The Office of Antiboycott Compliance, Bureau of Industry and Security, United States Department of Commerce ("BIS"), has determined to initiate an administrative proceeding pursuant to Section 11(c) of the Export Administration Act of 1979, as amended (50 U.S.C. §§ 2401-2420 (2000)) (the "Act") and the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2017)) (the "Regulations"), against Carrier Saudi Services Company Ltd. ("CSSC"), a controlled-in-fact foreign affiliate of Carrier Corporation, a domestic concern, based on allegations set forth in the Proposed Charging Letter, dated May 25, 2017, that alleged that CSSC committed four violations of the Regulations.

1 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 4, 2016 (81 Fed. Reg. 52587 (Aug. 8, 2016)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, et seq. (2006 & Supp. IV 2010)).
Specifically the charges are:

1. *Two Violations of 15 C.F.R. §760.2(a) – Refusal to do Business*

   During 2012, CSSC engaged in transactions involving the sale and/or transfer of goods or services (including information) from the United States to Saudi Arabia, activities in the interstate or foreign commerce of the United States, as defined in Section 760.1(d) of the Regulations. In connection with these activities, on two occasions, CSSC, knowingly agreed to refuse to do business with another person pursuant to an agreement with, a requirement of or a request from a boycotting country, an activity prohibited by Section 760.2(a) of the Regulations, and not excepted.

2. *Two Violations of 15 C.F.R. §760.5 – Failing to Report the Receipt of a Request to Engage in a Restrictive Trade Practice or Foreign Boycott Against a Country Friendly to the United States*

   During 2012, CSSC engaged in transactions involving the sale and/or transfer of goods or services (including information) from the United States to Saudi Arabia, activities in the interstate or foreign commerce of the United States, as defined in Section 760.1(d) of the Regulations. In connection with these activities, CSSC, on two occasions, received a request to take an action which would have the effect of furthering or supporting a restrictive trade practice or unsanctioned foreign boycott. CSSC failed to report its
receipts of these requests to the Department of Commerce, as required by Section 760.5 of the Regulations.

BIS and CSSC have entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby the parties have agreed to settle this matter in accordance with the terms and conditions set forth therein and the terms of the Settlement Agreement have been approved by me.

IT IS THEREFORE ORDERED THAT:

FIRST, a civil penalty of $12,000 is assessed against CSSC and shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment of this sum shall be made in the manner specified in the attached instructions.

SECOND, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (1983 and Supp.2001)), 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, CSSC will be assessed, in addition to the full amount of the penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.
THIRD, the timely payment of the sum of $12,000 is hereby made a condition to the granting, restoration or continuing validity of any export license, permission, or privilege granted, or to be granted, to CSSC. Accordingly, if CSSC should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of CSSC’s export privileges for a period of one year from the date of the entry of this Order.

FOURTH, the Proposed Charging Letter, the Settlement Agreement and this Order shall be made available to the public, and a copy of this Order shall be served upon CSSC.

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

Richard R. Majawaskas  
 Acting Assistant Secretary of Commerce  
 for Export Enforcement

Entered this 22d day of August, 2017

Attachments
INSTRUCTIONS FOR PAYMENT OF SETTLEMENT AMOUNT

1. The check should be made payable to:

U.S. DEPARTMENT OF COMMERCE

2. The check should be mailed to:

U.S. Department of Commerce
Bureau of Industry and Security
Room 6622
14th & Constitution Avenue, N.W.
Washington, D.C.

Attention: Christine Wheeler
NOTICE

The Order to which this Notice is attached describes the reasons for the assessment of the civil monetary penalty. It also specifies the amount owed and the date by which payment of the civil penalty is due and payable.

Under the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (1983 and Supp. 2001)) and the Federal Claims Collection Standards (65 Fed. Reg. 70390-70406, November 22, 2000, to be codified at 31 C.F.R. Parts 900-904), interest accrues on any and all civil monetary penalties owed and unpaid under the Order, from the date of the Order until paid in full. The rate of interest assessed respondent is the rate of the current value of funds to the U.S. Treasury on the date that the Order was entered. However, interest is waived on any portion paid within 30 days of the date of the Order. See 31 U.S.C. §3717 and 31 C.F.R. §901.9.

The civil monetary penalty will be delinquent if not paid by the due date specified in the Order. If the penalty becomes delinquent, interest will continue to accrue on the balance remaining due and unpaid, and respondent will also be assessed both an administrative charge to cover the cost of processing and handling the delinquent claim and a penalty charge of six percent per year. However, although the penalty charge will be computed from the date that the civil penalty becomes delinquent, it will be assessed only on sums due and unpaid for over 90 days after that date. See 31 U.S.C. §3717 and 4 C.F.R. §901.9.

The forgoing constitutes the initial written notice and demand to respondent in accordance with Section 901.2 of the Federal claims Collection Standards (31 C.F.R. §901.2b).
UNITED STATES OF AMERICA
DEPARTMENT OF COMMERCE

In the Matter of

UNITED STATES OF AMERICA
DEPARTMENT OF COMMERCE

Case No. 15-04

Settlement Agreement

This agreement is made by and between Carrier Saudi Services Company Ltd.
(Saudi Arabia) ("CSSC"), a controlled-in-fact foreign affiliate of Carrier Corporation, a domestic
concern, and the Office of Antiboycott Compliance, Bureau of Industry and Security, United
States Department of Commerce ("BIS"), pursuant to Section 766.18(a) of the Export
Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2017)) (the
"Regulations"), issued pursuant to the Export Administration Act of 1979, as amended (50
U.S.C. §§ 2401-2420 (2000)) (the "Act"). 1

1 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
3 recent being that of August 4, 2016 (81 Fed. Reg. 52587 (Aug. 8, 2016)), has continued the Regulations in effect
WHEREAS CSSC has voluntarily disclosed information concerning certain of its transactions to BIS; and

WHEREAS, BIS has notified CSSC of its intention to initiate an administrative proceeding against CSSC pursuant to the Act and the Regulations by issuing the Proposed Charging Letter dated May 25, 2017, a copy of which is attached hereto and incorporated herein by this reference; and

WHEREAS, CSSC has reviewed the Proposed Charging Letter and is aware of the allegations against it and the administrative sanctions which could be imposed against it if the allegations are found to be true; CSSC fully understands the terms of this Settlement Agreement, and enters into this Settlement Agreement voluntarily and with full knowledge of its rights; and CSSC states that no promises or representations have been made to it other than the agreements and considerations herein expressed; and

WHEREAS, CSSC neither admits nor denies the truth of the allegations, but wishes to settle and dispose of the allegations made in the Proposed Charging Letter by entering into the Settlement Agreement; and
WHEREAS, CSSC agrees to be bound by the appropriate Order ("Order") when entered;

NOW, THEREFORE, CSSC and BIS agree as follows:

1. Under the Act and the Regulations, BIS has jurisdiction over CSSC with respect to the matters alleged in the Proposed Charging Letter.

2. BIS will impose a civil penalty in the amount of $12,000. CSSC will pay to the U.S. Department of Commerce, within 30 days from the date of entry of the Order, and in accordance with the terms of the Order, when entered, the amount of $12,000 in complete settlement of all matters set forth in the Proposed Charging Letter.

3. The timely payment of the amount agreed to in paragraph 2 is hereby made a condition of the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to CSSC. Failure to make payment of this amount shall result in the denial of all of CSSC's export privileges for a period of one year from the date of entry of the Order.
4. Subject to the approval of this Settlement Agreement, pursuant to paragraph 9 hereof, CSSC hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violation of this Settlement Agreement or the Order, when entered) including, without limitation, any right to:

A. An administrative hearing regarding the allegations in the Proposed Charging Letter;
B. Request a refund of the funds paid by CSSC pursuant to this Settlement Agreement and the Order, when entered; or
C. Seek judicial review or otherwise contest the validity of this Settlement Agreement or the Order, when entered.

5. BIS, upon entry of the Order, will not initiate any administrative or judicial proceeding, or make a referral to the Department of Justice for criminal proceedings against CSSC with respect to any violation of Section 8 of the Act or Part 760 of the Regulations arising out of the transactions set forth in the Proposed Charging Letter or any other transaction that was disclosed to or reviewed by BIS in the course of its investigation.
6. CSSC understands that BIS will disclose publicly the Proposed Charging Letter, this Settlement Agreement, and the Order, when entered.

7. This Settlement Agreement is for settlement purposes only, and does not constitute an admission by CSSC that it has violated the Regulations, or an admission of the truth of any allegation contained in the Proposed Charging Letter or referred to in this Settlement Agreement. Therefore, if this Settlement Agreement is not accepted and the Order not entered by the Assistant Secretary for Export Enforcement, BIS may not use this Settlement Agreement against CSSC in any administrative or judicial proceeding.

8. No agreement, understanding, representation or interpretation not contained in this Settlement Agreement may be used to vary or otherwise affect the terms of this Settlement Agreement or the Order, when entered, nor shall this Settlement Agreement bind, constrain or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances herein addressed.
This paragraph shall not limit CSSC’s right to challenge any action brought by any other agency based on a referral by BIS or any employee thereof, in contravention of paragraph 5 of this Settlement Agreement.

9. This Settlement Agreement will become binding on BIS only when approved by the Assistant Secretary for Export Enforcement by entering the Order.

Carrier Saudi Services Company Ltd. (Saudi Arabia)

DATE: 8/10/17

Reilly Kinnane, Senior Director International Trade Control
Climate Controls & Security
United Technologies Corporation

DATE: 18 August 17

Cathleen Ryan
Director
Office of Antiboycott Compliance

Attachment
PROPOSED CHARGING LETTER

May 25, 2017

Carrier Saudi Services Company Ltd. (Saudi Arabia)
P.O. Box 9784
Riyadh, Saudi Arabia

Gentlemen/Ladies:

We, the Office of Antiboycott Compliance, Bureau of Industry and Security, United States Department of Commerce ("BIS"), have reason to believe that you, Carrier Saudi Services Company Ltd. (Saudi Arabia) ("CSSC"), on four occasions, have violated the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2017))(the "Regulations"), which are issued under the authority of the Export Administration Act of 1979, as amended (50 U.S.C. §§ 2401-2420 (2000))(the "Act").

We charge that you committed two violations of Section 760.2(a) of the Regulations, in that, on two occasions, with intent to comply with, further or support an unsanctioned foreign boycott, you knowingly agreed to refuse to do business with another person pursuant to an agreement with, a requirement of or a request from a boycotting country.

We also charge that you committed two violations of Section 760.5 of the Regulations, in that, on two occasions, you failed to report to the Department of Commerce ("Department") your receipt of a request to engage in a restrictive trade practice or boycott, as required by the Regulations.

1 The transactions and violations alleged occurred during the year 2012. The Regulations governing the violations at issue are found in the 2012 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2012)). The prior years' Regulations are substantially the same as the 2017 version of the Regulations which governs the procedural aspects of this matter.

2 Since August 21, 2001, the Act has been in lapse and 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, the most recent being that of August 4, 2016 (81 Fed. Reg. 52587 (August 8, 2016)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, et seq.) (2006 & Supp. IV 2010).
We allege that:

Carrier Corporation is and at all times relevant was, a domestic concern, organized under the laws of the United States and doing business in the State of Florida. As such, Carrier Corporation is a United States person as defined in Section 760.1(b) of the Regulations.

You, Carrier Saudi Services Company Ltd. (Saudi Arabia), are, and at all times relevant were, a company registered under the laws of Saudi Arabia, and indirectly, a controlled-in-fact foreign affiliate of Carrier Corporation, a domestic concern, as defined in Section 760.1(c) of the Regulations. As such, you are a United States person as defined in Section 760.1(b) of the Regulations.

During the period January 2012 through May 2012, you engaged in transactions involving the sale and/or transfer of goods or services (including information) from the United States to Saudi Arabia, activities in the interstate or foreign commerce of the United States, as defined in Section 760.1(d) of the Regulations.

Charges 1-2 (15 C.F.R. § 760.2(a) – Refusal to Do Business)

In connection with the activities referred to above, during the period January 2012 through May 2012, on two occasions, as described in Table A, which is attached and incorporated herein by this reference, you knowingly agreed to refuse to do business with another person pursuant to an agreement with, a requirement of, or a request from a boycotting country. Agreeing to the conditions described in Table A, with intent to comply with, further or support an unsanctioned foreign boycott, is an activity prohibited by Section 760.2(a) of the Regulations, and not excepted. We therefore charge you with two violations of Section 760.2(a).

Charges 3-4 (15 C.F.R. § 760.5 – Failing to Report the Receipt of a Request to Engage in a Restrictive Trade Practice or Foreign Boycott Against a Country Friendly to the United States)

In connection with the activities referred to above, during the period January 2012 through May 2012, on two occasions, you received a request, as described in Table B, which is attached and incorporated herein by this reference, to take an action which would have the effect of furthering or supporting a restrictive trade practice or unsanctioned foreign boycott. Section 760.5 of the Regulations requires United States persons to report to the Department their receipts of such requests. You failed to report to the Department your receipts of these requests.
By failing to report your receipts of these requests, as directed by Section 760.5 of the Regulations, you are in violation of Section 760.5. We therefore charge you with two violations of Section 760.5 of the Regulations.

Accordingly, administrative proceedings are instituted against you pursuant to Part 766 of the Regulations for the purpose of obtaining an Order imposing administrative sanctions.³

You are entitled to a hearing on the record as provided in Section 766.6 of the Regulations. If you wish to have a hearing on the record, you must file a written demand for it with your answer. Under Section 766.3(a) and 766.4 of the Regulations, you are entitled to be represented by counsel or other authorized representative who has power of attorney to represent you and, under Section 766.18 of the Regulations, you may also seek a settlement agreement without a hearing.

Under the Small Business Regulatory Enforcement Flexibility Act, you may be eligible for assistance from the Office of the National Ombudsman of the Small Business Administration in this matter.⁴

If you fail to answer the allegations contained in this letter within thirty (30) days after service as provided in Section 766.6, such failure will be treated as a default under Section 766.7.

As provided in Section 766.3, I am referring this matter to the Administrative Law Judge. Pursuant to an Interagency Agreement between BIS and U.S. Coast Guard, the U.S. Coast Guard is providing administrative law judge services, to the extent that such services are required under the Regulations, in connection with the matters set forth in this letter.

Therefore, in accordance with the instructions in Section 766.5(a) of the Regulations, your answer should be filed with:

³ Administrative sanctions may include any or all of the following:

a. A maximum civil penalty of the greater of $289,238 per violation or twice the value of the transaction that is the basis of the violation (See 15 C.F.R. § 6.4(b) (4). The amount is subject to annual increases pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, Sec. 701 of Public Law 114-74, enacted on November 2, 2015. See also 81 Fed. Reg. 9,532 (Dec. 28, 2016)). (See also International Emergency Economic Powers Enhancement Act of 2007, Pub. L. No. 110-96, 121 Stat. 1011 (2007)).

b. Denial of export privileges (see § 764.3(a)(2) of the Regulations); and/or

c. Exclusion from practice before BIS (see § 764.3(a)(3) of the Regulations).

⁴ To determine eligibility and get more information, please see: Http ://www.sba.gov/ombudsman/.
Also, in accordance with the instructions in Section 766.5(b) of the Regulations, a copy of your answer should also be served on the Bureau of Industry and Security at:

Office of the Chief Counsel for Industry and Security
Room H-3839
Bureau of Industry and Security
U.S. Department of Commerce
14th Street & Constitution Avenue, N.W.
Washington, D.C. 20230

Sincerely,

Cathleen Ryan
Director
Office of Antiboycott Compliance

Enclosures
Table A

Schedule of Alleged Violations of Section 760.2(a)
Refusal to Do Business

Carrier Saudi Services Company Ltd. (Saudi Arabia)
Case No. 15-04

<table>
<thead>
<tr>
<th>Item</th>
<th>Document</th>
<th>Date of Violation</th>
<th>Boycotting Country</th>
<th>Agreement to Refuse To Do Business</th>
</tr>
</thead>
</table>
| 1    | Contract | 3-18-2012        | Saudi Arabia       | Article 3 of the General Terms:  
With regards to the execution of the works under this contract, the supplier shall be subject to applicable Laws of Saudi Arabia which relate to imports and customs and the supplier undertakes to apply same when preparing and shipping any products or parts of the products to Saudi Arabia. Supplier acknowledges that these laws prohibit, among other things, the import into Saudi Arabia of any products or parts of products which:  
(1) Originate from Israel  
(2) are manufactured, produced, processed by companies organized under the laws of Israel  
(3) are manufactured or produced, processed by people with Israeli citizenship or are residents of Israel  
(4) are manufactured or prepared by companies, institutions or individuals who are on the blacklist. |
<table>
<thead>
<tr>
<th>Item</th>
<th>Document</th>
<th>Date of Violation</th>
<th>Boycotting Country</th>
<th>Agreement to Refuse To Do Business</th>
</tr>
</thead>
</table>
| 2    | Contract | 5-24-12          | Saudi Arabia      | Article 3 of the General Terms:  
With regards to the execution of the works under this contract, the supplier shall be subject to applicable Laws of Saudi Arabia which relate to imports and customs and the supplier undertakes to apply same when preparing and shipping any products or parts of the products to Saudi Arabia. Supplier acknowledges that these laws prohibit, among other things, the import into Saudi Arabia of any products or parts of products which:  
(1) Originate from Israel  
(2) are manufactured, produced, processed by companies organized under the laws of Israel  
(3) are manufactured or produced, processed by people with Israeli citizenship or are residents of Israel  
(4) are manufactured or prepared by companies, institutions or individuals who are on the blacklist. |
Table B

Schedule of Alleged Violations of Section 760.5
Failure to Report Receipts of Boycott Requests

Carrier Saudi Services Company Ltd. (Saudi Arabia)
Case No. 15-04

<table>
<thead>
<tr>
<th>Item</th>
<th>Document</th>
<th>Date Request Received</th>
<th>Date Reporting Violation*</th>
<th>Boycotting Country</th>
<th>Boycott Request</th>
</tr>
</thead>
</table>
| 1    | Contract | 1-31-12               | 5-31-12                   | Saudi Arabia       | Article 3 of the General Terms:  
With regards to the execution of the works under this contract, the supplier shall be subject to applicable Laws of Saudi Arabia which relate to imports and customs and the supplier undertakes to apply same when preparing and shipping any products or parts of the products to Saudi Arabia. Supplier acknowledges that these laws prohibit, among other things, the import into Saudi Arabia of any products or parts of products which:  
(1) originate from Israel  
(2) are manufactured, produced, processed by companies organized under the laws of Israel  
(3) are manufactured or produced, processed by people with Israeli citizenship or are residents of Israel  
(4) are manufactured or prepared by companies, institutions or individuals who are on the blacklist. |

*As provided in Section 760.5(b)(4)(ii) of the Regulations, where the person receiving the request is a U.S. person located outside the U.S., each report of requests must be postmarked by the last day of the second month following the calendar quarter in which the request was received.
<table>
<thead>
<tr>
<th>Item</th>
<th>Document</th>
<th>Date Request Received</th>
<th>Date Reporting Violation*</th>
<th>Boycotting Country</th>
<th>Boycott Request</th>
</tr>
</thead>
</table>
| 2    | Contract | 3-31-12               | 5-31-12                  | Saudi Arabia      | Article 3 of the General Terms:  
With regards to the execution of the works under this contract, the supplier shall be subject to applicable Laws of Saudi Arabia which relate to imports and customs and the supplier undertakes to apply same when preparing and shipping any products or parts of the products to Saudi Arabia. Supplier acknowledges that these laws prohibit, among other things, the import into Saudi Arabia of any products or parts of products which: 
(1) originate from Israel  
(2) are manufactured, produced, processed by companies organized under the laws of Israel  
(3) are manufactured or produced, processed by people with Israeli citizenship or are residents of Israel  
(4) are manufactured or prepared by companies, institutions or individuals who are on the blacklist. |

*As provided in Section 760.5(b)(4)(ii) of the Regulations, where the person receiving the request is a U.S. person located outside the U.S., each report of requests must be postmarked by the last day of the second month following the calendar quarter in which the request was received.*