

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

RLC Electronics, Inc.
83 Radio Circle
Mt. Kisco, N.Y. 10549

Attention: Mr. Doug Bork
Chief Executive Officer

Dear Mr. Bork:

The Bureau of Industry and Security, United States Department of Commerce ("BIS") has reason to believe that on five occasions, RLC Electronics, Inc. ("RLC Electronics") violated the Export Administration Regulations (the "Regulations"),¹ which are issued under the authority of the Export Administration Act of 1979 (the "Act")². Specifically, BIS charges that RLC Electronics committed the following violations:

Charges 1-4 15 C.F.R. § 764.2(a) - Unlicensed exports to Entity List organizations

As described in greater detail in Schedule A, which is enclosed herewith and incorporated herein by reference, on three occasions between on or about March 22, 2002, and on or about April 10, 2003, RLC Electronics exported items subject to the Regulations (power dividers and low pass filters)(EAR 99), to the Indian Space Research Organization ("ISRO"), Telemetry,

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2003). The violations charged occurred from 2002 to 2003. The Regulations governing the violations at issue are found in the 2002 through 2003 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2002-2003)). The Regulations define the violations that BIS alleges occurred and establish the procedures that apply to this matter.

² From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1707 (2000)) ("IEEPA"). On November 13, 2000, the Act was reauthorized by Pub. L. No. 106-508, and it remained in effect through August 20, 2001. The Act expired on August 20, 2001. Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp., p. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 7, 2003 (68 Fed. Reg. 47833, August 11, 2003), continues the Regulations in effect under IEEPA.

Tracking and Command Network (“ISTRAC”), Bangalore, India without the license required by Section 744.1 of the Regulations. In addition, on or about January 31, 2003, RLC Electronics exported items subject to the Regulations (positions switches)(EAR 99) to Sriharikota Space Center (“SHAR”)³, Bangalore, India without the license required by Section 744.1 of the Regulations. In doing so, RLC Electronics committed four violations of Section 764.2(a) of the Regulations.

Charge 5 15 C.F.R. §764.2(g) - False Statement on Shippers Export Declaration

In connection with one export to ISRO referenced above, RLC Electronics filed a Shippers Export Declaration (“SED”) with the U.S. Government that represented falsely that the power dividers exported to ISRO were eligible for export as NLR (“no license required”). The certification of eligibility for NLR on the SED was false since an export license from BIS was required. In so doing, RLC Electronics committed on violation of Section 764.2(g) of the Regulations.

Accordingly, RLC Electronics 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 \$11,000 per violation;⁴

Denial of export privileges; and/or

Exclusion from practice before BIS.

If RLC Electronics 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 RLC Electronics defaults, the Administrative Law Judge may find the charges alleged in this letter are true without hearing or further notice to RLC Electronics. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty on each charge in this letter.

³ ISRO and SHAR are included on the Entity List, Supplement No. 4 to Part 744 of the Regulations. Section 744.1 of the Regulations requires that a license be obtained for exports to such organizations for items controlled by the Regulations.

⁴ See 15 C.F.R. § 6.4(a)(2).

RLC Electronics, Inc.

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

The Regulations provide for settlement without a hearing. (Regulations, Section 766.18). Should RLC Electronics have a proposal to settle this case, RLC Electronics or its representative should transmit the offer to me through 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, RLC Electronics'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 RLC Electronics's answer must be served on BIS at the following address:

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

Philip Ankel is the attorney representing BIS in this case. Any communications that you may wish to have concerning this matter should occur through him. He may be contacted by telephone at (202) 482-5301.

Sincerely,

Mark D. Menefee
Director
Office of Export Enforcement

SCHEDULE A
RLC ELECTRONICS, INC.

Charges	Date of Export (on or about)	Item	ECCN	Value (U.S. dollars)	Destination	Invoice No.
1	March 22, 2002	power dividers	EAR99	\$7,915	ISRO	64935
2	December, 24, 2002	power dividers	EAR99	\$2,100	ISRO	66970
3	January 31, 2003	three position switches	EAR99	\$1,290	SHAR	67210
4	April 10, 2003	low pass filters	EAR99	\$1,635	ISRO	273371
5	March 22, 2002	power dividers	EAR99	\$7,915	ISRO	64935

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

In the Matter of:)
)
RLC Electronics, Inc.)
83 Radio Circle)
Mt. Kisco, N.Y. 10549)
)
Respondent.)
_____)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Respondent, RLC Electronics, Inc. (“RLC Electronics”), and the Bureau of Industry and Security, United States Department of Commerce (“BIS”) (collectively referred to as “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (“Regulations”),¹ issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”),²

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

WHEREAS, BIS has issued a proposed charging letter to RLC Electronics that alleged that RLC Electronics 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 (2003). The violations charged occurred from 2002 to 2003. The Regulations governing the violations at issue are found in the 2002 and 2003 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2002-2003)). The 2003 Regulations establish the procedures that apply to this matter.

² 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 by the Notice of August 7, 2003 (68 *Fed. Reg.* 47833, August 11, 2003), has continued the Regulations in effect under IEEPA.

1. *Three Violations of 15 C.F.R. § 764.2(a) - Unlicensed exports to Entity List*

Organizations: Between on or about March 22, 2002, and on or about April 10, 2003, RLC Electronics exported power dividers and low pass filters, items subject to the Regulations, to the Indian Space Research Organization (“ISRO”), Telemetry, Tracking and Command Network (“ISTRAC”), Bangalore, India without the BIS license required by Section 744.1 of the Regulations. ISRO is included on the Entity List, Supplement No. 4 to Part 744 of the Regulations. Section 744.1 of the Regulations requires that a license be obtained for exports to such organizations for items controlled by the Regulations.

2. *One Violation of 15 C.F.R. § 764.2(a) - Unlicensed export to Entity List*

Organization: On or about January 31, 2003, RLC Electronics exported position switches, items subject to the Regulations to Sriharikota Space Center (“SHAR”), Bangalore, India without the BIS license required by Section 744.1 of the Regulations. SHAR is included on the Entity List, Supplement No. 4 to Part 744 of the Regulations. Section 744.1 of the Regulations requires that a license be obtained for exports to such organizations for items controlled by the Regulations.

3. *One Violation of 15 C.F.R. § 764.2(g) - False Statement on Shipper’s Export*

Declaration: In connection with one export to ISRO referenced above, RLC Electronics filed a Shipper’s Export Declaration (“SED”) with the U.S. Government that represented falsely that the power dividers exported to ISRO

were eligible for export as NLR (“no license required”). The certification of eligibility for NLR on the SED was false since an export license from BIS was required.

WHEREAS, RLC Electronics 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, RLC Electronics fully understands the terms of this Agreement and the Order (“Order”) that the Assistant Secretary of Commerce for Export Enforcement will issue if she approves this Agreement as the final resolution of this matter;

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

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

WHEREAS, RLC Electronics neither admits nor denies the allegations contained in the proposed charging letter;

WHEREAS, RLC Electronics wishes to settle and dispose of all matters alleged in the proposed charging letter by entering into this Agreement; and

WHEREAS, RLC Electronics agrees to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over RLC Electronics, under the Regulations, in connection with the matters alleged in the proposed charging letter.

2. The following sanction shall be imposed against RLC Electronics in complete settlement of the violations of the Regulations set forth in the proposed charging letter:

- a. RLC Electronics shall be assessed a civil penalty in the amount of \$30,000 which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the appropriate 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, license exception, permission, or privilege granted, or to be granted, to RLC Electronics. Failure to make timely payment of the civil penalty set forth above shall result in the denial of RLC Electronics'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, RLC Electronics 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 entered), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in the proposed charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if entered; (c) request any relief from the Order, if entered, including without limitation relief from the terms of a denial order under 15 C.F.R. § 764.3(a)(2); and (d) seek judicial review or otherwise contest the validity of this Agreement or the Order, if entered.

4. Upon entry of the Order and timely payment of the \$30,000 civil penalty, BIS will not initiate any further administrative proceeding against RLC Electronics in connection with any violation of the Act or the Regulations arising out of the transactions identified in the proposed charging letter.

5. BIS will make the proposed charging letter, this Agreement, and the Order, if entered, available to the public.

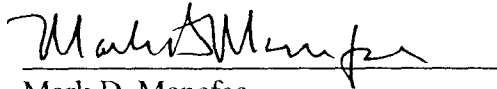
6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial 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 entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances addressed herein.

8. This Agreement shall become binding on BIS only if the Assistant Secretary of Commerce for Export Enforcement approves it by entering 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



Mark D. Menefee
Director
Office of Export Enforcement

Date: 3/31/04

RLC ELECTRONICS, INC.



Doug Bork
Chief Executive Order

Date: 3/22/04

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

In the Matter of:)
)
RLC Electronics, Inc.)
83 Radio Circle)
Mt. Kisco, N.Y. 10549)
)
Respondent.)
_____)

ORDER

The Bureau of Industry and Security, United States Department of Commerce (“BIS”) having notified RLC Electronics, Inc. (“RLC Electronics”) of its intention to initiate an administrative proceeding against RLC Electronics pursuant to Section 766.3 of the Export Administration Regulations (“Regulations”),¹ and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”),² based on the proposed charging letter issued to RLC Electronics that alleged that RLC Electronics committed five violations of the Regulations. Specifically, the charges are:

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BIS and RLC Electronics having 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 the terms of the Settlement Agreement having been approved by me;

IT IS THEREFORE ORDERED:

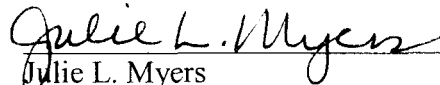
FIRST, that a civil penalty of \$30,000 is assessed against RLC Electronics which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment shall be made in the manner specified in the attached instructions.

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, RLC Electronics 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 RLC Electronics. Accordingly, if RLC Electronics should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying RLC Electronics's export privileges for a period of one year from the date of entry 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.



Julie L. Myers
Assistant Secretary of Commerce
for Export Enforcement

Entered this 14th day of April 2004.