ORDER RELATING TO JOHNSON TRADING & ENGINEERING CO., LTD.

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has notified Johnson Trading & Engineering Co., Ltd. ("Johnson Trading") of its intention to initiate an administrative proceeding against it pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2008)) ("Regulations"),\(^1\) and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) ("Act"),\(^2\) through issuance of a Charging Letter to Johnson Trading that alleged that Johnson Trading committed nine violations of the Regulations. Specifically, the charges are:

\(^1\) The charged violations occurred in 2003. The Regulations governing the violations at issue are found in the 2003 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2003)). The 2008 Regulations establish the procedures that apply to this matter.

\(^2\) 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 July 23, 2008 (73 Fed. Reg. 43,603 (July 25, 2008)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)) ("IEEPA").
Charges 1-7 15 C.F.R. § 764.2(b) – Causing Unlicensed Exports from the United States to the PRC

On seven occasions between on or about February 7, 2003, and on or about December 29, 2003, Johnson Trading caused the unlicensed export of computer chips that are items subject to the Regulations (classified under ECCN 3A001.a.2.c) from the United States to the People’s Republic of China ("PRC"), via Taiwan and Hong Kong. Johnson Trading ordered the chips from a U.S. exporter and falsely represented to that exporter that the country of ultimate destination for the orders was Taiwan, when, in fact, the items were ultimately destined for the PRC. Under Section 742.4 of the Regulations, the items required a license from the Department of Commerce for export to the PRC. Following shipment of the items to Taiwan, Johnson Trading arranged or facilitated for their subsequent shipment to the PRC, via Hong Kong. In so doing, Johnson Trading committed seven violations of Section §764.2(b) of the Regulations.

Charge 8 15 C.F.R. § 764.2(h) – Actions Taken with Intent to Evade the Provisions of the Regulations

Between on or about February 7, 2003, and on or about December 29, 2003, Johnson Trading took actions with the intent to evade the Regulations. Johnson Trading’s actions included the submission of false information to a U.S. exporter in connection with the export from the United States of computer chips that are subject to the Regulations (classified under ECCN 3A001.a.2.c). Johnson Trading made false representations concerning the identity of the end user and falsely stated that the country of ultimate destination for the items was Taiwan, including on purchase orders it submitted to the U.S. exporter. In so doing, Johnson Trading violated Section §764.2(h) of the Regulations.

Charge 9 15 C.F.R. § 764.2(e) - Acting with knowledge of a violation

Between on or about February 7, 2003, and on or about December 29, 2003, Johnson Trading violated the Regulations by ordering items to be exported from the United States, specifically computer chips subject to the Regulations (classified under ECCN 3A001.a.2.c.), with knowledge that a violation of the Regulations was about to occur or was intended to occur in connection with these items. For the purpose of or in connection with effecting an export or exports, Johnson Trading made false or misleading representations or statements, and/or concealed material facts, indirectly through the U.S. exporter to BIS, the United States Customs Service, and/or an official of another United States agency. Johnson Trading made assertions concerning the identity of the end user and asserted that the country of ultimate destination was Taiwan, while aware that these statements or representations were false or misleading. In so doing, Johnson Trading violated Section 764.2(e) of the Regulations.

The term "ECCN" refers to an Export Control Classification Number. See 15 C.F.R. § 772.1.
WHEREAS, BIS and Johnson Trading have entered into a Settlement Agreement pursuant to Section 766.18(b) 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 the terms of the Settlement Agreement;

IT IS THEREFORE ORDERED:

FIRST, that a civil penalty in the amount of $90,000 is assessed against Johnson Trading. Johnson Trading shall pay $20,000 to the U.S. Department of Commerce within 60 days from the date of this Order. Thereafter, Johnson Trading shall pay $20,000 to the U.S. Department of Commerce within 120 days of entry of this Order and $20,000 to the U.S. Department of Commerce within 180 days of entry of this Order. Payment shall be made in the manner specified in the attached instructions. Payment of the remaining $30,000 shall be suspended for a period of five (5) years from the date of this Order, and thereafter shall be waived, provided that during the period of suspension, Johnson Trading has committed no violation of the Act, or any regulation, order, or license issued thereunder and has made full and timely payment of $60,000 as set forth above.

SECOND, that Johnson Trading shall fully implement an internal export controls compliance program within 6 months of the date of entry of this Order. Said program shall be in substantial compliance with the Export Management System (EMS) Guidelines, as applicable, which are available on the BIS website at http://www.bis.doc.gov/exportmanagementsystems/emsguidelines.html, a copy of which is attached as Attachment A to the Settlement Agreement and incorporated into said Agreement by reference. A copy of said program shall be transmitted to the Office of Export Enforcement, 381 Elden Street, Suite 1125, Herndon, VA 20170, by no later than 7 months from the date of the entry of this Order.
THIRD, that Johnson Trading shall perform an audit of its internal export controls compliance program within 24 months of the date of entry of this Order. Said audit shall be in substantial compliance with the EMS sample audit module. The EMS sample audit module is available on the BIS web site at http://www.bis.doc.gov/exportmanagementsystems/pdf/emsmodulev2.pdf attached as Attachment B to the Settlement Agreement and incorporated into said Agreement by reference. A copy of said audit shall be transmitted to the Office of Export Enforcement, 381 Elden Street, Suite 1125, Herndon, VA 20170, no later than 25 months from the date of entry of this Order.

FOURTH, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due dates specified herein, Johnson Trading 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.

FIFTH, that the timely payment of the civil penalty 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 Johnson Trading. Accordingly, if Johnson Trading should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Johnson Trading's export privileges for a period of five years from the date of entry of this Order.

SIXTH for a period five years from the date of entry of this Order, Johnson Trading & Engineering Co. Ltd., 6F, No. 12, Lane 83, Sec. 1, Kuang Fu Road, San Chung City, Taipei Hsien, Taiwan, (R.O.C.), its successors or assigns, and when acting
for or on behalf of Johnson Trading, its officers, representatives, agents, or employees ("Denied Person") may not participate, directly or indirectly, in any way in any transaction involving any commodity, software or technology (hereinafter collectively referred to as "item") exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations, including, but not limited to:

A. Applying for, obtaining, or using any license, License Exception, or export control document;

B. Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way, any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations; or

C. Benefitting in any way from any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations.

SEVENTH, 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.

EIGHTH, that, after notice and opportunity for comment as provided in Section 766.23 of the Regulations, any person, firm, corporation, or business organization related to Johnson Trading by affiliation, ownership, control, or position of responsibility in the conduct of trade or related services may also be made subject to the provisions of this Order.

NINTH, that this Order does not prohibit any export, reexport, or other transaction subject to the Regulations where the only items involved that are subject to the Regulations are the foreign-produced direct product of U.S.-origin technology.
TENTH, that, as authorized by Section 766.18 (c) of the Regulations, the denial period set forth above shall be suspended in its entirety for five years from the date of this Order, and shall thereafter be waived, provided that during the period of suspension, Johnson Trading has committed no violation of the Act or any regulation, order or license issued thereunder, and makes full and timely payment of the civil penalty set forth above in paragraph First of this Order.

ELEVENTH, that the Charging Letter, the Settlement Agreement, this Order, and the record of this case as defined by Section 766.20 of the Regulations shall be made available to the public.

TWELFTH, that the administrative law judge shall be notified that this case is withdrawn from adjudication.

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

[Signature]
Darryl W. Jackson
Assistant Secretary for Export Enforcement

Entered this 15th day of August 2008.
Settlement Agreement

This Settlement Agreement ("Agreement") is made by and between Johnson Trading & Engineering Co., Ltd., ("Johnson Trading") and the Bureau of Industry and Security, U.S. Department of Commerce ("BIS") (collectively, the "Parties"), pursuant to Section 766.18(b) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2008)) (the "Regulations"), issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (the "Act").

WHEREAS, BIS initiated an administrative proceeding against Johnson Trading, pursuant to the Act and the Regulations:

1 The violations occurred in 2003. The Regulations governing the violations at issue are found in the 2003 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2003)). The 2008 Regulations establish the procedures that apply to this matter.

2 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 July 23, 2008 (73 Fed. Reg. 43,603 (July 25, 2008)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000) ("IEEPA").
WHEREAS, BIS has issued a Charging Letter to Johnson Trading that alleged that Johnson Trading committed nine violations of the Regulations, specifically:

Charges 1-7 15 C.F.R. § 764.2(b) – Causing Unlicensed Exports from the United States to the PRC

On seven occasions between on or about February 7, 2003, and on or about December 29, 2003, Johnson Trading caused the unlicensed export of computer chips that are items subject to the Regulations (classified under ECCN 3A001.a.2.c) from the United States to the People’s Republic of China (“PRC”), via Taiwan and Hong Kong. Johnson Trading ordered the chips from a U.S. exporter and falsely represented to that exporter that the country of ultimate destination for the orders was Taiwan, when, in fact, the items were ultimately destined for the PRC. Under Section 742.4 of the Regulations, the items required a license from the Department of Commerce for export to the PRC. Following shipment of the items to Taiwan, Johnson Trading arranged or facilitated for their subsequent shipment to the PRC, via Hong Kong. In so doing, Johnson Trading committed seven violations of Section §764.2(b) of the Regulations.

Charge 8 15 C.F.R. § 764.2(h) – Actions Taken with Intent to Evade the Provisions of the Regulations

Between on or about February 7, 2003, and on or about December 29, 2003, Johnson Trading took actions with the intent to evade the Regulations. Johnson Trading’s actions included the submission of false information to a U.S. exporter in connection with the export from the United States of computer chips that are subject to the Regulations (classified under ECCN 3A001.a.2.c). Johnson Trading made false representations concerning the identity of the end user and falsely stated that the country of ultimate destination for the items was Taiwan, including on purchase orders it submitted to the U.S. exporter. In so doing, Johnson Trading violated Section §764.2(h) of the Regulations.

Charge 9 15 C.F.R. § 764.2(e) - Acting with knowledge of a violation

Between on or about February 7, 2003, and on or about December 29, 2003, Johnson Trading violated the Regulations by ordering items to be exported from the United States, specifically computer chips subject to the Regulations (classified under ECCN 3A001.a.2.c), with knowledge that a violation of the Regulations was about to occur or was intended to occur in connection with these items. For the purpose of or in connection with effecting an export or exports, Johnson Trading made false or misleading representations or statements, and/or concealed material facts, indirectly through the U.S. exporter to BIS, the United States Customs Service, and/or an official of another United States agency. Johnson Trading made assertions concerning the identity

3 The term "ECCN" refers to an Export Control Classification Number. See 15 C.F.R. § 772.1.
of the end user and asserted that the country of ultimate destination was Taiwan, while aware that these statements or representations were false or misleading. In so doing, Johnson [Trading] violated Section 764.2(e) of the Regulations.

WHEREAS, Johnson Trading has reviewed the Charging Letter and is aware of the allegations made against it and the administrative sanctions which could be imposed against it if the allegations are found to be true;

WHEREAS, Johnson Trading 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, Johnson Trading enters into this Agreement voluntarily and with full knowledge of its rights;

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

WHEREAS, Johnson Trading neither admits nor denies the allegations contained in the Charging Letter;

WHEREAS, Johnson Trading wishes to settle and dispose of all matters alleged in the Charging Letter by entering into this Agreement; and

WHEREAS, Johnson Trading agrees to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

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

2. The following sanction shall be imposed against Johnson Trading in complete settlement of the alleged violations of the Regulations relating to the transactions detailed in the Charging Letter:
Settlement Agreement
Johnson Trading & Engineering Co., Ltd.
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a. Johnson Trading shall be assessed a civil penalty in the amount of $90,000. Johnson Trading shall pay $20,000 to the U.S. Department of Commerce within 60 days from the date of the Order. Thereafter, Johnson Trading shall pay $20,000 to the U.S. Department of Commerce within 120 days of entry of the Order and $20,000 to the U.S. Department of Commerce within 180 days of entry of the Order. Payment shall be made in the manner specified in the attached instructions. Payment of the remaining $30,000 shall be suspended for a period of five (5) years from the date of entry of the Order, and thereafter shall be waived, provided that during the period of suspension, Johnson Trading has committed no violation of the Act, or any regulation, order, or license issued thereunder and has made full and timely payment of $60,000 as set forth above.

b. The timely payment of the civil penalty agreed to in paragraph 2.a 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 Johnson Trading. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Johnson Trading’s export privileges for a period of five years from the date of imposition of the penalty.

c. Johnson Trading shall fully implement an internal export controls compliance program within 6 months of the date of entry of the Order. Said program shall be in substantial compliance with the Export Management System (EMS) Guidelines, as applicable, which are available on the BIS website at http://www.bis.doc.gov/exportmanagementsystems/emsguidelines.html, a copy of which is attached as Attachment A to this Settlement Agreement and incorporated herein by reference. A copy of Johnson Trading’s compliance
That Johnson Trading shall perform an audit of its internal export controls compliance program within 24 months of the date of entry of the Order. Said audit shall be in substantial compliance with the EMS sample audit module. The EMS sample audit module is available on the BIS web site at http://www.bis.doc.gov/exportmanagementsystems/pdf/emsmodulev2.pdf, attached as Attachment B to this Agreement, and incorporated herein by reference. A copy of said audit shall be transmitted to the Office of Export Enforcement, 381 Elden Street, Suite 1125, Herndon, VA 20170, no later than 25 months from the date of entry of the Order.

e. For a period five years from the date of entry of the Order, Johnson Trading, its successors or assigns, and when acting for or on behalf of Johnson Trading, its officers, representatives, agents, or employees ("Denied Person") may not participate, directly or indirectly, in any way in any transaction involving any commodity, software or technology (hereinafter collectively referred to as "item") exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations, including, but not limited to:

i. Applying for, obtaining, or using any license, License Exception, or export control document;

ii. Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of,
forwarding, transporting, financing, or otherwise servicing in any way, any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations; or

iii. Benefitting in any way from any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations.

3. That, as authorized by Section 766.18(c) of the Regulations, the denial period set forth above shall be suspended in its entirety for five years from the date of entry of the Order, and shall thereafter be waived, provided that during the period of suspension, Johnson Trading has committed no violation of the Act or any regulation, order or license issued thereunder, and that Johnson Trading has made full and timely payment of the monetary penalty set forth in paragraph 2(a).

4. Subject to the approval of this Agreement pursuant to paragraph 9 hereof, Johnson Trading hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the Order, if entered), 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 entered; and (c) seek judicial review or otherwise contest the validity of this Agreement or the Order, if entered.

5. Upon entry of the Order, BIS will not initiate any further administrative proceeding against Johnson Trading in connection with any violation of the Act or the Regulations arising out of the transactions identified in the Charging Letter.
6. BIS will make the Charging Letter, this Agreement, and the Order, if entered, and the record of the case as described in Section 766.20 of the Regulations available to the public.

7. 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(b) 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.

8. 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 entered, 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.

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

10. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.
Settlement Agreement
Johnson Trading & Engineering Co., Ltd.
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BUREAU OF INDUSTRY AND SECURITY
U.S. DEPARTMENT OF COMMERCE

John T. Masterson, Jr.
Chief Counsel

Date: 8/14/08

JOHNSON TRADING &
ENGINEERING CO., LTD.

Mr. Chi Hsien Lin
President

Date: 8/13/08
CHARGING LETTER

REGISTERED MAIL - RETURN RECEIPT REQUESTED

Johnson Trading and Engineering Co. Ltd.
6F, No. 12, Lane 83, Sec. 1, Guangfu Road
San Chong City
Taipei County, Taiwan
(R.O.C.)

Attention: Chi Hsien Lin
President

Dear Mr. Lin,

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has reason to believe that Johnson Trading and Engineering Co. Ltd. ("Johnson"), of Taipei, Taiwan, has committed eight violations of the Export Administration Regulations (the "Regulations"), which are issued under the authority of the Export Administration Act of 1979, as amended (the "Act"). Specifically, BIS charges that Johnson committed the following violations:

Charges 1-7 15 C.F.R. § 764.2(b) – Causing Unlicensed Exports from the United States to the PRC

As described in greater detail in Schedule A, which is enclosed herewith and incorporated herein by reference, on seven occasions between on or about February 7, 2003, and on or about December 29, 2003, Johnson caused the unlicensed export of computer chips that


2 50 U.S.C. app. §§ 2401-2420 (2000). Since August 21, 2001, the Act has been in lapse and the President through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp., p. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 15, 2007 (72 Fed. Reg. 46137 (Aug. 16, 2007)), has continued the Regulations in effect under IEEPA.
Washington, D.C. 20230

Elias Wolfberg is the attorney representing BIS in this case; any communications that Johnson may wish to have concerning this matter should occur through him. He may be contacted by telephone at (202) 482-3849.

Sincerely,

[Signature]

Thomas Madigan
Acting Director
Office of Export Enforcement
### SCHEDULE A
**JOHNSON TRADING & ENGINEERING CO. LTD.**

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<tr>
<th>CHARGE NUMBER</th>
<th>DATE OF SHIPMENT</th>
<th>ULTIMATE DESTINATION</th>
<th>COMMODITY EXPORTED</th>
<th>ECCN</th>
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