

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

In the Matter of:

Julian Demurjian
[REDACTED]

San Francisco, CA [REDACTED]

Respondent

ORDER RELATING TO
JULIAN DEMURJIAN

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has notified Julian Demurjian, of San Francisco, California (“Demurjian”), of its intention to initiate an administrative proceeding against Demurjian pursuant to Section 766.3 of the Export Administration Regulations (the “Regulations”),¹ through the issuance of a Proposed Charging Letter to Demurjian that alleges that Demurjian committed seven violations of the Regulations.² Specifically, the charges are:

¹ The Regulations originally issued under the Export Administration Act of 1979, as amended, 50 U.S.C. §§ 4601-4623 (Supp. III 2015) (“the EAA”), which lapsed on August 21, 2001. The President, through Executive Order 13,222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, including the Notice of August 8, 2018 (83 Fed. Reg. 39,871 (Aug. 13, 2018)), continued the Regulations in full force and effect under the International Emergency Economic Powers Act, 50 U.S.C. § 1701, et seq. (2012) (“IEEPA”). On August 13, 2018, the President signed into law the John S. McCain National Defense Authorization Act for Fiscal Year 2019, which includes the Export Control Reform Act of 2018, 50 U.S.C. §§ 4801-4852 (“ECRA”). While Section 1766 of ECRA repeals the provisions of the EAA (except for three sections which are inapplicable here), Section 1768 of ECRA provides, in pertinent part, that all rules and regulations that were made or issued under the EAA, including as continued in effect pursuant to IEEPA, and were in effect as of ECRA’s date of enactment (August 13, 2018), shall continue in effect until modified, superseded, set aside, or revoked through action undertaken pursuant to the authority provided under ECRA.

² The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2020). The charged violations occurred in 2014-2015. The Regulations governing the violations at issue are found in the 2020 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774). The 2020 Regulations set forth the procedures that apply to this matter.

**Charges 1-6 15 C.F.R. § 764.2(b) – Causing, Aiding, or Abetting a Violation
of the Regulations**

On six occasions between, on, or about December 26, 2014, and on or about August 6, 2015, Demurjian and CIS Project³, which was at all pertinent times owned and operated by Demurjian, caused, aided, or abetted a violation of the Regulations, namely, the making of false or misleading statements to an agency of the U.S. Government in violation of Section 764.2(g) (Misrepresentation and Concealment of Facts) of the Regulations in connection with the export to Russia of items subject to the Regulations. *See* 15 C.F.R. § 764.2(g) (2014-2015). Specifically, Demurjian and CIS Project (collectively, “Demurjian/CIS Project”) prepared and provided to the freight forwarder invoices that misrepresented (vastly understated) the value of fiber switches and fiber accessories being exported, items that are used in telecommunications networking equipment and are listed on the Commerce Control List and controlled under Export Control Classification Numbers (“ECCNs”) 5A002, 5D002, and 5A991 on national security, encryption, and/or anti-terrorism grounds. *See* 15 C.F.R. Part 774 (Commerce Control List), Supp. No.1. The freight forwarder subsequently filed Electronic Export Information (“EEI”) containing the false value information in the Automated Export System (AES)⁴ for each of the six shipments.

Section 764.2(g)(1)(ii-iii) of the Regulations prohibits the making of false or misleading statements to BIS or any other agency of the U.S. Government--either directly or indirectly through any other person--in connection with the preparation and submission of any export control document as defined in Section 772.1 of the Regulations, or for the purpose of or in connection with effecting an export of any item subject to the Regulations. 15 C.F.R. §§ 764.2(g)(1)(ii)-(iii) (2014-2015). An invoice used in connection with the export of an item subject to the Regulations is an export control document, as is EEI filed in connection with the shipment of any such item to any country. *See* 15 C.F.R. § 772.1 (at definition of “export control document”) (2014-2015); *see also* 15 C.F.R. § 758.1(f) (2014-2015).

The sales invoice or other sales-related documentation issued by the supplier to Demurjian/CIS Project for the items identified a customer in Russia and specified the actual value. Upon receipt of the items, however, Demurjian/CIS Project generated and used a “CIS Project” invoice for each shipment that included a false (and far lower) value for the items. For example, in connection with an export made on April 6, 2015, the supplier’s March 30, 2015 invoice listed a total price of \$165,630. Demurjian/CIS Project prepared a substitute invoice on CIS Project letterhead dated April 6, 2015 that listed the total price as \$17,430, more than \$148,000 less. On September 9, 2015, the freight forwarder filed EEI for this shipment that listed this false and undervalued amount. The understatement of the values on the other five exports ranged from more than

³ CIS Project was formally dissolved in June 2018.

⁴ The AES is used by BIS and U.S. Customs and Border Protection for export control and clearance purposes and by the U.S. Bureau of the Census to collect export statistics.

\$43,000 to more than \$103,000. In sum, the sales documentation prepared by the supplier of the items listed an actual total value for the six transactions of approximately \$574,000; by contrast, the six false invoices and related EEI filings listed a total understated value of only approximately \$57,000 for the six shipments.

Demurjian's and CIS Project's actions caused, aided, or abetted a violation of Section 764.2(g) of the Regulations in connection with each of the six exports described above.

In so doing, Demurjian committed six violations of Section 764.2(b) of the Regulations.⁵

Charge 7 15 C.F.R. § 764.2(b) – Causing, Aiding, or Abetting a Violation of the Regulations

On one occasion on or about February 20, 2015, Demurjian/CIS Project caused, aided, or abetted a violation of the Regulations, namely, the failure to file required export control documents with the U.S. Government in violation of Section 764.2(a) (Engaging in prohibited conduct) of the Regulations. 15 C.F.R. §§ 764.2(a) (2014-2015). This export contained fiber switches and fiber accessories for use in telecommunications networking equipment, items subject to the Regulations, listed on the Commerce Control List, and controlled under ECCNs 5A002, 5D002, and 5A991 on national security, encryption, and/or anti-terrorism grounds. See 15 C.F.R. Part 774 (Commerce Control List), Supp. No.1.

Section 764.2(a) of the Regulations provides that no party may engage in conduct prohibited by or contrary to the Regulations, or refrain from engaging in any conduct required by the Regulations. 15 C.F.R. §§ 764.2(a) (2014-2015). Under Section 758.1(b)(5) of the Regulations, an EEI filing in the AES is required for all exports of items subject to the Regulations when the value of the items under a single Schedule B Number or Harmonized Tariff Schedule Number exceeds \$2,500. 15 C.F.R. § 758.1(b)(5) (2014-2015); see also Sections 30.4(a) and 30.37(a) of the Foreign Trade Regulations, 15 C.F.R §§ 30.4(a) and 30.37(a). As the February 20, 2015 export contained items subject to the Regulations that are listed under a single Schedule B Number or Harmonized Tariff Schedule Number with a value that exceeded \$2,500, an EEI filing in the AES was required.

In connection with the export, however, Demurjian/CIS Project generated and provided to the freight forwarder an invoice on CIS Project letterhead that falsely listed a significantly undervalued amount for the items so that the stated value did not exceed \$2,500, and thus did not appear to trigger an EEI filing requirement. The original supplier's sales invoice or other sales documentation provided to Demurjian/CIS Project contained the actual value of the shipment. Specifically, Demurjian/CIS Project

⁵ Section 764.2(b) of the EAR states that “[n]o person may cause or aid, abet, counsel, command, induce, procure, or permit the doing of any act prohibited, or the omission of any act required, by the EAA, the EAR, or any order, license, or authorization issued thereunder.”

generated an invoice on CIS Project letterhead that listed \$2,425, an amount that fell just below the EEI filing threshold. The actual value of the exported items was \$9,829.50.

Demurjian's and CIS Project's actions caused, aided, or abetted a violation of Section 764.2(a) in connection with the export.

In so doing, Demurjian committed one violation of Section 764.2(b) of the Regulations.

WHEREAS, BIS and Demurjian 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, Julian Demurjian shall be assessed a civil penalty in the amount of \$540,000. The payment of \$60,000 shall be made to the U.S. Department of Commerce within 30 days of the date of this Order. Payment of the remaining \$480,000 shall be suspended for a period of two years from the date of this Order, and thereafter shall be waived, provided that during this two-year payment probationary period under this Order, Demurjian has not committed a violation of the Export Control Reform Act of 2018 ("ECRA"),⁶ the Regulations, or any order, license, or authorization issued under ECRA or the Regulations, and has made full and timely payment of \$60,000 as set forth above.

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 date specified herein, Demurjian will be assessed, in addition to the full amount of

⁶ See note 1, *supra*.

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 Demurjian.

FOURTH, that for a period of two years from the date of this Order, Demurjian, with a last known address of [REDACTED] San Francisco, CA [REDACTED], and when acting for or on his behalf, his successors, assigns, representatives, agents, or employees (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 engaging 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 from any other activity subject to the Regulations.

FIFTH, 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.

SIXTH, 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 ownership, control, position of responsibility, affiliation, or other connection in the conduct of trade or business may also be made subject to the provisions of this Order.

SEVENTH, as authorized by Section 766.18(c) of the Regulations, the two-year denial period shall be suspended during a probationary period of two years under this Order, and shall thereafter be waived, provided that Demurjian has made full and timely payment as set forth above and has not committed another violation of ECRA, the Regulations, or any order, license, or authorization issued under ECRA or the Regulations. If Demurjian does not make full and timely payment as set forth above or, during the two-year probationary period under this Order commits another violation of ECRA, the Regulations, or any order, license, or authorization issued under ECRA or the Regulations, the suspension may be modified or revoked by BIS and a denial order including a two-year denial period activated against Demurjian. If the suspension is modified or revoked, the activation order may also revoke any BIS licenses in which Demurjian has an interest at the time of the activation order.⁷

EIGHTH, Demurjian shall not dispute or deny, directly or indirectly, the allegations contained in the Proposed Charging Letter or this Order or take any position contrary thereto in any public statement. The foregoing does not affect Demurjian's

⁷ Such a revocation would include licenses in effect at the time of the activation order, whether the license was issued before or after ECRA's enactment on August 13, 2018. See note 1, *supra*.

testimonial obligations in any administrative or judicial proceeding; nor does it affect his 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.

NINTH, 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.

**KEVIN
KURLAND**

Digitally signed by
KEVIN KURLAND
Date: 2021.01.27
12:18:16 -05'00'

Kevin Kurland
Performing the Non-exclusive Functions and
Duties of the Assistant Secretary for Export
Enforcement

Issued this 27th day of January, 2021.

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

In the Matter of:

Julian Demurjian

██████████ ██████████

San Francisco, CA ██████████

Respondent

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Julian Demurjian, of San Francisco, California, (“Demurjian”), 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 Demurjian of its intentions to initiate an administrative proceeding against Demurjian pursuant to the Regulations;²

¹ The Regulations originally issued under the Export Administration Act of 1979, as amended, 50 U.S.C. §§ 4601-4623 (Supp. III 2015) (“the EAA”), which lapsed on August 21, 2001. The President, through Executive Order 13,222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, including the Notice of August 8, 2018 (83 Fed. Reg. 39,871 (Aug. 13, 2018)), continued the Regulations in full force and effect under the International Emergency Economic Powers Act, 50 U.S.C. § 1701, et seq. (2012) (“IEEPA”). On August 13, 2018, the President signed into law the John S. McCain National Defense Authorization Act for Fiscal Year 2019, which includes the Export Control Reform Act of 2018, 50 U.S.C. §§ 4801-4852 (“ECRA”). While Section 1766 of ECRA repeals the provisions of the EAA (except for three sections which are inapplicable here), Section 1768 of ECRA provides, in pertinent part, that all rules and regulations that were made or issued under the EAA, including as continued in effect pursuant to IEEPA, and were in effect as of ECRA’s date of enactment (August 13, 2018), shall continue in effect until modified, superseded, set aside, or revoked through action undertaken pursuant to the authority provided under ECRA.

² The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2020). The charged violations occurred in 2014-2015. The Regulations governing the violations at issue are found in the 2014-2015 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774). The 2020 Regulations set forth the procedures that apply to this matter.

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

Charges 1-6 15 C.F.R. § 764.2(b) – Causing, Aiding, or Abetting a Violation of the Regulations

On six occasions between on or about December 26, 2014, and on or about August 6, 2015, Demurjian and CIS Project³, which was at all pertinent times owned and operated by Demurjian, caused, aided, or abetted a violation of the Regulations, namely, the making of false or misleading statements to an agency of the U.S. Government in violation of Section 764.2(g) (Misrepresentation and Concealment of Facts) of the Regulations in connection with the export to Russia of items subject to the Regulations. *See* 15 C.F.R. § 764.2(g) (2014-2015). Specifically, Demurjian and CIS Project (collectively, “Demurjian/CIS Project”) prepared and provided to the freight forwarder invoices that misrepresented (vastly understated) the value of fiber switches and fiber accessories being exported, items that are used in telecommunications networking equipment and are listed on the Commerce Control List and controlled under Export Control Classification Numbers (“ECCNs”) 5A002, 5D002, and 5A991 on national security, encryption, and/or anti-terrorism grounds. *See* 15 C.F.R. Part 774 (Commerce Control List), Supp. No.1. The freight forwarder subsequently filed Electronic Export Information (“EEI”) containing the false value information in the Automated Export System (AES)⁴ for each of the six shipments.

Section 764.2(g)(1)(ii-iii) of the Regulations prohibit the making of false or misleading statements to BIS or any other agency of the U.S. Government--either directly or indirectly through any other person--in connection with the preparation and submission of any export control document as defined in Section 772.1 of the Regulations, or for the purpose of or in connection with effecting an export of any item subject to the Regulations. 15 C.F.R. §§ 764.2(g)(1)(ii)-(iii) (2014-2015). An invoice used in connection with the export of an item subject to the Regulations is an export control document, as is EEI filed in connection with the shipment of any such item to any country. *See* 15 C.F.R. § 772.1 (at definition of “export control document”) (2014-2015); *see also* 15 C.F.R. § 758.1(f) (2014-2015).

The sales invoice or other sales-related documentation issued by the supplier to Demurjian/CIS Project for the items identified a customer in Russia and specified the actual value. Upon receipt of the items, however, Demurjian/CIS Project generated and used a “CIS Project” invoice for each shipment that included a false (and far lower) value for the items. For example, in connection with an export made on April 6, 2015, the supplier’s March 30, 2015 invoice listed a total price of \$165,630. Demurjian/CIS Project prepared a substitute invoice on CIS Project letterhead dated April 6, 2015 that

³ CIS Project was formally dissolved in June 2018.

⁴ The AES is used by BIS and U.S. Customs and Border Protection for export control and clearance purposes and by the U.S. Bureau of the Census to collect export statistics.

supplier's sales invoice or other sales documentation provided to Demurjian/CIS Project contained the actual value of the shipment. Specifically, Demurjian/CIS Project generated an invoice on CIS Project letterhead that listed \$2,425, an amount that fell just below the EEI filing threshold. The actual value of the exported items was \$9,829.50.

Demurjian's and CIS Project's actions caused, aided, or abetted a violation of Section 764.2(a) in connection with the export.

In so doing, Demurjian committed one violation of Section 764.2(b) of the Regulations.

WHEREAS, Demurjian has reviewed the Proposed Charging Letter and is aware of the allegations made against him and the administrative sanctions that could be imposed against him if the allegations are found to be true;

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

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

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

WHEREAS, Demurjian 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 Demurjian, under the Regulations, in connection with the matters alleged in the Proposed Charging Letter.
2. The following sanctions shall be imposed against Demurjian:

a. Demurjian shall be assessed a civil penalty in the amount of \$540,000. The payment of \$60,000 shall be made to the U.S. Department of Commerce within 30 days of the date of the Order. Payment shall be made in the manner specified in the attached instructions. Payment of the remaining \$480,000 shall be suspended for a period of two years from the date of the Order, and thereafter shall be waived, provided that during this two-year payment probationary period under the Order, Demurjian has not committed another violation of the Export Control Reform Act of 2018 (“ECRA”),⁶ the Regulations, or any order, license, or authorization issued under ECRA or the Regulations, and has made full and timely payment of \$60,000 as set forth above.

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 Demurjian.

c. For a period of two years from the date of the Order, Demurjian, with a last known address of [REDACTED] San Francisco, CA [REDACTED], and when acting for or on his behalf, his successors, assigns, representatives, agents, or employees (hereinafter collectively referred to as “Denied Person”), may not, directly or indirectly, participate in any way in 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, including, but not limited to:

- i. Applying for, obtaining, or using any license, license exception, or export control document;

⁶ See note 1, *supra*.

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 engaging 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 from any other activity subject to the Regulations.

d. BIS agrees that, as authorized by Section 766.18(c) of the Regulations, the two-year denial period set forth in Paragraph 2.c shall be suspended during a probationary period of two years under the Order, and shall thereafter be waived, provided that Demurjian has made full and timely payment in accordance with Paragraph 2.a above, and has not committed another violation of ECRA, the Regulations, or any order, license or authorization issued under ECRA or the Regulations. If Demurjian does not make full and timely payment in accordance with Paragraph 2.a above, or during the two-year probationary period of the Order commits another violation of ECRA, the Regulations, or any order, license or authorization issued under ECRA or the Regulations, the suspension may be modified or revoked by BIS and a denial order including a two-year denial period activated against Demurjian pursuant to an activation

order. If the suspension is modified or revoked, the activation order may also revoke any BIS licenses in which Demurjian has an interest at the time of the activation order.⁷

3. Subject to the approval of this Agreement pursuant to Paragraph 8 hereof, Demurjian 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 or 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. Demurjian 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 date that Demurjian pays in full the civil penalty agreed to in Paragraph 2.a of this Agreement.

4. Demurjian shall not dispute or deny, directly or indirectly, the allegations contained in the Proposed Charging Letter or the Order or take any position contrary thereto in any public statement. The foregoing does not affect Demurjian's testimonial obligations in any administrative or judicial proceeding; nor does it affect his 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.

⁷ Such a revocation would include licenses existing at the time of the activation order, whether the license had been issued before or after ECRA's enactment on August 13, 2018. See Note 1, *supra*.

5. BIS agrees that upon full and timely payment of the civil penalty as set forth in Paragraph 2.a above, BIS will not initiate any further administrative proceeding against Demurjian in connection with any violation of 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. This Agreement constitutes and contains the entire agreement and understanding among the parties, and the terms of this Agreement or the Order, if issued, may not be varied or otherwise altered or affected by any agreement, understanding, representation, or interpretation not contained in this Agreement; 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.

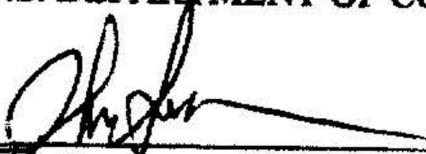
8. This Agreement shall become binding on the Parties only if the Assistant Secretary of Commerce for Export Enforcement approves it by issuing the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

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.

11. If any provision of this Settlement Agreement is found to be unlawful, only the specific provision in question shall be affected and the other provisions shall remain in full force and effect.

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



John Sonderman
Director, Office of Export Enforcement

Date: 1/25/2021

JULIAN DEMURJIAN



Julian Demurjian

Date: 1/22/2021

Reviewed and approved by:



Jonathan Poling, Esq.
Alvin Gump Strauss Hauer & Feld
Counsel for Julian Demurjian

Date: 1/22/2021

PROPOSED CHARGING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Julian Demurjian
[REDACTED]

San Francisco, CA [REDACTED]

Dear Mr. Demurjian:

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has reason to believe that you, Julian Demurjian, of San Francisco, California (“Demurjian”), and your company, CIS Project, LLC (“CIS Project”), also of San Francisco, California, which was at all pertinent times owned and operated by you,¹ violated the Export Administration Regulations (“the Regulations”),² which originally issued under the authority of the Export Administration Act of 1979, as amended (“the EAA”), and are now issued and maintained in force under the authority of the Export Control Reform Act of 2018 (“ECRA”).³ Specifically, BIS alleges that Demurjian, and CIS Project, committed the following violations of the Regulations:

¹ CIS Project was formally dissolved in June 2018.

² The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2020). The violations alleged occurred in 2014 and 2015. The Regulations governing the violations at issue are found in the 2014 and 2015 versions of the Code of Federal Regulations, 15 C.F.R. Parts 730-774 (2014-2015). The 2020 Regulations currently govern the procedural aspects of this case.

³ The Regulations originally issued under the Export Administration Act of 1979, as amended, 50 U.S.C. §§ 4601-4623 (Supp. III 2015), which lapsed on August 21, 2001. The President, through Executive Order 13,222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, including the Notice of August 8, 2018 (83 Fed. Reg. 39,871 (Aug. 13, 2018)), continued the Regulations in full force and effect under the International Emergency Economic Powers Act, 50 U.S.C. § 1701, et seq. (2012) (“IEEPA”). On August 13, 2018, the President signed into law the John S. McCain National Defense Authorization Act for Fiscal Year 2019, which includes the Export Control Reform Act of 2018, 50 U.S.C. §§ 4801-4852. While Section 1766 of ECRA repeals the provisions of the EAA (except for three sections which are inapplicable here), Section 1768 of ECRA provides, in pertinent part, that all rules and regulations that were made or issued under the EAA, including as continued in effect pursuant to IEEPA, and were in effect as of ECRA’s date of enactment (August 13, 2018), shall continue in effect according to their terms until modified, superseded, set aside, or revoked through action undertaken pursuant to the authority provided under ECRA.

Charges 1-6 **15 C.F.R. § 764.2(b) – Causing, Aiding, or Abetting a Violation of the Regulations**

As described in greater detail in the attached Schedule of Transactions, which is incorporated herein, on six occasions between on or about December 26, 2014, and on or about August 6, 2015, Demurjian and CIS Project, which was at all pertinent times owned and operated by Demurjian, caused, aided, or abetted a violation of the Regulations, namely, the making of false or misleading statements to an agency of the U.S. Government in violation of Section 764.2(g) (Misrepresentation and Concealment of Facts) of the Regulations in connection with the export to Russia of items subject to the Regulations. *See* 15 C.F.R. § 764.2(g) (2014-2015). Specifically, Demurjian and CIS Project (collectively, “Demurjian/CIS Project”) prepared and provided to the freight forwarder invoices that misrepresented (vastly understated) the value of fiber switches and fiber accessories being exported, items that are used in telecommunications networking equipment and are listed on the Commerce Control List and controlled under Export Control Classification Numbers (“ECCNs”) 5A002, 5D002, and 5A991 on national security, encryption, and/or anti-terrorism grounds. *See* 15 C.F.R. Part 774 (Commerce Control List), Supp. No.1. The freight forwarder subsequently filed Electronic Export Information (“EEI”) containing the false value information in the Automated Export System (AES)⁴ for each of the six shipments.

Section 764.2(g)(1)(ii-iii) of the Regulations prohibit the making of false or misleading statements to BIS or any other agency of the U.S. Government--either directly or indirectly through any other person--in connection with the preparation and submission of any export control document as defined in Section 772.1 of the Regulations, or for the purpose of or in connection with effecting an export of any item subject to the Regulations. 15 C.F.R. §§ 764.2(1)(g)(ii)-(iii) (2014-2015). An invoice used in connection with the export of an item subject to the Regulations is an export control document, as is EEI filed in connection with the shipment of any such item to any country. *See* 15 C.F.R. § 772.1 (at definition of “export control document”) (2014-2015); *see also* 15 C.F.R. § 758.1(f) (2014-2015).

The sales invoice or other sales-related documentation issued by the supplier to Demurjian/CIS Project for the items identified a customer in Russia and specified the actual value. Upon receipt of the items, however, Demurjian/CIS Project generated and used a “CIS Project” invoice for each shipment that included a false (and far lower) value for the items. For example, in connection with an export made on April 6, 2015, the supplier’s March 30, 2015 invoice listed a total price of \$165,630. Demurjian/CIS Project prepared a substitute invoice on CIS Project letterhead dated April 6, 2015 that listed the total price as \$17,430, more than \$148,000 less. On September 9, 2015, the freight forwarder filed EEI for this shipment that listed this false and undervalued amount. The understatement of the values on the other five exports ranged from more

⁴ The AES is used by BIS and U.S. Customs and Border Protection for export control and clearance purposes and by the U.S. Bureau of the Census to collect export statistics.

than \$43,000 to more than \$103,000. In sum, the sales documentation prepared by the supplier of the items listed an actual total value for the six transactions of approximately \$574,000; by contrast, the six false invoices and related EEI filings listed a total understated value of only approximately \$57,000 for the six shipments.

Demurjian's and CIS Project's actions caused, aided, or abetted a violation of Section 764.2(g) of the Regulations in connection with each of the six exports described above.

In so doing, Demurjian committed six violations of Section 764.2(b) of the Regulations.⁵

Charges 7 15 C.F.R. § 764.2(b) – Causing, Aiding, or Abetting a Violation of the Regulations

As described in greater detail in the attached Schedule of Transactions, which is incorporated herein, on one occasion on or about February 20, 2015, Demurjian/CIS Project caused, aided, or abetted a violation of the Regulations, namely, the failure to file required export control documents with the U.S. Government in violation of Section 764.2(a) (Engaging in prohibited conduct) of the Regulations. 15 C.F.R. §§ 764.2(a) (2014-2015). This export contained fiber switches and fiber accessories for use in telecommunications networking equipment, items subject to the Regulations, listed on the Commerce Control List, and controlled under ECCNs 5A002, 5D002, and 5A991 on national security, encryption, and/or anti-terrorism grounds. *See* 15 C.F.R. Part 774 (Commerce Control List), Supp. No.1.

Section 764.2(a) of the Regulations provides that no party may engage in conduct prohibited by or contrary to the Regulations, or refrain from engaging in any conduct required by the Regulations. 15 C.F.R. §§ 764.2(a) (2014-2015). Under Section 758.1(b)(5) of the Regulations, an EEI filing in the AES is required for all exports of items subject to the Regulations when the value of the items under a single Schedule B Number or Harmonized Tariff Schedule Number exceeds \$2,500. 15 C.F.R. § 758.1(b)(5) (2014-2015); *see also* Sections 30.4(a) and 30.37(a) of the Foreign Trade Regulations, 15 C.F.R §§ 30.4(a) and 30.37(a). As the February 20, 2015 export contained items subject to the Regulations that are listed under a single Schedule B Number or Harmonized Tariff Schedule Number with a value that exceeded \$2,500, an EEI filing in the AES was required.

In connection with the export, however, Demurjian/CIS Project generated and provided to the freight forwarder an invoice on CIS Project letterhead that falsely listed a significantly undervalued amount for the items so that the stated value did not exceed \$2,500, and thus did not appear to trigger an EEI filing requirement. The original

⁵ Section 764.2(b) of the EAR states that “[n]o person may cause or aid, abet, counsel, command, induce, procure, or permit the doing of any act prohibited, or the omission of any act required, by the EAA, the EAR, or any order, license, or authorization issued thereunder.”

supplier's sales invoice or other sales documentation provided to Demurjian/CIS Project contained the actual value of the shipment. Specifically, Demurjian/CIS Project generated an invoice on CIS Project letterhead that listed \$2,425, an amount that fell just below the EEI filing threshold. The actual value of the exported items was \$9,829.50.

Demurjian's and CIS Project's actions caused, aided, or abetted a violation of Section 764.2(a) in connection with the export.

In so doing, Demurjian committed one violation of Section 764.2(b) of the Regulations.

* * * * *

Accordingly, Demurjian is hereby notified that an administrative proceeding is instituted against him pursuant to Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions,⁶ including, but not limited to any or all of the following:

- The maximum civil penalty allowed by law of up to the greater of \$307,922 per violation,⁷ or twice the value of the transaction that is the basis of the violation;⁸
- Denial of export privileges;
- Exclusion from practice before BIS; and/or
- Any other liability, sanction, or penalty available under law.

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

⁶ The alleged violations occurred prior to August 13, 2018, the date of enactment of the ECRA. Consequently, the potential sanctions are provided for in IEEPA. In situations involving alleged violations that occurred on or after August 13, 2018, the potential sanctions are specified in Section 1760(c) of the ECRA.

⁷ *See* 15 C.F.R. §§ 6.3(b)(4), 6.4. 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.

⁸ *See* International Emergency Economic Powers Enhancement Act of 2007, Pub. L. No. 110-96, 121 Stat. 1011 (2007).

Demurjian. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty for the charges in this letter.

Demurjian is further notified that he is entitled to an agency hearing on the record if he files a written demand for one with his answer. *See* 15 C.F.R. § 766.6. Demurjian is entitled to be represented by counsel or other authorized representative who have power of attorney to represent him. *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 Demurjian have a proposal to settle this case, Demurjian should transmit it to the attorney representing BIS named below.

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

Chief Counsel for Industry and Security
14th Street and Constitution Avenue, N.W.
Room H-3839
Washington, D.C. 20230
Attention: Parvin R. Huda, Esq.

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

Sincerely,

John Sonderman
Director
Office of Export Enforcement

Julian Demurjian

Schedule of Transactions

Charge	Date	Item	ECCN	Stated Value	Actual Value	Destination	Violation of the Regulations
1	12/26/2014	Fiber Switches and Accessories	5A/5D002 and 5A991	\$11,962	At least \$115,483	Russia	Section 764.2(b)
2	1/30/2015	Fiber Switches and Accessories	5A/5D002 and 5A991	\$6,325	At least \$49,387	Russia	Section 764.2(b)
3	4/6/2015	Fiber Switches and Accessories	5A/5D002 and 5A991	\$17,430	\$165,630	Russia	Section 764.2(b)
4	5/21/2015	Fiber Switches and Accessories	5A/5D002 and 5A991	\$8,185	\$117,028	Russia	Section 764.2(b)
5	6/11/15	Fiber Switches and Accessories	5A/5D002 and 5A991	\$5,505	\$41,915	Russia	Section 764.2(b)
6	8/6/2015	Fiber Switches and Accessories	5A/5D002 and 5A991	\$7,198	\$71,178	Russia	Section 764.2(b)
7	2/20/2015	Fiber Switches and Accessories	5A/5D002 and 5A991	\$2,425	\$9,829.50	Russia	Section 764.2(b)
				Total Stated Value	Total Actual Value		
				\$59,030	At least \$570,450		