

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

In the Matter of:

United Sources Industrial Enterprises
11/F Excelsior Building
68-76 Sha Tsui Road
Tsuen Wan, New Territories
Hong Kong

Respondent

ORDER RELATING TO
UNITED SOURCES INDUSTRIAL ENTERPRISES

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has notified United Sources Industrial Enterprises, of Hong Kong (“USIE”), of its intention to initiate an administrative proceeding against USIE 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 USIE that alleges that USIE committed 39 violations of the Regulations. Specifically, the charges are:

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2014). The charged violations occurred in 2006-2007. The Regulations governing the violations at issue are found in the 2006-2007 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774). The 2014 Regulations set forth the procedures that currently 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 7, 2014 (79 Fed. Reg. 46959 (Aug. 11, 2014)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.* (2006 & Supp. IV 2010)).

Charges 1-10

15 C.F.R. §764.2(a) – Unlicensed Reexports to Entities Designated Under General Order No. 3

On ten occasions between on or about June 17, 2006 and June 14, 2007, USIE engaged in conduct prohibited by the Regulations when it reexported items subject to the Regulations to Atlinx Electronics and Mayrow General Trading, both in the United Arab Emirates, without the export license required by BIS. Pursuant to General Order No. 3 of June 5, 2006, set forth in Supplement No. 1 to Part 736 of the Regulations, a license was required to export or reexport any item subject to the Regulations to Atlinx Electronics or Mayrow General Trading. By reexporting items subject to the Regulations to these entities without the license required by the Regulations, USIE committed ten violations of Section 764.2(a) of the Regulations.

Charges 11-39

15 C.F.R. § 764.2(h) – Evasion

On 29 occasions between on or about July 9, 2007 and on or about November 5, 2007, USIE engaged in a transaction or took other action with intent to evade the provisions of the Regulations. Specifically, for each of these transactions, USIE provided Creative Electronics Ltd. (“Creative Electronics”) of Hong Kong, a company that was co-located with USIE and shared USIE’s employees, with U.S. supplier and transaction information that enabled Creative Electronics to act on behalf of USIE with USIE’s U.S. suppliers. USIE was a company designated in General Order No. 3 to part 736 of the Regulations. Pursuant to General Order No. 3, a license was required to export or reexport any item subject to the Regulations to USIE. As such, USIE could not conduct transactions with U.S. suppliers without authorization from the Department of Commerce.

USIE was aware of its designation in General Order No. 3 because, inter alia, the day after USIE’s designation in General Order No. 3, an internet business platform informed its customers, including USIE, that USIE had been added to General Order No. 3 and that penalties would be imposed for U.S. companies doing business with USIE. In addition, shortly thereafter, USIE’s owner, Bruce Lam, wrote a letter to USIE’s suppliers and customers on behalf of USIE, addressed “Dear Business Partners,” which stated that in USIE’s understanding “General Order No 3 is an order to all US companies not to export any products to USIE.”

By providing U.S. supplier and transaction information to Creative Electronics, USIE enabled Creative Electronics to order electronic components, which are items subject to the Regulations, from USIE’s U.S. suppliers on behalf of USIE. USIE’s actions were taken with the intent to evade the designation of USIE in General Order No. 3 and to continue the business USIE had established with U.S. suppliers. USIE’s owner, Bruce Lam, stated on or about April 1, 2008 to a BIS representative that these actions were taken to avoid USIE’s designation in General Order No. 3 and that Creative Electronics was necessary in order for USIE to remain in business. In so doing, USIE committed 29 violations of Section 764.2(h) of the Regulations.

WHEREAS, BIS and USIE 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, USIE shall be assessed a civil penalty in the amount of \$4.5 million.

USIE shall pay the U.S. Department of Commerce \$400,000 in four installments of:

\$100,000 not later than October 20, 2014; \$100,000 not later than April 20, 2015;

\$100,000 not later than October 20, 2015; and \$100,000 not later than April 20, 2016.

Payment of the remaining \$4.1 million shall be suspended for a period of five years from the date of the Order, and thereafter shall be waived, provided that during this five-year payment probationary period under the Order, USIE has committed no violation of the Act or any regulation, order, license or authorization issued thereunder, and has made full and timely payment of \$400,000 as set forth above. If USIE commits a violation of the Act or any regulation, order, license, or authorization issued thereunder during the probationary period under this Order, the suspension of the civil penalty may be modified or revoked by BIS and the \$4.5 million made due and owing immediately.

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, USIE 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, USIE shall complete an external audit of its export controls compliance program. USIE shall hire an unaffiliated third party consultant with expertise in U.S. export control laws to conduct the external audit of its compliance with U.S. export control laws (including recordkeeping requirements), with respect to all exports or reexports that are subject to the Regulations. The results of the audit, including any relevant supporting materials, shall be submitted to the Department of Commerce, Bureau of Industry and Security, Office of Export Enforcement, 200 E. Las Olas Blvd., Suite 1800, Fort Lauderdale, FL 33301 (“BIS Miami Field Office”). The audit shall cover the 12-month period beginning on the date of the Order, as well as the preceding 24 months, and the related report shall be due to the BIS Miami Field Office no later than fifteen (15) months from the date of the Order. Said audit shall be in substantial compliance with the EMS sample audit module, and shall include an assessment of USIE’s compliance with the Regulations. The EMS sample audit module is available on the BIS web site at http://www.bis.doc.gov/complianceandenforcement/revised_emcp_audit.pdf. In addition, where said audit identifies actual or potential violations of the Regulations, USIE must promptly provide copies of the pertinent air waybills and other export control documents and supporting documentation to the BIS Miami Field Office.

FOURTH, that the full and timely payment of the civil penalty in accordance with the payment schedule set forth above and the completion of the audit and submission of the audit results as set forth above are hereby made conditions to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to USIE. Accordingly, if USIE should fail to pay the civil penalty in a full and timely manner or complete the audit and submit the audit results, the

undersigned may issue an order denying all of USIE's export privileges under the Regulations for a period of one year from the date of failure to make such payment or complete the audit and submit its results.

FIFTH, that for a period of five (5) years from the date of this Order, United Sources Industrial Enterprises, with a last known address of 11/F Excelsior Building, 68-76 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong, and when acting for or on its behalf, its successors, assigns, directors, officers, employees, representatives, or agents (hereinafter collectively referred to as "Denied Person"), may not, directly or indirectly, participate in any way in any transaction involving any commodity, software or technology (hereinafter collectively referred to as "item") exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations, including, but not limited to:

- A. Applying for, obtaining, or using any license, License Exception, or export control document;
- B. Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way, any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations; or
- C. Benefitting in any way from any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations.

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

- A. Export or reexport to or on behalf of the Denied Person any item subject to the Regulations;
- B. Take any action that facilitates the acquisition or attempted acquisition by the Denied Person of the ownership, possession, or control of any item subject to the Regulations that has been or will be exported from the United States, including financing or other support activities related to a transaction whereby the Denied Person acquires or attempts to acquire such ownership, possession or control;
- C. Take any action to acquire from or to facilitate the acquisition or attempted acquisition from the Denied Person of any item subject to the Regulations that has been exported from the United States;
- D. Obtain from the Denied Person in the United States any item subject to the Regulations with knowledge or reason to know that the item will be, or is intended to be, exported from the United States; or
- E. Engage in any transaction to service any item subject to the Regulations that has been or will be exported from the United States and which is owned, possessed or controlled by the Denied Person, or service any item, of whatever origin, that is owned, possessed or controlled by the Denied Person if such service involves the use of any item subject to the Regulations that has been or will be exported from the United States. For purposes of this paragraph, servicing means installation, maintenance, repair, modification or testing.

SEVENTH, that, after notice and opportunity for comment as provided in Section 766.23 of the Regulations, any person, firm, corporation, or business organization related to the Denied Person by affiliation, ownership, control, or position of responsibility in the

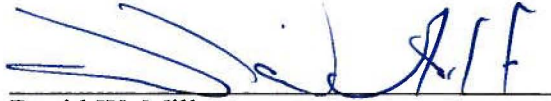
conduct of trade or related services may also be made subject to the provisions of the Order.

EIGHTH, that, as authorized by Section 766.18(c) of the Regulations, the five-year denial period set forth above shall be suspended during a probationary period of five years under the Order, and shall thereafter be waived, provided that USIE has made full and timely payment as set forth above, completed the audit and submitted the audit results as set forth above, and has committed no other violation of the Act or the Regulations or any order, license or authorization issued thereunder. If USIE does not make full and timely payment as set forth above, does not complete the audit or submit its results as set forth above, or commits another violation of the Act or the Regulations or any order, license or authorization issued thereunder, during the five-year probationary period under the Order, the suspension may be modified or revoked by BIS and a denial order, including a five-year denial period, activated against USIE.

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

TENTH, 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.

A handwritten signature in blue ink, appearing to read 'David W. Mills', is written over a horizontal line.

David W. Mills
Assistant Secretary of Commerce
for Export Enforcement

Issued this 18th day of September, 2014.

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

In the Matter of:

United Sources Industrial Enterprises
11/F Excelsior Building
68-76 Sha Tsui Road
Tsuen Wan, New Territories
Hong Kong

Respondent

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between United Sources Industrial Enterprises, of Hong Kong (“USIE”), 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, BIS has notified USIE of its intentions to initiate an administrative proceeding against USIE, pursuant to the Act and the Regulations;

WHEREAS, BIS has issued a Proposed Charging Letter to USIE that alleges that USIE committed 39 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 (2014). The charged violations occurred in 2006-2007. The Regulations governing the violations at issue are found in the 2006-2007 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774). The 2014 Regulations set forth the procedures that currently apply to this matter.

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Charges 11-39

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On 29 occasions between on or about July 9, 2007 and on or about November 5, 2007, USIE engaged in a transaction or took other action with intent to evade the provisions of the Regulations. Specifically, for each of these transactions, USIE provided Creative Electronics Ltd. (“Creative Electronics”) of Hong Kong, a company that was co-located with USIE and shared USIE’s employees, with U.S. supplier and transaction information that enabled Creative Electronics to act on behalf of USIE with USIE’s U.S. suppliers. USIE was a company designated in General Order No. 3 to part 736 of the Regulations. Pursuant to General Order No. 3, a license was required to export or reexport any item subject to the Regulations to USIE. As such, USIE could not conduct transactions with U.S. suppliers without authorization from the Department of Commerce.

USIE was aware of its designation in General Order No. 3 because, inter alia, the day after USIE’s designation in General Order No. 3, an internet business platform informed its customers, including USIE, that USIE had been added to General Order No. 3 and that penalties would be imposed for U.S. companies doing business with USIE. In addition, shortly thereafter, USIE’s owner, Bruce Lam, wrote a letter to USIE’s suppliers and customers on behalf of USIE, addressed “Dear Business Partners,” which stated that in USIE’s understanding “General Order No 3 is an order to all US companies not to export any products to USIE.”

By providing U.S. supplier and transaction information to Creative Electronics, USIE enabled Creative Electronics to order electronic components, which are items subject to the Regulations, from USIE’s U.S. suppliers on behalf of USIE. USIE’s actions were taken with the intent to evade the designation of USIE in General Order No. 3 and to continue the business USIE had established with U.S. suppliers. USIE’s owner, Bruce Lam, stated on or about April 1, 2008 to a BIS representative that these actions were taken to avoid USIE’s designation in General Order No. 3 and that Creative Electronics was necessary in order for USIE to remain in business. In so doing, USIE committed 29 violations of Section 764.2(h) of the Regulations.

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

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

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

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

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

a. USIE shall be assessed a civil penalty in the amount of \$4.5 million. USIE shall pay the U.S. Department of Commerce \$400,000 in four installments of: \$100,000 not later than October 20, 2014; \$100,000 not later than

April 20, 2015; \$100,000 not later than October 20, 2015; and \$100,000 not later than April 20, 2016. Payment shall be made in the manner specified in the attached instructions. If any of the four installment payments is not fully and timely made, any remaining scheduled installment payments and any suspended penalty may become due and owing immediately. Payment of the remaining \$4.1 million shall be suspended for a period of five years from the date of the Order, and thereafter shall be waived, provided that during this five-year payment probationary period under the Order, USIE has committed no violation of the Act, or any regulation, order, license or authorization issued thereunder, and has made full and timely payment of \$400,000 as set forth above.

b. USIE shall complete an external audit of its export controls compliance program. USIE shall hire an unaffiliated third party consultant with expertise in U.S. export control laws to conduct the external audit of its compliance with U.S. export control laws (including recordkeeping requirements), with respect to all exports or reexports that are subject to the Regulations. The results of the audit, including any relevant supporting materials, shall be submitted to the Department of Commerce, Bureau of Industry and Security, Office of Export Enforcement, 200 E. Las Olas Blvd., Suite 1800, Fort Lauderdale, FL 33301 ("BIS Miami Field Office"). The audit shall cover the 12-month period beginning on the date of the Order, as well as the preceding 24 months, and the related report shall be due to the BIS Miami Field Office no later than fifteen (15) months from the date of the Order. Said audit shall be in substantial compliance with the EMS sample audit module, and shall include an assessment of USIE's compliance with the Regulations. The EMS sample audit

module is available on the BIS web site at http://www.bis.doc.gov/complianceand enforcement/ revised_emcp_audit.pdf. In addition, where said audit identifies actual or potential violations of the Regulations, USIE shall promptly provide copies of the pertinent air waybills and other export control documents and supporting documentation to the BIS Miami Field Office.

d. The full and timely payment of the civil penalty agreed to in Paragraph 2.a and the timely completion of the audit and submission of the audit results in Paragraph 2.b are hereby made conditions to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to USIE. Failure to make full and timely payment of the civil penalty or to complete the audit and submit the audit results as set forth above, may result in the denial of all of USIE's export privileges under the Regulations for one year from the date of the failure to make such payment.

e. For a period of five (5) years from the date of the Order, United Sources Industrial Enterprises, with a last known address of 11/F Excelsior Building, 68-76 Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong, and when acting for or on its behalf, its successors, assigns, directors, officers, employees, representatives, or agents (hereinafter collectively referred to as "Denied Person"), may not, directly or indirectly, participate in any way in any transaction involving any commodity, software or technology (hereinafter collectively referred to as "item") exported or to be exported from the United

States that is subject to the Regulations, or in any other activity subject to the Regulations, including, but not limited to:

- i. Applying for, obtaining, or using any license, License Exception, or export control document;
- ii. Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way, any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations; or
- iii. Benefitting in any way from any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations.

f. BIS agrees that, as authorized by Section 766.18(c) of the Regulations, the five-year denial period set forth in Paragraph 2.e shall be suspended during a probationary period of five years under the Order, and shall thereafter be waived, provided that USIE has made full and timely payment in accordance with Paragraph 2.a above and has completed the audit and submitted the audit results in accordance with Paragraph 2.b above and has committed no other violation of the Act or the Regulations or any order, license or authorization issued thereunder. If USIE does not make full and timely payment in accordance with Paragraph 2.a above, has not completed the audit and submitted the audit

results in accordance with Paragraph 2.b above, , or commits another violation of the Act or the Regulations or any order, license or authorization issued thereunder, during the five-year probationary period under the Order, the suspension may be modified or revoked by BIS and a denial order, including a five-year denial period, activated against USIE.

3. Subject to the approval of this Agreement pursuant to Paragraph 8 hereof, USIE 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. USIE 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 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 this Agreement and the Order, if issued, from the date of the Order until the later of the date USIE pays in full the civil penalty agreed to in Paragraph 2.a of this Agreement or submits the audit results in Paragraph 2.b.

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

5. BIS agrees that upon full and timely payment of the civil penalty as set forth in Paragraph 2.a and completion of the audit and submission of the audit results as set forth in Paragraph 2.b, BIS will not initiate any further administrative proceeding against USIE in connection with any violation of the Act or the Regulations arising out of the transactions specifically detailed in the Proposed Charging Letter.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(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.

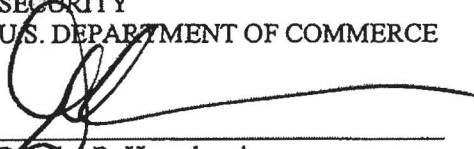
7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if issued; nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department 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. BIS will make the Proposed Charging Letter, this Agreement, and the Order, if issued, available to the public.

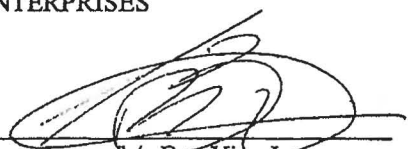
10. Each signatory affirms that he/she has authority to enter into this Settlement Agreement and to bind his/her respective party to the terms and conditions set forth herein.

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



Douglas R. Hassebrock
Director of Export Enforcement

UNITED SOURCES INDUSTRIAL
ENTERPRISES

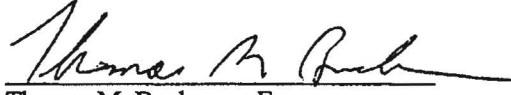


Bruce Lam a/k/a Fan-Ying Lam
Director

Date: 7/8/2014

Date: 2014.06.21

Reviewed and approved by:



Thomas M. Buchanan, Esq.
Winston & Strawn LLP
Counsel for United Sources Industrial
Enterprises

Date: 7/8/14

CHARGING LETTER

REGISTERED MAIL - RETURN RECEIPT REQUESTED

United Sources Industrial Enterprises
11/F Excelsior Bldg.
68-76 Sha Tsui Rd.
Tsuen Wan, New Territories
Hong Kong

Attn: *Bruce Lam a.k.a. Fan-Ying Lam*
Owner

Dear Mr. Lam:

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has reason to believe that United Sources Industrial Enterprises of Hong Kong (“USIE”) has committed 39 violations of the Export Administration Regulations (the “Regulations”),¹ which issued under the authority of the Export Administration Act of 1979, as amended (the “Act”).² Specifically, BIS charges that USIE committed the following violations:

Charges 1-10 15 C.F.R. §764.2(a) – Unlicensed Reexports to Entities Designated Under General Order No. 3

As described in greater detail in the attached Schedule A, which is incorporated herein by reference, on ten occasions between on or about June 17, 2006 and June 14, 2007, USIE engaged in conduct prohibited by the Regulations when it reexported items subject to the Regulations to Atlinx Electronics and Mayrow General Trading, both in the United Arab Emirates, without the export license required by BIS. Pursuant to General Order No. 3 of June 5, 2006, set forth in Supplement No. 1 to Part 736 of the Regulations, a license was required to export or reexport any item subject to the Regulations to Atlinx Electronics or Mayrow General Trading. By reexporting items subject to the Regulations to these entities without the license required by the Regulations, USIE committed ten violations of Section 764.2(a) of the Regulations.

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Charges 11-39

15 C.F.R. § 764.2(h) – Evasion

As described in greater detail in the attached Schedule B, which is incorporated herein by reference, on 29 occasions between on or about July 9, 2007 and on or about November 5, 2007, USIE engaged in a transaction or took other action with intent to evade the provisions of the Regulations. Specifically, for each of these transactions, USIE provided Creative Electronics Ltd. (“Creative Electronics”) of Hong Kong, a company that was co-located with USIE and shared USIE’s employees, with U.S. supplier and transaction information that enabled Creative Electronics to act on behalf of USIE with USIE’s U.S. suppliers. USIE was a company designated in General Order No. 3 to part 736 of the Regulations. Pursuant to General Order No. 3, a license was required to export or reexport any item subject to the Regulations to USIE. As such, USIE could not conduct transactions with U.S. suppliers without authorization from the Department of Commerce.

USIE was aware of its designation in General Order No. 3 because, inter alia, the day after USIE’s designation in General Order No. 3, an internet business platform informed its customers, including USIE, that USIE had been added to General Order No. 3 and that penalties would be imposed for U.S. companies doing business with USIE. In addition, shortly thereafter, USIE’s owner, Bruce Lam, wrote a letter to USIE’s suppliers and customers on behalf of USIE, addressed “Dear Business Partners,” which stated that in USIE’s understanding “General Order No 3 is an order to all US companies not to export any products to USIE.”

By providing U.S. supplier and transaction information to Creative Electronics, USIE enabled Creative Electronics to order electronic components, which are items subject to the Regulations, from USIE’s U.S. suppliers on behalf of USIE. USIE’s actions were taken with the intent to evade the designation of USIE in General Order No. 3 and to continue the business USIE had established with U.S. suppliers. USIE’s owner, Bruce Lam, stated on or about April 1, 2008 to a BIS representative that these actions were taken to avoid USIE’s designation in General Order No. 3 and that Creative Electronics was necessary in order for USIE to remain in business. In so doing, USIE committed 29 violations of Section 764.2(h) of the Regulations.

* * * * *

Accordingly, USIE 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 the greater of \$250,000 per violation or twice the value of the transaction that is the basis of the violation,³
- Denial of export privileges; and/or

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

- Exclusion from practice before BIS.

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

USIE 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. USIE 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.

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

USIE is further notified that under the Small Business Regulatory Enforcement Flexibility Act, USIE 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, USIE'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 USIE's answer must be served on BIS at the following address:

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

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Thea D. R. Kendler is the attorney representing BIS in this case; any communications that USIE may wish to have concerning this matter should occur through her. Ms. Kendler may be contacted by telephone at (202) 482-5301.

Sincerely,

Douglas R. Hassebrock
Director
Office of Export Enforcement

Charge No.	Date of Reexport	Recipient of Reexport	Item Part No.	Item Description	Value	Violation
1	17-Jun-06	Atlinx Electronics, United Arab Emirates	6N137 (PBF)	High Speed 8 Pin Dip	\$1,482.00	15 C.F.R. § 764.2(a)
			74HC573D (SMD, 2K/RL)	Wafer for HC Mos Logic	\$1,168.00	
			74LS00 (SN74LS00N)	Quad 2 NAND-Gate	\$90.00	
			LM336Z-2.5 (PBF)	Standard Linear Part	\$668.00	
			OPO7CSZ-REEL	Operational Amplifier	\$2,000.00	
			OP177GPZ	Operational Amplifier	\$260.00	
			STPS1L3OU (2.5K/RL) D/C01	Low Power Schottky Reg	\$200.00	
2	5-Jul-06	Mayrow General Trading, United Arab Emirates	VIPER12ADIP-E (PBF)	SMPS Primary Switcher	\$223.00	15 C.F.R. § 764.2(a)
			1N4148TA , D/C06	B/R Gen Pur Diode&Zener	\$23.50	
			40106 (CD40106BE)	Hex Schmitt Trigger	\$157.00	
			74HC595 (M74HC595B1R)	8 Bit Shift Register	\$146.00	
			7809 (L7809CV)	Pos. Voltage Regulator IC	\$103.00	
			BD139	NPN Silicon Transistor	\$140.00	
			DS1812-10	5 Volt Econoset	\$60.00	
			H11AA1 (PBF)	AC Trans Output 6Pin Dip	\$579.00	
			LM358N	Low power dual Op Amp	\$120.00	
			MC34063AP1	Switching Regulator	\$1,272.00	
			IS61LV6424-10TQI	CMOS Static RAM	\$3,666.00	
TL072CDR	Operational Amplifier	\$240.00				

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3	31-Jul-06	Mayrow General Trading, United Arab Emirates	16F870 (PBF, PIC16F870-I/SP)06	CMOS Microcontroller	\$882.00	15 C.F.R. § 764.2(a)
			16F872 (PBF, PIC16F872-I/SP)	CMOS Microcontroller	\$3,970.00	
			1N4148TA , D/C06	B/R Gen Pur Diode&Zener	\$10,212.00	
4	31-Aug-06	Mayrow General Trading, United Arab Emirates	AD843BH	Operational Amplifier	\$1,280.00	15 C.F.R. § 764.2(a)
5	16-Oct-06	Mayrow General Trading, United Arab Emirates	OP177GPZ	Operational Amplifier	\$515.00	15 C.F.R. § 764.2(a)
			74HC138N	Wafer for Mos Logic	\$170.00	
			74HC574 (MM74HC574N)	Tri State Octal D Latch	\$315.00	
6	2-Nov-06	Mayrow General Trading, United Arab Emirates	TLV320AIC1103PBSR (TQFP, 1K/R'04)	PCM Codec	\$5,700.00	15 C.F.R. § 764.2(a)
7	16-Nov-06	Mayrow General Trading, United Arab Emirates	M48T86PC1	Real Time Clock	\$3,080.00	15 C.F.R. § 764.2(a)
8	17-Jan-07	Mayrow General Trading, United Arab Emirates	4N25	Photo Trans Opto Coupler	\$312.00	15 C.F.R. § 764.2(a)
			CS5532-BSZ (SSOP, PBF)	Low Noise A/D converter	\$4,950.00	
			OP177GPZ	Operational Amplifier	\$520.00	
			XR2206CP-F	Mono Generator IC	\$3,320.00	
9	19-Apr-07	Mayrow General Trading, United Arab Emirates	L4940V5	Low Drop 1.5A Regulator	\$4,544.00	15 C.F.R. § 764.2(a)
10	7-May-07	Atlinx Electronics, United Arab Emirates	L4940V5 (PBF)	Low Drop 1.5A Regulator	\$1,136.00	15 C.F.R. § 764.2(a)

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Charge No.	Date of Export or Attempted Export	Item Description	Value	U.S. AWB No.	Violation
11	9-Jul-07	Electronic Components	\$3,264.00	Fedex 790285005195	15 C.F.R. § 764.2(h)
12	12-Jul-07	Electronic Components	\$1,150.00	Fedex 709504022261	15 C.F.R. § 764.2(h)
13	19-Jul-07	Electronic Components	\$3,080.00	Fedex	15 C.F.R. § 764.2(h)
14	23-Jul-07	Electronic Components	\$250.00	Fedex 709504030292	15 C.F.R. § 764.2(h)
15	25-Jul-07	Electronic Components	\$12,165.00	U-Freight	15 C.F.R. § 764.2(h)
16	27-Jul-07	Electronic Components	\$1,308.00	Fedex 709504035445	15 C.F.R. § 764.2(h)
17	28-Jul-07	Electronic Components	\$191.70	Fedex 723746127261	15 C.F.R. § 764.2(h)
18	1-Aug-07	Electronic Components	\$6,040.04	U-Ocean 244 4436511	15 C.F.R. § 764.2(h)
19	2-Aug-07	Electronic Components	\$3,314.12	Fedex 723746214529	15 C.F.R. § 764.2(h)
20	2-Aug-07	Electronic Components	\$11,310.00	U-Freight UNY- 00615451	15 C.F.R. § 764.2(h)
21	3-Aug-07	Electronic Components	\$195.00	Fedex 709504041061	15 C.F.R. § 764.2(h)
22	20-Aug-07	Electronic Components	\$665.00	Fedex 709504053477	15 C.F.R. § 764.2(h)
23	31-Aug-07	Electronic Components	\$1,512.50	Fedex 709504064029	15 C.F.R. § 764.2(h)

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24	10-Sep-07	Electronic Components	\$120.00	Fedex 709504069395	15 C.F.R. § 764.2(h)
25	11-Sep-07	Electronic Components	\$450.00	Fedex 942966671031	15 C.F.R. § 764.2(h)
26	11-Sep-07	Electronic Components	\$7,680.00	Fedex 709504070540	15 C.F.R. § 764.2(h)
27	13-Sep-07	Electronic Components	\$135.00	Fedex 709504073148	15 C.F.R. § 764.2(h)
28	13-Sep-07	Electronic Components	\$865.00	Fedex 938302125256	15 C.F.R. § 764.2(h)
29	14-Sep-07	Electronic Components	\$1,635.00	Fedex 709504074604	15 C.F.R. § 764.2(h)
30	21-Sep-07	Electronic Components	\$1,400.00	Fedex 625721398244	15 C.F.R. § 764.2(h)
31	25-Sep-07	Electronic Components	\$425.00	Fedex	15 C.F.R. § 764.2(h)
32	4-Oct-07	Electronic Components	\$370.00	Fedex 938302205706	15 C.F.R. § 764.2(h)
33	9-Oct-07	Electronic Components	\$92.00	Fedex 938302220989	15 C.F.R. § 764.2(h)
34	10-Oct-07	Electronic Components	\$250.00	Fedex 943771763621	15 C.F.R. § 764.2(h)
35	15-Oct-07	Electronic Components	\$100.00	Fedex 709504096790	15 C.F.R. § 764.2(h)
36	26-Oct-07	Electronic Components	\$832.00	Fedex 709504108731	15 C.F.R. § 764.2(h)
37	30-Oct-07	Electronic Components	\$876.00	Fedex 746791654739	15 C.F.R. § 764.2(h)

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38	1-Nov-07	Electronic Components	\$302.50	Fedex 946791662597	15 C.F.R. § 764.2(h)
39	5-Nov-07	Electronic Components	\$197,970.00	U-Ocean	15 C.F.R. § 764.2(h)