proceeding against Essex 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.

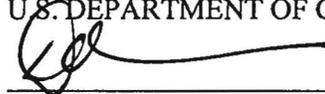
6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial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

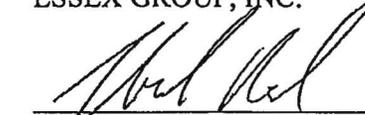
9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind its respective party to the terms and conditions set forth herein.

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



Douglas R. Hassebrock
Director
Office of Export Enforcement

ESSEX GROUP, INC.



J. David Reed
President
Essex Group, Inc.

Date: September 23, 2011

Date: September 22, 2011

PROPOSED CHARGING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Essex Group, Inc.
1601 Wall Street
P.O. Box 1601
Fort Wayne, IN 46801 - 1601

Attention: J. David Reed, President

Dear Mr. Reed:

The Bureau of Industry and Security, United States Department of Commerce (“BIS”), has reason to believe that Essex Group, Inc. (“Essex”), of Fort Wayne, Indiana, has committed 14 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 Essex committed the following violations:

Charges 1-14 15 C.F.R. § 754.2(a) – Engaging in Prohibited Conduct by Exporting Without the Required License

As described in greater detail in the attached Schedule of Violations, which is incorporated herein, on 14 occasions between on or about September 5, 2006 and on or about October 1, 2007, Essex engaged in conduct prohibited by the Regulations. Specifically, Essex exported from the United States to the People’s Republic of China (“PRC”) aromatic polyamide-imide solution, an item classified under Export Classification Control Number 1C008.a.2, controlled for national security reasons, and valued at approximately \$381,700, without the Department of Commerce licenses required by Section 742.4(a) of the Regulations. In so doing, Essex committed 14 violations of Section 764.2(a) of the Regulations.

* * * * * * *

Accordingly, Essex Group is hereby notified that an administrative proceeding is instituted against it pursuant to Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

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 2006 through 2007. The Regulations governing the violations at issue are found in the 2006 through 2007 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2006-07)). The 2011 Regulations establish 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)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.*).

- 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 violation³;
- Denial of export privileges; and/or
- Exclusion from practice before BIS.

If Essex Group 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 (2010). If Essex Group defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Essex Group. The Under Secretary for Industry and Security may then impose up to the maximum penalty on the charges in this letter.

Essex Group is further notified that it is entitled to an agency hearing on the record if Essex Group files a written demand for one with its answer. *See* 15 C.F.R. § 766.6 (2010). Essex Group is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. *See* 15 C.F.R. §§ 766.3(a) and 766.4 (2010).

Essex Group is further notified that under the Small Business Regulatory Enforcement Flexibility Act, Essex Group 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. *See* 15 C.F.R. § 766.18 (2010). Should Essex Group have a proposal to settle this case, Essex Group or its representative should transmit it to 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, Essex Group's answer must be filed in accordance with the instructions set forth 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 Essex Group's answer must be served on BIS at the following address:

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

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

Adrienne Frazier is the attorney representing BIS in this case; any communications that Essex Group may wish to have concerning this matter should occur through her. Ms. Frazier may be contacted via email at afrazier@doc.gov or by telephone at (202) 482-5301.

Sincerely,

Douglas R. Hassebrock
Director
Office of Export Enforcement

Essex Group, Inc.
Schedule of Violations

CHARGE NO.	EXPORT	COMMODITY/ ECCN	VALUE	AWB or BOL#	COUNTRY
1	9/5/2006	Aromatic polyamide-imide solution (ECCN 1C008)	\$14,856.08	CS06094856	China
2	9/18/2006	Aromatic polyamide-imide solution (ECCN 1C008)	\$22,674.23	CS06105129	China
3	9/18/2006	Aromatic polyamide-imide solution (ECCN 1C008)	\$21,805.07	CS06111893	China
4	12/29/2006	Aromatic polyamide-imide solution (ECCN 1C008)	\$15,533.28	CS06147019	China
5	2/12/2007	Aromatic polyamide-imide solution (ECCN 1C008)	\$46,166.59	CS07010420	China
6	3/12/2007	Aromatic polyamide-imide solution (ECCN 1C008)	\$33,508.57	CS07019059	China
7	4/24/2007	Aromatic polyamide-imide solution (ECCN 1C008)	\$683.73	CS07039810	China
8	5/27/2007	Aromatic polyamide-imide solution (ECCN 1C008)	\$2,747.76	CS07051264	China
9	6/4/2007	Aromatic polyamide-imide solution (ECCN 1C008)	\$67,845.49	CS07050110	China
10	7/23/2007	Aromatic polyamide-imide solution (ECCN 1C008)	\$3,057.16	CS07066951	China
11	8/13/2007	Aromatic polyamide-imide solution (ECCN 1C008)	\$47,805.11	CS07073999	China
12	8/27/2007	Aromatic polyamide-imide solution (ECCN 1C008)	\$79,910.63	CS07080856	China
13	9/27/2007	Aromatic polyamide-imide solution (ECCN 1C008)	\$1,521.14	CS07093854	China
14	10/1/2007	Aromatic polyamide-imide solution (ECCN 1C008)	\$23,597.04	CS07091590	China