

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

In the Matter of:

Haas Automation, Inc.
2800 Sturgis Road
Oxnard, CA 93030

ORDER RELATING TO
HAAS AUTOMATION, INC.

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has notified Haas Automation, Inc. of Oxnard, California (“Haas”) of its intention to initiate an administrative proceeding against Haas pursuant to Section 766.18(a) of the Export Administration Regulations (the “EAR” or “Regulations”),¹ through the issuance of a Proposed Charging Letter to Haas that alleges that Haas committed 42 violations of the Regulations.² Specifically:

Charges 1-41 15 CFR. § 764.2(b) – Causing, aiding, or abetting a violation

Haas aided in violations of the Regulations by selling items subject to the EAR for export, reexport, or transfer (in-country) to parties on the BIS Entity List in China and Russia. The relevant items—parts used to service previously sold Haas Computer Numerical Control (CNC) machines—were valued in total at approximately \$29,254, and were used to service CNC machines worth far more. The sales to parties on the Entity List in China occurred between on or about April 2019 through on or about March 2024, and the sales to parties on the Entity List in Russia occurred between on or about January 2020 and on or about November 2021.

Specifically, Haas sold machine tool parts to certain Haas authorized distributors, which were then used by such distributors to service CNC machines owned by 6 Entity List parties in China and 2 Entity List parties in Russia. All relevant parts sold by Haas were of U.S.-

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 The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2025). The charged violations occurred between 2019 and 2024. The Regulations governing the violations at issue are found in the 2019-2024 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774). The 2025 Regulations set forth the procedures that apply to this matter.

origin, subject to the Regulations, and designated as EAR99 (*e.g.*, gearboxes, magnetic encoder adapters, and dual battery replacement kits). Haas supplied such parts to its distributors for customers in China and Russia after the relevant customers had been added to the Entity List, and without the requisite license or authorization from BIS.

By engaging in the above-described conduct, Haas committed 41 violations of Section 764.2(b) of the Regulations.

Charge 42: 15 C.F.R. § 764.2(a) – Engaging in prohibited conduct

From on or about November 15, 2021 through on or about May 27, 2022, Haas’s authorized third-party distributor in Russia,³ through its freight forwarder, filed a series of inaccurate and incomplete Electronic Export Information (EEI) filings for exports of items subject to the EAR destined to Russia—including exports post-dating comprehensive export controls on Russia implemented by BIS effective February 24, 2022. Although the EEIs were submitted by the authorized distributor’s freight forwarder, Haas did not obtain any written authorization from the distributor affirming that the distributor would be responsible for all export compliance obligations for the shipments. Accordingly, Haas maintained export compliance responsibility for the accuracy of the EEIs. By engaging in the above-described conduct, Haas committed one violation of § 764.2(a) of the Regulations.

WHEREAS, I have taken into consideration the Settlement Agreement between Haas and the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC Settlement Agreement”);

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

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

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³ Although Haas terminated its distribution agreement with its third-party distributor in Russia on March 3, 2022, certain EEI filings submitted by the freight forwarder post-dated this termination date.

IT IS THEREFORE ORDERED:

FIRST, Haas shall be assessed a civil penalty in the amount of \$1,500,000. Haas shall pay the U.S. Department of Commerce \$1,491,000 within 30 days of the date of this order. Payment of the remaining \$9,000 shall be suspended until Haas makes payment of the OFAC civil penalty pursuant to the terms of the OFAC Settlement Agreement, and thereafter shall be credited towards the total \$1,500,000 penalty amount due under this agreement. If Haas fails to pay the OFAC civil penalty, then the suspension shall be revoked and the full amount of the suspended penalty shall be imposed and become immediately due.

SECOND, Haas shall complete two (2) audits of its export controls compliance program. Haas shall hire an unaffiliated third-party consultant with expertise in U.S. export control laws to conduct the external audits of its compliance with U.S. export control laws (including recordkeeping requirements), with respect to all exports, reexports, or transfers (in country) that are subject to the Regulations. The results of the audits, including any relevant supporting materials, shall be submitted to the U.S. Department of Commerce, Bureau of Industry and Security, Office of Export Enforcement, 2601 Main Street, Suite 310, Irvine, CA 92614 (“BIS Los Angeles Field Office”). The first annual audit shall cover the 12-month period beginning on the date of the Order, and the related report shall be due to the BIS Los Angeles Field Office no later than fifteen (15) months from the date of the Order. The second annual audit shall cover the next 12-month period beginning on the one-year anniversary of the date of the Order, and the related report shall be due to the BIS Los Angeles Field Office no later than fifteen (15) months from the one-year anniversary of the Order. Said audits shall be in substantial compliance with the Export Compliance Program (ECP) sample audit module and shall include an assessment of Haas’s compliance

with the Regulations. The ECP sample audit module is available on the BIS web site at <https://www.bis.doc.gov/index.php/documents/pdfs/1641-ecp/file>. In addition, where said audits identify actual or potential violations of the Regulations, Haas shall promptly provide copies of the export control documents and supporting documentation to the BIS Los Angeles Field Office. Haas may voluntarily disclose violations identified through the audits, copying the BIS Los Angeles Field Office.

THIRD, 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, Haas 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.

FOURTH, that compliance with the terms of the Settlement Agreement and this Order, including the full and timely payment of the civil penalty agreed to in Paragraph 2.a of the Settlement Agreement, the timely completion of the audits and submission of the audit results agreed to in Paragraph 2.b. of the Settlement Agreement, and compliance with the terms of the OFAC Settlement Agreement, 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 Haas.

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

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

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Kevin J. Kurland
Acting Assistant Secretary of Commerce
for Export Enforcement

Issued this _____ day of January, 2025.

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

In the Matter of:

Haas Automation, Inc.
2800 Sturgis Road
Oxnard, CA 93030

Respondent

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Haas Automation, Inc. of Oxnard, California (“Haas”), 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 “EAR” or “Regulations”).¹

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

WHEREAS, BIS has issued a Proposed Charging Letter to Haas that alleges that Haas committed 42 violations of the Regulations, specifically:

Charges 1-41 15 CFR. § 764.2(b) – Causing, aiding, or abetting a violation

Haas aided in violations of the Regulations by selling items subject to the EAR for export, reexport, or transfer (in-country) to parties on the BIS Entity List in China and Russia. The relevant items—parts used to service previously sold Haas Computer Numerical Control (CNC) machines—were valued in total at approximately \$29,254, and were used to service CNC machines worth far more. The sales to parties on the Entity List in China occurred between on or about April 2019 through on or about March 2024, and the sales to parties

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 The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2025). The charged violations occurred between 2019 and 2024. The Regulations governing the violations at issue are found in the 2019-2024 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774). The 2025 Regulations set forth the procedures that apply to this matter.

on the Entity List in Russia occurred between on or about January 2020 and on or about November 2021.

Specifically, Haas sold machine tool parts to certain Haas authorized distributors, which were then used by such distributors to service CNC machines owned by 6 Entity List parties in China and 2 Entity List parties in Russia. All relevant parts sold by Haas were of U.S.-origin, subject to the Regulations, and designated as EAR99 (*e.g.*, gearboxes, magnetic encoder adapters, and dual battery replacement kits). Haas supplied such parts to its distributors for customers in China and Russia after the relevant customers had been added to the Entity List, and without the requisite license or authorization from BIS.

By engaging in the above-described conduct, Haas committed 41 violations of Section 764.2(b) of the Regulations.

Charge 42: 15 C.F.R. § 764.2(a) – Engaging in prohibited conduct

From on or about November 15, 2021 through on or about May 27, 2022, Haas's authorized third-party distributor in Russia,³ through its freight forwarder, filed a series of inaccurate and incomplete Electronic Export Information (EEI) filings for exports of items subject to the EAR destined to Russia—including exports post-dating comprehensive export controls on Russia implemented by BIS effective February 24, 2022. Although the EEIs were submitted by the authorized distributor's freight forwarder, Haas did not obtain any written authorization from the distributor affirming that the distributor would be responsible for all export compliance obligations for the shipments. Accordingly, Haas maintained export compliance responsibility for the accuracy of the EEIs. By engaging in the above-described conduct, Haas committed one violation of § 764.2(a) of the Regulations.

WHEREAS, Haas 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, Haas 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 understands the terms of all three documents;

³ Although Haas terminated its distribution agreement with its third-party distributor in Russia on March 3, 2022, certain EEI filings submitted by the freight forwarder post-dated this termination date.

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

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

WHEREAS, the Parties enter into this Agreement having taken into consideration the settlement agreement entered between Haas and the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC Settlement Agreement");

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

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

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

2. The following sanctions shall be imposed against Haas:

a. Haas shall be assessed a civil penalty in the amount of \$1,500,000. Haas shall pay the U.S. Department of Commerce \$1,491,000 within 30 days of the date of this order. Payment of the remaining \$9,000 shall be suspended until Haas makes payment of the OFAC civil penalty pursuant to the terms of the OFAC Settlement Agreement, and thereafter shall be credited towards the total \$1,500,000 penalty amount due under this agreement. If Haas fails to pay the OFAC civil

penalty, then the suspension shall be revoked and the full amount of the suspended penalty shall be imposed and become immediately due under this agreement. Payment shall be made in the manner specified in the attached instructions.

b. Haas shall complete two (2) audits of its export controls compliance program. Haas shall hire an unaffiliated third-party consultant with expertise in U.S. export control laws to conduct the external audits of its compliance with U.S. export control laws (including recordkeeping requirements), with respect to all exports, reexports, or transfers (in country) that are subject to the Regulations. The results of the audits, including any relevant supporting materials, shall be submitted to the U.S. Department of Commerce, Bureau of Industry and Security, Office of Export Enforcement, 2601 Main Street, Suite 310, Irvine, CA 92614 (“BIS Los Angeles Field Office”). The first annual audit shall cover the 12-month period beginning on the date of the Order, and the related report shall be due to the BIS Los Angeles Field Office no later than fifteen (15) months from the date of the Order. The second annual audit shall cover the next 12-month period beginning on the one-year anniversary of the date of the Order, and the related report shall be due to the BIS Los Angeles Field Office no later than fifteen (15) months from the one-year anniversary of the Order. Said audits shall be in substantial compliance with the Export Compliance Program (ECP) sample audit module and shall include an assessment of Haas’s compliance with the Regulations. The ECP sample audit module is available on the BIS web site at <https://www.bis.doc.gov/index.php/documents/pdfs/1641-ecp/file>. In addition, where said audits identify actual or potential violations of the Regulations, Haas shall promptly provide copies of the export control documents and supporting

documentation to the BIS Los Angeles Field Office. Haas may voluntarily disclose violations identified through the audits, copying the BIS Los Angeles Field Office.

c. Compliance with the terms of this Agreement and the Order, including the full and timely payment of the civil penalty agreed to in Paragraph 2.a, above, the timely completion of the audits and submission of the audit results agreed to in Paragraph 2.b., above, and compliance with the terms of the OFAC Settlement Agreement, 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 Haas. Failure to make full and timely payment of the civil penalty may result in the denial of all of Haas's export privileges under the Regulations for one year from the date of the failure to make such payment.

3. Subject to the approval of this Agreement pursuant to Paragraph 8 hereof, Haas 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. Haas 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 the later of the date that Haas pays in full the civil penalty agreed to in Paragraph 2.a of this Agreement, has completed the audits and submitted the audit results agreed to in Paragraph 2.b of this Agreement, or has fulfilled its obligations under the OFAC Settlement 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 Haas in connection with any violation of the Regulations arising out of the transactions specifically detailed in the Proposed Charging Letter.

5. Haas shall comply with all of the terms in the OFAC Settlement Agreement.

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 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

JOHN
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John Sonderman
Director of Export Enforcement

Date: January 17, 2025

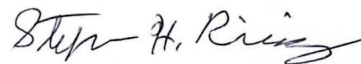
HAAS AUTOMATION, INC.



Robert P. Murray
General Manager, Haas Automation, Inc.

Date: January 17, 2025

Reviewed and approved by:



Stefan H. Reisinger
Norton Rose Fulbright US LLP

Counsel for Haas Automation, Inc.

Date: January 17, 2025



UNITED STATES DEPARTMENT OF COMMERCE
Bureau of Industry and Security
Office of Export Enforcement
1401 Constitution Avenue, Suite 4508
Washington, DC 20230

PROPOSED CHARGING LETTER

Haas Automation, Inc.
2800 Sturgis Road
Oxnard, CA 93030

Dear Haas Automation, Inc.:

The Bureau of Industry and Security, U.S. Department of Commerce (BIS), has reason to believe that Haas Automation, Inc. (“Haas”) is responsible for 42 violations of the Export Administration Regulations (the “EAR” or “Regulations”).¹ Specifically, BIS alleges and charges the following violations:

GENERAL ALLEGATIONS

As described in further detail below, Haas aided in violations of the Regulations by selling items subject to the EAR for export, reexport, or transfer (in-country) to parties on the BIS Entity List in China and Russia. The relevant items—parts used to service previously sold Haas Computer Numerical Control (CNC) machines—were valued in total at approximately \$29,254, and were used to service CNC machines worth far more. The sales to parties on the Entity List in China occurred between on or about April 2019 through on or about March 2024, and the sales to parties on the Entity List in Russia occurred between on or about January 2020 and on or about November 2021.

Specifically, Haas sold machine tool parts to certain Haas authorized distributors, which were then used by such distributors to service CNC machines owned by 6 Entity List parties in China and 2 Entity List parties in Russia. All relevant parts sold by Haas were of U.S.-origin, subject to the Regulations, and designated as EAR99² (e.g., gearboxes, magnetic encoder adapters, and dual battery replacement kits). Haas supplied such parts to its distributors for customers in China and Russia after the relevant customers had been added to the Entity List, and without the requisite license or authorization from BIS.

Additionally, Haas is responsible for violations of the Regulations involving the filing of inaccurate or incomplete Electronic Export Information (EEI) for exports to Russia from on or about November 2021 through on or about May 2022. As described in more detail below, these

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2025). The charged violations occurred in 2019-2024. The Regulations governing the violations at issue are found in the 2019-2024 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774). The 2025 Regulations set forth the procedures that apply to this matter.

² EAR99 is a designation for items subject to the EAR but not listed on the Commerce Control List. See Section 734.3(c) of the EAR.



violations occurred when a freight forwarder acting on behalf of Haas's authorized distributor in Russia submitted false and inaccurate information in connection with the export to Russia of Haas items subject to the Regulations.

Background Regarding Haas's Structure and Compliance Program

Headquartered in Oxnard, California, Haas is a privately held manufacturer of machine tools and related parts, including CNC vertical and horizontal machining centers and CNC lathes. Haas manufactures Haas machines and parts at a factory in Oxnard. Haas machines and parts have a wide range of potential applications, including uses across the electronics, transportation, oil and gas, aerospace, marine, and military and defense industries.

Haas does not typically sell machine tools or parts directly to end customers. Instead, Haas relies on its "Haas Factory Outlet" ("HFO") model, which involves a network of independent third-party authorized distributors. These authorized distributors, or HFOs, each sell and service Haas machines in specific regions. Haas supplies its U.S.-origin machine tools and parts to its HFOs either directly from its manufacturing facility in California, or through two wholly-owned distribution centers in Belgium and China. Haas's wholly-owned distribution center in China, Haas Automation Asia, also at times distributes certain machine tools and parts to end users in China, and did so for a number of the transactions described below involving sales to Entity List parties in China.

Haas customers typically place orders for machine parts or service with the HFO responsible for the territory in which the customer is located. The HFO then procures the relevant part or service from Haas via Haas's web-based ordering portal. In particular, the HFOs utilize this web-based portal to review and obtain transaction documents, to review accounting and payment records, and to initiate spare part orders. As is true of all Haas parts, the relevant parts shipped to Haas customers in China and Russia were of U.S.-origin and subject to the EAR.

During the relevant time period, Haas conducted manual screening of customers against restricted party lists, including the Entity List, only when first exporting a CNC machine to a customer through an authorized distributor, when there was a customer change request, or when Haas became aware of a change in customer name or address. However, during the relevant time period, Haas and its authorized distributors did not always rescreen customers when supplying machine parts to service a previously exported machine. As a result, for the Haas sales described below, Haas's screening process failed to flag certain shipments of machine parts that were intended for ultimate delivery to customers in China and Russia on the Entity List at the time of shipment.

Haas Sales to Entity List Parties

The Entity List, which is set forth in Supplement No. 4 to Part 744 of the Regulations, identifies entities that are subject to BIS license requirements for exports, reexports, and transfers (in-country) because, *inter alia*, "there is reasonable cause to believe, based on specific and articulable facts, that the entity has been involved, is involved, or poses a significant risk of being or becoming

involved in activities that are contrary to the national security or foreign policy interests of the United States.”³

As described in further detail below, from on or about April 2019 through on or about March 2024, Haas violated the Regulations on 41 occasions by selling EAR99 machine parts, through Haas’s authorized distributors, for export, reexport, or transfer (in-country) to parties that were on the BIS Entity List in China and Russia. These sales requests were processed through Haas’s web-based ordering portal. With respect to the machine parts described below, the parts were used to service previously sold Haas CNC machines that were exported to the customer prior to the customer being added to the Entity List—with one exception for a China-based end user in 2011, discussed in more detail below.

The relevant customers in China on the Entity List were: (1) Beijing University of Aeronautics and Astronautics (BUAA), also known as (a/k/a) Beihang University; (2) Shandong Institute of Space Electronic Technology, a listed alias under China Academy of Space Technology 513 Research Institute on the Entity List; (3) China Electronics Technology Group Corporation 14th Research Institute (CETC 14); (4) Wuxi Jiangnan Institute of Computing Technology; (5) China State Shipbuilding Corporation, Limited (CSSC) 723rd Research Institute, a/k/a China Shipbuilding Industry Group Co., Ltd. (CSIC) 7th Research Academy, and Yangzhou Marine Electronic Instrument Research Institute; and (6) Anhui Bowei Chang An Electronics, a subordinate institution listed under China Electronics Technology Group Corporation 38th Research Institute (CETC 38) on the Entity List.

The relevant customers in Russia on the Entity List were: (1) DJSC Factory Krasnoe Znamya; and (2) JSC LEMZ R&P Corporation.

Pursuant to Section 744.11(a) and Supplement No. 4 to Part 744 of the Regulations, at all relevant times, a license was required to export, reexport, or transfer (in-country) any item subject to the Regulations to these customers on the Entity List in China and Russia, including machine parts designated EAR99. No U.S. Government authorization was sought or obtained in connection with these transactions.

Charges Related to Haas Sales to Entity List Parties in China

With respect to customers in China, on 32 occasions between on or about April 2019 through on or about March 2024, Haas (through its authorized distributors) sold EAR99 machine parts to service Haas CNC machines owned by six customers that were, at the time of sale of such parts, on the Entity List. Haas’s authorized distributors processed these sales through Haas’s web-based ordering portal. Through Haas’s authorized distributors located in China, certain of which are independently owned and controlled, these U.S.-origin machine parts were transferred (in-country) to the six customers on the Entity List, without the requisite BIS license under Section 744.11 of the Regulations.

³ 15 C.F.R. § 744.11(b).

Charges 1-4: 15 C.F.R. § 764.2(b) – Causing, aiding, or abetting a violation

- **Shipments to Beijing University of Aeronautics and Astronautics (BUAA), a/k/a Beihang University:** BUAA was added to the Entity List on May 14, 2001 for acting contrary to the national security or foreign policy interests of the United States, and for its involvement in rocket system and unmanned air vehicles activities.⁴

On four occasions between on or about December 2019 and on or about August 2020, Haas aided in conduct prohibited by the Regulations when it sold machine parts subject to the EAR and designated EAR99 for transfer (in-country) via its authorized distributors to BUAA, a/k/a Beihang University, without the requisite license or authorization from BIS. The relevant parts were sold to service a Haas CNC machine that was shipped to BUAA in May 2011, without any authorization from BIS. As BUAA was designated on the Entity List as of May 2001, a license was required to export both the underlying CNC machine (shipped in 2011) and the EAR99 machine parts (shipped between 2019 and 2020).

Charges 5-9: 15 C.F.R. § 764.2(b) – Causing, aiding, or abetting a violation

- **Shipments to Shandong Institute of Space Electronic Technology:** Shandong Institute of Space Electronic Technology was added to the Entity List on August 24, 2022 for acting contrary to the national security or foreign policy interests of the United States.⁵

On five occasions between on or about November 2022 and on or about February 2024, Haas aided in conduct prohibited by the Regulations when it sold machine parts subject to the EAR and designated EAR99 for transfer (in-country) via its authorized distributors to Shandong Institute of Space Electronic Technology, without the requisite license or authorization from BIS. Two of these five sales and unauthorized transfers—in October 2023 and February 2024—occurred after Haas became aware that its export compliance procedures were the subject of an inquiry from BIS.

Charges 10-12: 15 C.F.R. § 764.2(b) – Causing, aiding, or abetting a violation

- **Shipments to China Electronics Technology Group Corporation 14th Research Institute (CETC 14):** CETC 14 was added to the Entity List on August 1, 2018 for acting contrary to the national security or foreign policy interests of the United States.⁶

On three occasions between on or about May 2019 and on or about April 2021, Haas aided in conduct prohibited by the Regulations when it sold machine parts subject to the EAR and designated EAR99 for transfer (in-country) via its authorized distributors to China

⁴ 66 Fed. Reg. 24266 (May 14, 2001). *See* related Revisions to the Entity List (70 Fed. Reg. 54629 (September 16, 2005) and 88 Fed. Reg. 13675 (March 6, 2023)).

⁵ 87 Fed. Reg. 51877 (August 24, 2022).

⁶ 83 Fed. Reg. 37427 (August 1, 2018).

Electronics Technology Group Corporation 14th Research Institute (CETC 14), without the requisite license or authorization from BIS.

Charges 13-17: 15 C.F.R. § 764.2(b) – Causing, aiding, or abetting a violation

- **Shipments to Wuxi Jiangnan Institute of Computing Technology:** Wuxi Jiangnan Institute of Computing Technology was added to the Entity List on June 24, 2019 for acting contrary to the national security or foreign policy interests of the United States.⁷

On five occasions between on or about June 2019 and on or about August 2022, Haas aided in conduct prohibited by the Regulations when it sold machine parts subject to the EAR and designated EAR99 for transfer (in-country) via its authorized distributors to Wuxi Jiangnan Institute of Computing Technology, without the requisite license or authorization from BIS.

Charges 18-25: 15 C.F.R. § 764.2(b) – Causing, aiding, or abetting a violation

- **Shipments to China State Shipbuilding Corporation, Limited (CSSC) 723rd Research Institute, also known as (a/k/a) China Shipbuilding Industry Group Co., Ltd. (CSIC) 723rd Research Institute, and Yangzhou Marine Electronic Instrument Research Institute:** China State Shipbuilding Corporation, Limited (CSSC) 723rd Research Institute, a/k/a China Shipbuilding Industry Group Co., Ltd. (CSIC) 723rd Research Institute, and Yangzhou Marine Electronic Instrument Research Institute, was added to the Entity List on December 18, 2020 for acting contrary to the national security or foreign policy interests of the United States.⁸

On eight occasions between on or about February 2021 and on or about March 2024, Haas sold machine parts, via its authorized distributors, to customers with exact or nearly exact name matches to the above-listed aliases. Specifically, the names of the customers were “China Shipbuilding Industry Corporation (CSIC) 723rd Research Institute,” “Yangzhou Marine Electronic Instrument Institute,” and “Yangzhou Marine Electronic Instrument Research Institute Manufacturing Department.” Two shipments to “Yangzhou Marine Electronic Instrument Institute” went to an address that was an exact match to the Entity List. For the additional six shipments, while the address information provided by the end users did not exactly match the relevant Entity List address, despite the name matches, Haas did not conduct due diligence to confirm that its customers were not prohibited parties. In fact, according to evidence obtained by BIS during its investigation, these customers (“Yangzhou Marine Electronic Instrument Research Institute Manufacturing Department” and “China Shipbuilding Industry Corporation (CSIC) 723rd Research Institute”) were the same entity as that included on the Entity List.

⁷ 84 Fed. Reg. 29373 (June 24, 2019). *See* related Modification to the Entity List (87 Fed. Reg. 62202 (October 13, 2022)).

⁸ 85 Fed. Reg. 83420 (December 22, 2020).

As such, Haas aided in conduct prohibited by the Regulations when it sold machine parts subject to the EAR and designated EAR99 for transfer (in-country) via its authorized distributors to China State Shipbuilding Corporation, Limited (CSSC) 723rd Research Institute, a/k/a China Shipbuilding Industry Group Co., Ltd. (CSIC) 723rd Research Institute, and Yangzhou Marine Electronic Instrument Research Institute, without the requisite license or authorization from BIS.

One of these sales and unauthorized transfers—in March 2024—occurred after Haas became aware that its export compliance procedures were the subject of an inquiry from BIS.

Charges 26-32: 15 C.F.R. § 764.2(b) – Causing, aiding, or abetting a violation

- **Shipments to Anhui Bowei Chang An Electronics:** Anhui Bowei Chang An Electronics is one of seven subordinate institutions on the Entity List under China Electronics Technology Group Corporation 38th Research Institute (CETC 38), which was added to the Entity List on August 1, 2018 for acting contrary to the national security or foreign policy interests of the United States.⁹

On seven occasions between on or about April 2019 and on or about June 2019, Haas sold machine parts, via its authorized distributors, to a customer with a nearly exact name match to Anhui Bowei Chang An Electronics. Specifically, the name of the customer was “Anhui Bo Wei Chang An Co. Ltd.” While the address information provided by this end user did not exactly match the relevant Entity List address, despite the name match, Haas did not conduct due diligence to confirm that its customer was not a prohibited party. In fact, according to evidence BIS obtained during its investigation, the customer was the same entity as that included on the Entity List.

As such, Haas aided in conduct prohibited by the Regulations when it sold machine parts subject to the EAR and designated EAR99 for transfer (in-country) via its authorized distributors to Anhui Bowei Chang An Electronics, without the requisite license or authorization from BIS.

Charges Related to Haas Sales to Entity List Parties in Russia

With respect to customers in Russia, on nine occasions between on or about January 2020 and on or about November 2021, Haas (through its third-party authorized distributor in Russia) sold EAR99 machine parts to service CNC machines owned by two customers that were, at the time of sale of such parts, on the Entity List. Haas’s authorized distributor processed these sales through Haas’s web-based ordering portal. Through Haas’s authorized distributor in Russia, these U.S.-origin machine parts were transferred (in-country) to the two customers on the Entity List, without the requisite BIS license under Section 744.11 of the Regulations.

⁹ 83 Fed. Reg. 37423 (August 1, 2018).

Charges 33-37: 15 C.F.R. § 764.2(b) – Causing, aiding, or abetting a violation

- **Shipments to DJSC Factory Krasnoe Znamya:** DJSC Factory Krasnoe Znamya, a/k/a OJSC Factory Krasnoe Znamya, OAO Zavod Krasnoe Znamya, AO Krasnoye Znamya, Krasnoye Znamya Plant OAO, and Krasnoye Znamya Plant JSC was added to the Entity List on December 27, 2016 for acting contrary to the national security or foreign policy interests of the United States.¹⁰

On five occasions between on or about December 2020 and on or about July 2021, Haas aided in conduct prohibited by the Regulations when it sold machine parts subject to the EAR and designated EAR99 for export through its authorized distributor to DJSC Factory Krasnoe Znamya, without the requisite license or authorization from BIS.

Charges 38-41: 15 C.F.R. § 764.2(b) – Causing, aiding, or abetting a violation

- **Shipments to JSC LEMZ R&P Corporation:** JSC LEMZ R&P Corporation was added to the Entity List on December 27, 2016 for acting contrary to the national security or foreign policy interests of the United States.¹¹

On four occasions between on or about January 2020 and on or about November 2021, Haas aided in conduct prohibited by the Regulations when it sold machine parts subject to the EAR and designated EAR99 for export through its authorized distributor to JSC LEMZ R&P Corporation, without the requisite license or authorization from BIS.

Charge Related to Electronic Export Information Filing Requirements

An Electronic Export Information (EEI) filing, which collects basic information about items exported and the parties to an export, is required for certain exports. “Electronic filing through the [Automated Export System (AES)] strengthens the U.S. government’s ability to prevent the export of certain items to unauthorized destinations and/or end users because the AES aids in targeting, identifying, and when necessary confiscating suspicious or illegal shipments prior to exportation.” 15 C.F.R. § 30.1(b).

The EEI filing is a statement to the United States Government that the transaction occurred as described, and moreover is an “export control document,” as defined in § 772.1 of the Regulations. See 15 C.F.R. § 758.1(a)-(b). Under § 758.1(f)(1)-(3) of the Regulations, when an EEI is filed, the filer of the EEI represents that the export of the items described in the EEI filing is either authorized in accordance with the EAR or not subject to the EAR; that statements on the EEI filing are in conformity with any license issued by BIS; and that all information on the EEI is true, accurate, and complete.

¹⁰ 81 Fed. Reg. 94968 (December 27, 2016).

¹¹ 81 Fed. Reg. 94968 (December 27, 2016).

In a routed export transaction, the U.S. Principal Party in Interest (USPPI) remains responsible for exports (and related export paperwork) of the Foreign Principal Party in Interest (FPPI)—unless the USPPI obtains written authorization from the FPPI that the FPPI will be responsible for all export requirements for the shipments.

Charge 42: 15 C.F.R. § 764.2(a) – Engaging in prohibited conduct

From and including on or about November 15, 2021 through on or about May 27, 2022, Haas’s authorized third-party distributor in Russia¹² (the FPPI), through its freight forwarder, filed a series of inaccurate and incomplete EEIs for exports of items subject to the EAR destined to Russia—including exports post-dating comprehensive export controls on Russia implemented by BIS effective February 24, 2022.¹³ Although the EEIs were submitted by the authorized distributor’s freight forwarder, Haas did not obtain any written authorization from the distributor affirming that the distributor would be responsible for all export compliance obligations for the shipments. Accordingly, Haas maintained export compliance responsibility for the accuracy of the EEIs.

The inaccuracies in the EEIs included, for example, incorrect or missing entries for Export Control Classification Numbers (ECCNs) of the exported items; inaccuracies in the parties to the transactions; incorrect dates of export; inaccurate descriptions of exported items; and inaccurate representations of the appropriate BIS license authority for the transactions.

As the USPPI, Haas was responsible for ensuring the “truth, accuracy, and completeness of the EEI,” per § 758.1(e) of the Regulations. Haas’s reliance on its distributor’s freight forwarder to prepare the EEIs and facilitate these exports (absent obtaining a written authorization from the FPPI affirming its responsibility for all export requirements) did not relieve Haas of its responsibility for export compliance, 15 C.F.R. § 758.3, including the responsibility under § 758.1(f) of the Regulations to ensure the accuracy of the EEIs submitted to the United States Government.

In engaging in the above-described conduct, Haas engaged in conduct contrary to the EAR and committed one violation of § 764.2(a) of the Regulations.

* * * * *

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

¹² Although Haas terminated its distribution agreement with its third-party distributor in Russia on March 3, 2022, certain EEI filings submitted by the freight forwarder post-dated this termination date.

¹³ 87 Fed. Reg. 12226 (March 3, 2022).

- The maximum civil penalty of an amount not to exceed the greater of \$374,474 per violation or an amount that is twice the amount of the transaction that is the basis of the violation with respect to which the penalty is imposed;¹⁴
- Denial of export privileges;
- Exclusion from practice before BIS; and/or
- Any other liability, sanction, or penalty available under law.

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

Haas is further notified that it is entitled to an agency hearing on the record if it files a written demand for one with any answer. *See* 15 C.F.R. § 766.6. Haas 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 Haas have a proposal to settle this case, it should transmit it to the attorneys 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, Haas'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 Haas's answer must be served on BIS at the following address:

Chief Counsel for Industry and Security
Attention: Anne Fisher and Matt Rosenbaum
Room H-3839
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

¹⁴ *See* 50 U.S.C. § 4819 (prescribing civil monetary penalty amount for ECRA violation); 15 C.F.R. §§ 6.3(c)(4), 6.4 (adjusting civil monetary penalty amount for inflation).

Anne Fisher and Matt Rosenbaum are the attorneys representing BIS in this case; any communications that Haas may wish to have concerning this matter should occur through them. Ms. Fisher and Mr. Rosenbaum may be contacted at 202-482-5301.

Sincerely,

John Sonderman
Director, Office of Export Enforcement