

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

In the Matter of:

Solventum Corporation
2510 Conway Ave
St. Paul, MN 55144

Respondent

ORDER RELATING TO
SOLVENTUM CORPORATION.

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has notified Solventum Corporation of St. Paul, Minnesota (“Solventum” or “Respondent”) of its intention to initiate an administrative proceeding against Respondent pursuant to Section 766.3 of the Export Administration Regulations (the “Regulations”),¹ through the issuance of a Proposed Charging Letter to Respondent that alleges that Respondent committed² 2 violations of the Regulations.³ Specifically:

GENERAL ALLEGATIONS

As described further below, between on or about December 28, 2023, through on or about January 5, 2024, Respondent caused, aided, or abetted violations of the Regulations through the sale and transfer of items subject to the EAR that were destined to a party on the Entity List without the required license or other authorization from BIS. Specifically, Respondent aided in violations of the Regulations through the sale and transfer of EAR99 Liqui-Cel Membrane Contactors (“Contactors”) for export to Semiconductor Manufacturing South China Corporation (“SMIC South”), a party on the Entity List. At all relevant times, a license for the export, reexport, or transfer (in-country) of items subject

¹ The Regulations are issued under the authority of the Export Control Reform Act of 2018, Title XVII, Subtitle B of Pub. L. 115-232, 132 Stat. 2208 (“ECRA,” 50 U.S.C. §§ 4801-4852).

² Effective April 1, 2024, Solventum became the party responsible for the development and sales of the items at issue following a completed divestiture.

³ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2026). The charged violations occurred in 2020 through 2024. The Regulations governing the violations at issue are found in the 2020 through 2024 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2023)). The 2026 Regulations set forth the procedures that apply to this matter.

to the EAR was required under § 744.11 of the Regulations when SMIC South was a party to the transaction.

Furthermore, on or about January 1, 2021, Respondent caused, aided, or abetted a violation of the Regulations through the sale and transfer of items subject to the EAR that were destined to a party on the Entity List without the required license or other authorization from BIS. Specifically, Respondent aided in violations of the Regulations through the sale and transfer of EAR99 Contactors for export to Ningbo Semiconductor International Corporation (“NSI”). At the time of export, a license for the export, reexport, or transfer (in-country) of items subject to the EAR was required under § 744.11 of the Regulations when NSI was a party to the transaction.

STATEMENT OF CHARGES

Charge 1 15 C.F.R. § 764.2(b) – Causing, aiding, or abetting a violation.

1. Between December 28, 2023, and January 5, 2024, Respondent aided violations of the Regulations through the sale and transfer of 87 Contactors, items subject to the EAR and valued at approximately \$931,355, for exports ultimately destined to SMIC South, a party on the Entity List, without the required license or other authorization from BIS. Respondent sold and transferred these items via a routed export transaction to and through Company 1, a Foreign Principal Party in Interest (“FPPI”), and its U.S.-based agent, with knowledge that the items were ultimately destined to SMIC South.⁴ Pursuant to § 744.11 and Supplement No. 4 to Part 744 of the EAR, a license is required to export, reexport, or transfer (in-country) any item subject to the EAR when an entity that is listed on the Entity List is a party to the transaction as described in § 748.5(c)–(f) of the EAR. At all relevant times, BIS authorization was required to export, reexport, or transfer (in-country) any item subject to the EAR to SMIC South.⁵
2. On November 24, 2022, Respondent’s sales personnel located in China generated an internal order request form with the “End User Name” field filled in as “Shanghai SMSC Project.” This was followed by a purchase order sent by Company 1, a Hong Kong entity that produces and supplies water treatment equipment, technology, and systems, to Respondent on or about January 10, 2023 (“January 2023 Purchase Order”)

⁴ See 15 C.F.R. § 772.1, which provides that “Knowledge of a circumstance (the term may be a variant, such as ‘know,’ ‘reason to know’ or ‘reason to believe’) includes not only positive knowledge that the circumstance exists or is substantially certain to occur, but also an awareness of a high probability of its existence or future occurrence. Such awareness is inferred from evidence of the conscious disregard of facts known to a person and is also inferred from a person’s willful avoidance of facts.”

⁵ See 85 Fed. Reg. 83,420 (Dec. 22, 2020). Following the conduct discussed in this proposed charging letter, BIS updated the Entity List and maintained SMIC South’s inclusion on the Entity List. 89 Fed. Reg. 96,836 (Dec. 5, 2024).

for 93 Contactors, which also contained "SMSC" in an "Item Description" field. SMSC is an alias of SMIC South,⁶ and both Respondent and Company 1 knew that 87 of the ordered Contactors were intended for SMIC South.

3. The Contactors exported to SMIC South are classified as EAR99. Contactors have a variety of applications, including in the production of microelectronics and semiconductors, where control of gas in a liquid stream is necessary. Respondent's Contactors are commonly part of a larger fluid processing system that is manufactured by an Original Equipment Manufacturer and is used in the ultimate application.
4. In the course of unrelated transactions prior to December 2023, Respondent had applied for and received unrelated licenses from BIS to export items subject to the EAR, including Liqui-Cel Membrane Contactors, to SMIC South, and other parties on the Entity List. Specifically, Respondent was granted four licenses for the export of Contactors to various SMIC entities.
5. Pursuant to § 750.8 of the EAR, BIS partially suspended Respondent's licenses as they pertained to SMIC South on or about November 16, 2023. Accordingly, Respondent could no longer export, reexport, or transfer (in-country) items subject to the EAR to SMIC South under the authority of these unrelated licenses. Respondent's trade compliance personnel undertook an internal review to halt any pending shipments to SMIC South after Respondent's licenses were partially suspended.
6. Although Respondent knew by November 24, 2022, that the items ordered by Company 1 were destined for SMIC South, Respondent failed to timely identify the transaction related to the January 2023 Purchase Order as ultimately involving SMIC South. Respondent did not apply after November 16, 2023, for a separate license for the transaction related to the January 2023 Purchase Order.
7. On or about December 28, 2023, Respondent transferred 70 Contactors to the U.S.-based agent for Company 1, U.S. Freight Forwarder 1, as Company 1's forwarding agent for export of the items to China. The items were exported to China on or about January 9, 2024.
8. On or about January 5, 2024, Respondent transferred 17 Liqui-Cel Membrane Contactors to U.S. Freight Forwarder 1. These 17 Contactors were the remaining items from the January 2023 Purchase Order destined to SMIC South.
9. On or about January 8, 2024, BIS contacted Respondent regarding the Electronic Export Information ("EEI") that was filed by U.S. Freight Forwarder 1 for the January

⁶ See Supplement No. 4 to Part 744 of the EAR.

9, 2024, export. Respondent was listed as the U.S. Principal Party in Interest (“USPPI”) on this EEI, and SMIC South was listed as the Ultimate Consignee.

10. Upon being alerted to the shipment by BIS, Respondent contacted U.S. Freight Forwarder 1 and Company 1 for the purposes of halting any in-progress shipments to SMIC South. Based on Respondent’s internal review, the Respondent identified 23 Contactors from the January 2023 Purchase Order that had yet to leave the United States. At the request of Respondent, U.S. Freight Forwarder 1 stopped the shipment from leaving the United States.

Charge 2 15 C.F.R. § 764.2(b) – Causing, aiding, or abetting a violation.

11. On or about January 1, 2021, Respondent aided in conduct prohibited by the Regulations through the sale and transfer of 9 Contactors, items subject to the EAR and valued at approximately \$90,893, for exports ultimately destined to NSI, a party on the Entity List, without the required license or other authorization from BIS. Respondent sold and transferred these items via a routed export transaction to and through Company 2, the FPPI, and its U.S.-based agent.⁷
12. On or about November 13, 2020, Respondent received a purchase order from Company 2, a party located in China, for 30 Contactors. The purchase order indicated that 9 of the Contactors were intended for NSI while 21 of the Contactors were intended for Company 2’s warehouse. Separately, Respondent’s internal order request form submitted during the order process listed NSI in the “end user name” field.
13. On or about December 18, 2020, prior to the export of the items from the United States, NSI was added to the Entity List.⁸ Thereafter, a license was required to export, reexport, or transfer (in-country) any item subject to the EAR when NSI was a party to the transaction. Respondent did not apply for a license from BIS for the export of the 9 Contactors to NSI.
14. On or about January 1, 2021, Respondent transferred the Contactors to Company 2’s U.S. based agent, U.S. Freight Forwarder 1, for export to China. These items were subsequently exported from the United States. Pursuant to § 744.11 of the EAR, these items required a license for export because NSI, a party on the Entity List, was a party to the transaction.

⁷ For the conduct described here in Charge 2 and above in Charge 1, Respondent was the USPPI of the transaction and responsible for compliance with the EAR. Pursuant to § 758.3 of the EAR, parties are free to structure transactions as they wish, and to delegate functions and tasks as they deem necessary, as long as the transaction complies with the EAR. However, delegating or redelegating authority does not in and of itself relieve anyone of responsibility for compliance with the EAR.

⁸ 85 Fed. Reg. 83,420 (Dec. 22, 2020).

WHEREAS, BIS and Respondent 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;

WHEREAS, Respondent admits committing the alleged conduct described in the Proposed Charging Letter; and

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

IT IS THEREFORE ORDERED:

FIRST, Respondent shall be assessed a civil penalty in the amount of \$1,600,000, the payment of which shall be made to the U.S. Department of Commerce within 45 days of this Order.

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2012)), 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 dates specified herein, Respondent 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 in accordance with the payment schedule 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 Respondent. Accordingly, if Respondent should fail to pay the civil penalty in a full and timely manner, the undersigned may issue an order denying all of Respondent's export privileges under the Regulations for a period of one year from the date of failure to make such payment.

FOURTH, 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 A. Peters
Assistant Secretary for Export Enforcement

Issued this 27th day of March, 2026.

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

In the Matter of:

Solventum Corporation
2510 Conway Ave
St. Paul, MN 55144

Respondent

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Solventum Corporation of St. Paul, Minnesota (“Solventum” or “Respondent”) 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

WHEREAS, BIS has notified Respondent of its intentions to initiate an administrative proceeding against Respondent pursuant to the Regulations;²

WHEREAS, BIS has issued a Proposed Charging Letter to Respondent that alleges that Respondent committed 2 violations of the Regulations,³ specifically:

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³ Effective April 1, 2024, Solventum became the party responsible for the development and sales of the items at issue following a completed divestiture.

GENERAL ALLEGATIONS

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Furthermore, on or about January 1, 2021, Respondent caused, aided, or abetted a violation of the Regulations through the sale and transfer of items subject to the EAR that were destined to a party on the Entity List without the required license or other authorization from BIS. Specifically, Respondent aided in violations of the Regulations through the sale and transfer of EAR99 Contactors for export to Ningbo Semiconductor International Corporation (“NSI”). At the time of export, a license for the export, reexport, or transfer (in-country) of items subject to the EAR was required under § 744.11 of the Regulations when NSI was a party to the transaction.

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(f) of the EAR. At all relevant times, BIS authorization was required to export, reexport, or transfer (in-country) any item subject to the EAR to SMIC South.⁵

2. On November 24, 2022, Respondent's sales personnel located in China generated an internal order request form with the "End User Name" field filled in as "Shanghai SMSC Project." This was followed by a purchase order sent by Company 1, a Hong Kong entity that produces and supplies water treatment equipment, technology, and systems, to Respondent on or about January 10, 2023 ("January 2023 Purchase Order") for 93 Contactors, which also contained "SMSC" in an "Item Description" field. SMSC is an alias of SMIC South,⁶ and both Respondent and Company 1 knew that 87 of the ordered Contactors were intended for SMIC South.
3. The Contactors exported to SMIC South are classified as EAR99. Contactors have a variety of applications, including in the production of microelectronics and semiconductors, where control of gas in a liquid stream is necessary. Respondent's Contactors are commonly part of a larger fluid processing system that is manufactured by an Original Equipment Manufacturer and is used in the ultimate application.
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agent for export of the items to China. The items were exported to China on or about January 9, 2024.

8. On or about January 5, 2024, Respondent transferred 17 Liqui-Cel Membrane Contactors to U.S. Freight Forwarder 1. These 17 Contactors were the remaining items from the January 2023 Purchase Order destined to SMIC South.
9. On or about January 8, 2024, BIS contacted Respondent regarding the Electronic Export Information (“EEI”) that was filed by U.S. Freight Forwarder 1 for the January 9, 2024, export. Respondent was listed as the U.S. Principal Party in Interest (“USPPI”) on this EEI, and SMIC South was listed as the Ultimate Consignee.
10. Upon being alerted to the shipment by BIS, Respondent contacted U.S. Freight Forwarder 1 and Company 1 for the purposes of halting any in-progress shipments to SMIC South. Based on Respondent’s internal review, the Respondent identified 23 Contactors from the January 2023 Purchase Order that had yet to leave the United States. At the request of Respondent, U.S. Freight Forwarder 1 stopped the shipment from leaving the United States.

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⁷ For the conduct described here in Charge 2 and above in Charge 1, Respondent was the USPPI of the transaction and responsible for compliance with the EAR. Pursuant to § 758.3 of the EAR, parties are free to structure transactions as they wish, and to delegate functions and tasks as they deem necessary, as long as the transaction complies with the EAR. However, delegating or redelegating authority does not in and of itself relieve anyone of responsibility for compliance with the EAR.

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transaction. Respondent did not apply for a license from BIS for the export of the 9 Contactors to NSI.

14. On or about January 1, 2021, Respondent transferred the Contactors to Company 2's U.S. based agent, U.S. Freight Forwarder 1, for export to China. These items were subsequently exported from the United States. Pursuant to § 744.11 of the EAR, these items required a license for export because NSI, a party on the Entity List, was a party to the transaction.

WHEREAS, Respondent 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, Respondent has reviewed, with the assistance of counsel, the terms of this Agreement, 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, and the Proposed Charging Letter, and understand the terms of all three documents;

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

WHEREAS, Respondent assisted the Office of Export Enforcement with its investigation relating to this matter;

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

WHEREAS, Respondent admits committing the alleged conduct described in the Proposed Charging Letter; and

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

NOW THEREFORE, the Parties hereby agree, for purposes of this Agreement, as follows:

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

2. The following sanctions shall be imposed against Respondent:

a. Respondent shall be assessed a civil penalty in the amount of \$1,600,000, the payment of which shall be made to the U.S. Department of Commerce within 45 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 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 Respondent. Failure to make full and timely payment of the civil penalty may result in the denial of all of Respondent'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 7 hereof, Respondent hereby waives all rights to further procedural steps in this matter (except the procedural steps set forth in Sections 766.17(c) and 766.18(c) of the Regulations with respect to the possible activation of suspended sanctions due to a violation 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. Respondent also waives and will not assert any Statute of Limitations defense,

and the Statute of Limitations will be tolled, in connection with any violation of ECRA 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 this Agreement and the Order, if issued, from the date of the Order, until Respondent pays in full the civil penalty agreed to in Paragraph 2.a of this Agreement.

4. BIS agrees that upon successful compliance in full with the terms of this Agreement and the Order, if issued, BIS will not initiate any further administrative proceeding against Respondent in connection with any violation of the Regulations arising out of the transactions specifically detailed in the Proposed Charging Letter, or those specifically detailed in Respondent's Voluntary Self Disclosure.

5. 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.

6. 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.

7. 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.

8. BIS will make the Proposed Charging Letter, this Agreement, and the Order, if issued, available to the public.

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

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

STEVEN FISHER

Digitally signed by STEVEN
FISHER
Date: 2026.03.17 13:25:40 -04'00'

Steven Fisher
Acting Director of Export Enforcement

Date: _____

SOLVENTUM US LLC



Paul Harrington
Chief Supply Chain Officer

Date: 17th March 2026

Reviewed and approved by:



Cristina Brayton-Lewis
David Lim
White & Case LLP
Counsel for Solventum Corporation

Date: March 17, 2026

PROPOSED CHARGING LETTER

Solventum Corporation
2510 Conway Ave
St. Paul, MN 55144

Attention: Paul Harrington
Chief Supply Chain Officer

Dear Mr. Harrington:

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has reason to believe Solventum Corporation, a global medical products company and successor corporation, (hereinafter “Solventum” or “Respondent”) committed¹ 2 violations of the Export Administration Regulations (the “Regulations” or “EAR”).²

Specifically, BIS alleges and charges the following:

GENERAL ALLEGATIONS

As described further below, between on or about December 28, 2023, through on or about January 5, 2024, Respondent caused, aided, or abetted violations of the Regulations through the sale and transfer of items subject to the EAR that were destined to a party on the Entity List without the required license or other authorization from BIS. Specifically, Respondent aided in violations of the Regulations through the sale and transfer of EAR99 Liqui-Cel Membrane Contactors (“Contactors”) for export to Semiconductor Manufacturing South China Corporation (“SMIC South”), a party on the Entity List. At all relevant times, a license for the export, reexport, or transfer (in-country) of items subject to the EAR was required under § 744.11 of the Regulations when SMIC South was a party to the transaction.

Furthermore, on or about January 1, 2021, Respondent caused, aided, or abetted a violation of the Regulations through the sale and transfer of items subject to the EAR that were destined to a party on the Entity List without the required license or other authorization from BIS. Specifically, Respondent aided in violations of the Regulations through the sale and transfer of EAR99 Contactors for export to Ningbo Semiconductor International Corporation (“NSI”). At the time of export, a license for the export, reexport, or transfer

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(in-country) of items subject to the EAR was required under § 744.11 of the Regulations when NSI was a party to the transaction.

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Contactors are commonly part of a larger fluid processing system that is manufactured by an Original Equipment Manufacturer and is used in the ultimate application.

4. In the course of unrelated transactions prior to December 2023, Respondent had applied for and received unrelated licenses from BIS to export items subject to the EAR, including Liqui-Cel Membrane Contactors, to SMIC South, and other parties on the Entity List. Specifically, Respondent was granted four licenses for the export of Contactors to various SMIC entities.
5. Pursuant to § 750.8 of the EAR, BIS partially suspended Respondent's licenses as they pertained to SMIC South on or about November 16, 2023. Accordingly, Respondent could no longer export, reexport, or transfer (in-country) items subject to the EAR to SMIC South under the authority of these unrelated licenses. Respondent's trade compliance personnel undertook an internal review to halt any pending shipments to SMIC South after Respondent's licenses were partially suspended.
6. Although Respondent knew by November 24, 2022, that the items ordered by Company 1 were destined for SMIC South, Respondent failed to timely identify the transaction related to the January 2023 Purchase Order as ultimately involving SMIC South. Respondent did not apply after November 16, 2023, for a separate license for the transaction related to the January 2023 Purchase Order.
7. On or about December 28, 2023, Respondent transferred 70 Contactors to the U.S.-based agent for Company 1, U.S. Freight Forwarder 1, as Company 1's forwarding agent for export of the items to China. The items were exported to China on or about January 9, 2024.
8. On or about January 5, 2024, Respondent transferred 17 Liqui-Cel Membrane Contactors to U.S. Freight Forwarder 1. These 17 Contactors were the remaining items from the January 2023 Purchase Order destined to SMIC South.
9. On or about January 8, 2024, BIS contacted Respondent regarding the Electronic Export Information ("EEI") that was filed by U.S. Freight Forwarder 1 for the January 9, 2024, export. Respondent was listed as the U.S. Principal Party in Interest ("USPPI") on this EEI, and SMIC South was listed as the Ultimate Consignee.
10. Upon being alerted to the shipment by BIS, Respondent contacted U.S. Freight Forwarder 1 and Company 1 for the purposes of halting any in-progress shipments to SMIC South. Based on Respondent's internal review, the Respondent identified 23 Contactors from the January 2023 Purchase Order that had yet to leave the United States. At the request of Respondent, U.S. Freight Forwarder 1 stopped the shipment from leaving the United States.

Charge 2 15 C.F.R. § 764.2(b) – Causing, aiding, or abetting a violation.

11. On or about January 1, 2021, Respondent aided in conduct prohibited by the Regulations through the sale and transfer of 9 Contactors, items subject to the EAR and valued at approximately \$90,893, for exports ultimately destined to NSI, a party on the Entity List, without the required license or other authorization from BIS. Respondent sold and transferred these items via a routed export transaction to and through Company 2, the FPPI, and its U.S.-based agent.⁶
12. On or about November 13, 2020, Respondent received a purchase order from Company 2, a party located in China, for 30 Contactors. The purchase order indicated that 9 of the Contactors were intended for NSI while 21 of the Contactors were intended for Company 2's warehouse. Separately, Respondent's internal order request form submitted during the order process listed NSI in the "end user name" field.
13. On or about December 18, 2020, prior to the export of the items from the United States, NSI was added to the Entity List.⁷ Thereafter, a license was required to export, reexport, or transfer (in-country) any item subject to the EAR when NSI was a party to the transaction. Respondent did not apply for a license from BIS for the export of the 9 Contactors to NSI.
14. On or about January 1, 2021, Respondent transferred the Contactors to Company 2's U.S. based agent, U.S. Freight Forwarder 1, for export to China. These items were subsequently exported from the United States. Pursuant to § 744.11 of the EAR, these items required a license for export because NSI, a party on the Entity List, was a party to the transaction.

* * * * *

Accordingly, Respondent is hereby notified that an administrative proceeding is instituted against them pursuant to Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including, but not limited to any or all of the following:

⁶ For the conduct described here in Charge 2 and above in Charge 1, Respondent was the USPPI of the transaction and responsible for compliance with the EAR. Pursuant to § 758.3 of the EAR, parties are free to structure transactions as they wish, and to delegate functions and tasks as they deem necessary, as long as the transaction complies with the EAR. However, delegating or redelegating authority does not in and of itself relieve anyone of responsibility for compliance with the EAR.

⁷ 85 Fed. Reg. 83,420 (Dec. 22, 2020).

- The maximum civil penalty allowed by law of up to the greater of \$374,474 per violation,⁸ or twice the value of the transaction that is the basis of the violation;⁹
- Denial of export privileges;
- Exclusion from practice before BIS; and/or
- Any other liability, sanction, or penalty available under law.

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

Respondent is further notified that they are entitled to an agency hearing on the record if it files a written demand for one with their answer. *See* 15 C.F.R. § 766.6. Respondent is 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.

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18. Should Respondent have a proposal to settle this case, Respondent should transmit it to the attorneys representing BIS named below.

Respondent is further notified that under the Small Business Regulatory Enforcement Flexibility Act, Respondent 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, Respondent'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

⁸ *See* 15 C.F.R. § 6.3(c)(6). This amount is subject to annual increases pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Sec. 701 of Public Law 114-74, enacted on November 2, 2015. *See* 89 Fed. Reg. 106,308 (Dec. 30, 2024) (adjusting for inflation the maximum civil monetary penalty under ECRA from \$364,992 to \$374,474, effective January 15, 2025).

⁹ *See* Export Control Reform Act of 2018, 50 U.S.C. § 4819(c)(1)(A) (2019).

In addition, a copy of Respondent's answer must be served on BIS at the following address:

Chief Counsel for Industry and Security
Attention: Michael Goldstein Esq. and Jason Lebowitz Esq.
Room H-3839
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

Michael Goldstein and Jason Lebowitz are the attorneys representing BIS in this case; any communications that Respondent may wish to have concerning this matter should occur through them. They may be contacted by phone at (202) 482-5301

Sincerely,

Steven Fisher
Acting Director
Office of Export Enforcement