

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

In the Matter of:)
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)
Wesco Industrial Products, Inc.)
1250 Welsh Road)
Lansdale, PA 19446)
)
)
Respondent)

ORDER RELATING TO WESCO INDUSTRIAL PRODUCTS, INC., AS SUCCESSOR
TO NEPTUNE CHEMICAL PUMP CO., INC.

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has notified Wesco Industrial Products Inc., (“Wesco”), the successor to Neptune Chemical Pump Co., Inc. (“Neptune”),¹ of its intention to initiate an administrative proceeding against Wesco pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2010)) (the “Regulations”),² and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (the “Act”),³ through issuance of a proposed charging letter to Wesco that

¹ Wesco is the surviving entity of several mergers that occurred in April and October, 2008, leaving it as the successor to Neptune. The charges that are the subject of this agreement occurred prior to the mergers in question.

² The violations alleged occurred during the 2005-2007 period. The Regulations governing the violations at issue are found in the 2005-2007 versions of the Code of Federal Regulations. 15 C.F.R. Parts 730-774 (2005-2007). The 2010 Regulations govern the procedural aspects of this case.

³ 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)), which has been extended by successive Presidential Notices, the most recent being that of August 13, 2009 (74 Fed. Reg. 41,325 (Aug. 14, 2009)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701 *et seq.* (2000)).

alleged that Wesco is liable for three violations of the Regulations. Specifically, these charges are:

Charge 1: 15 C.F.R. §764.2(a) – Export of Items to Singapore without a License.

On one occasion, on or about May 2, 2005, Wesco engaged in conduct prohibited by the Regulations when it exported ten of its RV-C20-1 Relief Valves to Singapore without the export license required by the Regulations. This equipment was classified under Export Control Classification Number (“ECCN”) 2B350.g.2 under the Regulations, and its export to Singapore required a license pursuant to Section 742.2 of the Regulations for reasons related to U.S. policies on the proliferation of chemical and biological weapons. In exporting these items to Singapore without the required export license, Wesco committed one violation of Section 764.2(a) of the Regulations.

Charge 2: 15 C.F.R. §764.2(a) – Export of Items to Mexico without a License.

On one occasion, on or about June 28, 2006, Wesco engaged in conduct prohibited by the Regulations when it exported two of its RV-KY-75 Relief Valves to Mexico without the export license required by the Regulations. This equipment was classified under ECCN 2B350.g.3 under the Regulations, and its export to Mexico required a license pursuant to Section 742.2 of the Regulations for reasons related to U.S. policies on the proliferation of chemical and biological weapons. In exporting these items to Mexico without the required export license, Wesco committed one violation of Section 764.2(a) of the Regulations.

Charge 3: 15 C.F.R. §764.2(a) – Export of Items to Hong Kong without a License.

On one occasion, on or about October 30, 2007, Wesco engaged in conduct prohibited by the Regulations when it exported four of its RV-C20-1 Relief Valves to Hong Kong without the export license required by the Regulations. This equipment was classified under ECCN 2B350.g.2 under the Regulations, and its export to Hong Kong required a license pursuant to Section 742.2 of the Regulations for reasons related to U.S. policies on the proliferation of chemical and biological weapons. In exporting these items to Hong Kong without the required export license, Wesco committed one violation of Section 764.2(a) of the Regulations.

WHEREAS, BIS and Wesco have entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein, and

WHEREAS, I have approved of the terms of such Settlement Agreement;

IT IS THEREFORE ORDERED:

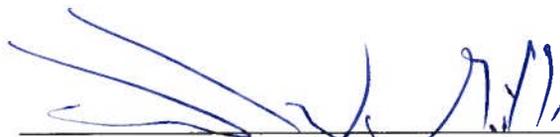
FIRST, that a civil penalty of \$50,000 is assessed against Wesco, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment shall be made in the manner specified in the attached instructions.

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein, Wesco 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 Wesco. Accordingly, if Wesco should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Wesco's export privileges for a period of one year from the date of issuance of this Order.

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 17 day of May, 2010.

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

In the Matter of:)
)
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Wesco Industrial Products, Inc.)
1250 Welsh Road)
Lansdale, PA 19446)
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)
Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Wesco Industrial Products, Inc., (“Wesco”) as successor to Neptune Chemical Pump Co., Inc. (“Neptune”),¹ and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively, the “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2010)) (the “Regulations”),² issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (the “Act”),³

¹ Wesco is the surviving entity of several mergers that occurred in April and October, 2008, leaving it as the successor to Neptune. The charges that are the subject of this agreement occurred prior to the mergers in question.

² The violations alleged to have been committed between 2005-2007. The Regulations governing the violations at issue are found in the 2005-2007 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2005-2007)). The 2010 Regulations establish the procedures that apply to this matter.

³ 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)), as extended most recently by the Notice of August 13, 2009 (74 Fed. Reg. 41,325 (Aug. 14, 2009)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701 *et seq.* (2000)).

WHEREAS, Wesco filed a voluntary self-disclosure with BIS's Office of Export Enforcement;⁴

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

WHEREAS, BIS has issued a proposed charging letter to Wesco that alleged that Wesco is liable for three violations of the Regulations, specifically:

Charge 1: 15 C.F.R. §764.2(a) – Export of Items to Singapore without a License.

On one occasion, on or about May 2, 2005, Wesco engaged in conduct prohibited by the Regulations when it exported ten of its RV-C20-1 Relief Valves to Singapore without the export license required by the Regulations. This equipment was classified under Export Control Classification Number ("ECCN") 2B350.G.2 under the Regulations, and its export to Singapore required a license pursuant to Section 742.2 of the Regulations for reasons related to U.S. policies on the proliferation of chemical and biological weapons. In exporting these items to Singapore without the required export license, Wesco committed one violation of Section 764.2(a) of the Regulations.

Charge 2: 15 C.F.R. §764.2(a) – Export of Items to Mexico without a License.

On one occasion, on or about June 28, 2006, Wesco engaged in conduct prohibited by the Regulations when it exported two of its RV-KY-75 Relief Valves to Mexico without the export license required by the Regulations. This equipment was classified under ECCN 2B350.G.3 under the Regulations, and its export to Mexico required a license pursuant to Section 742.2 of the Regulations for reasons related to U.S. policies on the proliferation of chemical and biological weapons. In exporting these items to Mexico without the required export license, Wesco committed one violation of Section 764.2(a) of the Regulations.

Charge 3: 15 C.F.R. §764.2(a) – Export of Items to Hong Kong without a License.

On one occasion, on or about October 30, 2007, Wesco engaged in conduct prohibited by the Regulations when it exported four of its RV-C20-1 Relief Valves to Hong Kong without the export license required by the Regulations. This equipment was classified under ECCN 2B350.G.2 under the Regulations, and its export to Hong Kong required a

⁴ The Voluntary Self-Disclosure refers to the April 10, 2008 and the December 1, 2008 letters with the subject "Voluntary Disclosure of Potential Violations – Neptune Chemical Pump Co., Inc."

license pursuant to Section 742.2 of the Regulations for reasons related to U.S. policies on the proliferation of chemical and biological weapons. In exporting these items to Hong Kong without the required export license, Wesco committed one violation of Section 764.2(a) of the Regulations

WHEREAS, Wesco 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, Wesco 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, Wesco enters into this Agreement voluntarily and with full knowledge of its rights;

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

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

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

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

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction under the Regulations in connection with the matters alleged in the Proposed Charging Letter.

2. The following sanction shall be imposed against Wesco in complete settlement of the alleged violations of the Regulations relating to the transactions specifically detailed in the Voluntary Self-Disclosure and the Proposed Charging Letter:

a. Wesco shall be assessed a civil penalty in the amount of \$50,000, the payment of which shall be made to the U.S. Department of Commerce within 30 days from the date of entry of the Order.

b. The timely payment of the civil penalty agreed to in paragraph 2.a is hereby made a condition to the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to Wesco. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Wesco's export privileges for a period of one year from the date of imposition of the penalty.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, Wesco 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. Upon entry of the Order and timely payment of the \$50,000 civil penalty, BIS will not initiate any further administrative proceeding against Wesco in connection with any violation of the Act or the Regulations arising out of the transactions specifically detailed in the Voluntary Self-Disclosure and 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 his respective party to the terms and conditions set forth herein.

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

WESCO INDUSTRIAL PRODUCTS, INC.,

John J. Cates

602 John Sonderman
Acting Director
Office of Export Enforcement

George H. Galla

George Galla
President
Wesco Industrial Products, Inc.

Date: 5/14/10

Date: 5-7-10

PROPOSED CHARGING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

George Galla
President
Wesco Industrial Products, Inc.
1250 Welsh Road
Lansdale, PA 19446

Dear Mr. Galla:

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has reason to believe that Wesco Industrial Products, Inc. (“Wesco”), of Lansdale, Pennsylvania, as successor to Neptune Chemical Pump Co., Inc. (“Neptune”)¹ is liable for three violations of the Export Administration Regulations (the “Regulations”),² which are issued under the authority of the Export Administration Act of 1979, as amended (the “Act”).³ Specifically, BIS alleges that Wesco is liable for the following violations:

Charge 1: 15 C.F.R. §764.2(a) – Export of Items to Singapore without a License.

On one occasion, on or about May 2, 2005, Wesco engaged in conduct prohibited by the Regulations when it exported ten of its RV-C20-1 Relief Valves to Singapore without the export license required by the Regulations. This equipment was classified under Export Control Classification Number (“ECCN”) 2B350.g.2 under the Regulations, and its export to Singapore required a license pursuant to Section 742.2 of the Regulations for reasons related to U.S. policies on the proliferation of chemical and biological weapons.

¹ Wesco is the surviving entity of several mergers that occurred in April and October, 2008, leaving it as the successor to Neptune. The transactions that are the subject of the charges alleged by BIS occurred prior to the mergers in question.

² The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2010). The violations charged occurred in 2005-2007. Regulations governing the violations at issue are found in the 2005 through 2007 versions of the Code of Federal Regulations. *See* 15 C.F.R. Parts 730-774 (2005-2007). The 2010 Regulations govern the procedural aspects of this case.

³ 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 13, 2009 (74 Fed. Reg. 41,325 (Aug. 14, 2009)), continues the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701 *et seq.* (2000) (“IEEPA”).

In exporting these items to Singapore without the required export license, Wesco committed one violation of Section 764.2(a) of the Regulations.

Charge 2: 15 C.F.R. §764.2(a) – Export of Items to Mexico without a License.

On one occasion, on or about June 28, 2006, Wesco engaged in conduct prohibited by the Regulations when it exported two of its RV-KY-75 Relief Valves to Mexico without the export license required by the Regulations. This equipment was classified under ECCN 2B350.g.3 under the Regulations, and its export to Mexico required a license pursuant to Section 742.2 of the Regulations for reasons related to U.S. policies on the proliferation of chemical and biological weapons. In exporting these items to Mexico without the required export license, Wesco committed one violation of Section 764.2(a) of the Regulations.

Charge 3: 15 C.F.R. §764.2(a) – Export of Items to Hong Kong without a License.

On one occasion, on or about October 30, 2007, Wesco engaged in conduct prohibited by the Regulations when it exported four of its RV-C20-1 Relief Valves to Hong Kong without the export license required by the Regulations. This equipment was classified under ECCN 2B350.g.2 under the Regulations, and its export to Hong Kong required a license pursuant to Section 742.2 of the Regulations for reasons related to U.S. policies on the proliferation of chemical and biological weapons. In exporting these items to Hong Kong without the required export license, Wesco committed one violation of Section 764.2(a) of the Regulations.

* * * * *

Accordingly, Wesco 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 \$250,000 per violation;⁴
- Denial of export privileges; and/or
- Exclusion from practice before BIS.

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

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

Wesco. 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.

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

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18 (2010). Should Wesco have a proposal to settle this case, Wesco's representative should transmit it through the attorney representing BIS, who is named below.

Wesco is further notified that under the Small Business Regulatory Enforcement Flexibility Act, Wesco 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, Wesco'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 Wesco'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 Wesco may wish to have concerning this matter should occur through him. Mr. Clark may be contacted by telephone at (202) 482-5301.

Sincerely,

John Sonderman
Acting Director
Office of Export Enforcement