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Immediate Release

July 28, 2003

## Illinois Company Fined for Alleged Antiboycott Violations

The U.S. Department of Commerce announced today that **McMaster-Carr Supply Company (McMaster-Carr)**, an Elmhurst, Illinois supplier of industrial and commercial hardware, has agreed to pay an \$8,000 civil penalty to settle allegations that **McMaster-Carr** committed eight violations of the antiboycott provisions of the Export Administration Regulations (EAR).

The Commerce Department's Bureau of Industry and Security charged that **McMaster-Carr** failed to report its receipt of boycott-related requests within the time period required by the EAR. The alleged violations occurred in eight transactions involving sales of goods from the United States to Oman, the United Arab Emirates, Kuwait, Qatar, and Saudi Arabia. **McMaster-Carr** voluntarily disclosed the alleged violations to the Department.

Acting Assistant Secretary of Commerce for Export Enforcement Lisa Prager commended Senior Compliance Officer **Ned Weant**, who investigated the case.

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UNITED STATES OF AMERICA  
DEPARTMENT OF COMMERCE

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) )  
) )  
In the Matter of ) )  
) ) Case No. 98-12  
McMaster-Carr Supply Company ) )  
) )  
\_\_\_\_\_) )

ORDER

The Office of Antiboycott Compliance, Bureau of Industry and Security', U.S. Department of Commerce ("Department"), having determined to initiate an administrative proceeding pursuant to Section 11 (c) of the Export Administration Act of 1979, as amended (50 U.S.C.A. app. §§ 2401-2420 (1994 & Supp. V 1999)) (the "Act")<sup>2</sup> and the Export Administration

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<sup>1</sup> On April 18, 2002, the Department of Commerce announced that the name of the Bureau of Export Administration ("BXA") had been changed to the Bureau of Industry and Security ("BIS") and made conforming changes in the Export Administration Regulations. (67 Fed. Reg. 20630 - 32 (April 26, 2002)). This change does not affect the substantive activities or responsibilities of BIS. All actions taken before, on or after April 18 under the name of BXA will be deemed to have been taken under the name of BIS and all references to BXA are deemed to be to BIS.

<sup>2</sup> From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the most recent of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. Sections 1701 - 1706 (1994 & Supp. V 1999)) (IEEPA). On November 12, 2000, the Act was reauthorized and remained in effect through August 20, 2001. 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)), has continued the Regulations in effect under IEEPA.

Regulations (currently codified at 15 C.F.R Parts 730-774 (2002))(the “Regulations”), against McMaster-Carr Supply Company (“MCS”), a domestic concern resident in the State of Illinois, based on allegations set forth in the Proposed Charging Letter, dated May 21, 2002, a copy of which is attached hereto and incorporated herein by this reference;

The Department and MCS having entered into a Settlement Agreement, incorporated herein by this reference, whereby the parties have agreed to settle this matter; and

I, the Assistant Secretary for Export Enforcement, having approved the terms of the Settlement Agreement:

IT IS ORDERED THAT,

FIRST, a civil penalty of \$8,000 is assessed against MCS;

SECOND, MCS shall pay to the Department in complete settlement of this matter the sum of \$8,000 within thirty days of service upon it of this Order, as specified in the attached instructions.

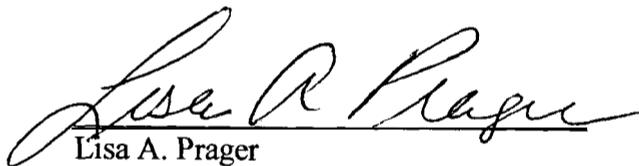
THIRD, pursuant to the Debt Collections Act of 1982, as amended (31 U.S.C.A. §§ 3701-3720E (1983 and Supp. 2001)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified

herein, MCS will be assessed, in addition to interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

FOURTH, as authorized by Section 11 (d) of the Act, the timely payment of the sum of \$8,000 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 MCS. Accordingly, if MCS should fail to pay the sum of \$8,000 in the manner prescribed by this Order, I will enter an Order under the authority of Section 11(d) of the Act denying all of MCS's export privileges for a period of one year from the date of the entry of this Order; and

FIFTH, 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 MCS.

This Order is effective immediately.

  
Lisa A. Prager  
Acting Assistant Secretary for Export Enforcement

Entered this 28 day of July, 2003

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 6881  
14th & Constitution Avenue, N. W.  
Washington, D.C. 20230

Attention: Sharon Gardner

## NOTICE

The Order to which this Notice is attached describes the reasons for the assessment of the civil monetary penalty and the rights, if any, that MCS may have to seek review, both within the U.S. Department of Commerce and the courts. 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.A. §§ 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 MCS 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.A. § 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 MCS 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.A. § 3717 and 31 C.F.R. § 901.9.

The foregoing constitutes the initial written notice and demand to MCS in accordance with Section 901.2(b) of the Federal Claims Collection Standards (4 C.F.R. § 102.2(b)).



WHEREAS, the Department has notified MCS of its intention to initiate an administrative proceeding against MCS pursuant to Section 1 l(c) of the Act by issuing the Proposed Charging Letter dated May 21, 2003, a copy of which is attached hereto and incorporated herein by this reference; and

WHEREAS, MCS 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; MCS fully understands the terms of this Settlement Agreement, and enters into this Settlement Agreement voluntarily and with full knowledge of its rights; and MCS states that no promises or representations have been made to it other than the agreements and considerations herein expressed; and

WHEREAS, MCS 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 this Settlement Agreement; and

WHEREAS, MCS agrees to be bound by the appropriate Order ("Order") when entered;

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Presidential Notices, the most recent of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (200 1 ), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. Sections 1701 - 1706 (1994 & Supp. V 1999)) (IEEPA). On November 12, 2000, the Act was reauthorized and remained in effect through August 20, 2001. 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)), has continued the Regulations in effect under IEEPA.

NOW. THEREFORE, MCS and the Department agree as follows:

1. Under the Act and the Regulations, the Department has jurisdiction over MCS with respect to the matters alleged in the Proposed Charging Letter.
2. The Department will impose a civil penalty on MCS in the amount of \$8,000. MCS will pay to the Department, within 30 days of service upon it of the Order, when entered, the amount of \$8,000 in complete settlement of all matters set forth in the Proposed Charging Letter.
3. As authorized by Section 11(d) of the Act, 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 MCS. Failure to make payment of this amount shall result in the denial of all of MCS'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, MCS 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;

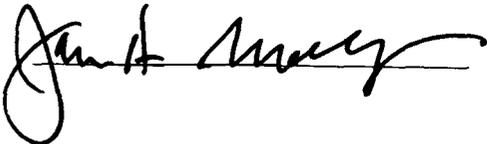
- B. Request a refund of the funds paid by MCS pursuant to this Settlement Agreement and the Order, when entered; or
  - C. Seek judicial review or otherwise contest the validity of this Settlement Agreement or the Order, when entered.
5. The Department, upon entry of the Order, will not initiate any administrative or judicial proceeding, or make a referral to the Department of Justice for criminal proceedings against MCS, 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 the Department in the course of its investigation.
6. MCS understands that the Department 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 MCS 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, the Department may not use this Settlement Agreement

against MCS 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 MCS's right to challenge any action brought by any other agency based on a referral by the Department or any employee thereof, in ~~contravention~~ of paragraph 5 of this Settlement Agreement.

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

McMaster-Carr Supply Company



DATE: 6-16-03

U.S. Department of Commerce

Dexter M. Price, Director

DATE <sub>4</sub> 7 <sub>x</sub> 3 0 3 - -



UNITED STATES DEPARTMENT OF COMMERCE  
Bureau of Industry and Security  
Washington, D.C. 20230

**PROPOSED CHARGING LETTER**

**CERTIFIED MAIL -- RETURN RECEIPT REQUESTED**

May 21, 2003

McMaster-Carr Supply Company  
600 County Line Road  
Elmhurst, IL 60126

Attention: Mr. David S. Phillips  
Director of Taxes

Case No. 98-12

Gentlemen:

We have reason to believe and charge that you, McMaster-Carr Supply Company, ("McMaster-Carr"), have committed eight (8) violations of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2002), (the "Regulations"),' issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (1994 & Supp. V 1999)) (the "Act").' We charge that you have failed to report to the Department of Commerce your receipts of requests to engage in restrictive trade practices or boycotts, as directed by Section 760.5 of the Regulations.

We allege that:

1. You are a domestic concern resident in the State of Illinois and, as such, you are a United States person as defined in Section 760.1(b) of the Regulations.

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<sup>1</sup> The violations occurred in 1997, 1998, and 2001. The Regulations governing the violations at issue are found in the 1997, 1998, and 2001 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (1997, 1998, and 2001) and, to the degree to which they pertain to this matter, are substantially the same as the 2002 version.

<sup>2</sup> From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the most recent of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. Sections 1701 - 1706 (1994 & Supp. V 1999)) (IEEPA). On November 12, 2000, the Act was reauthorized and remained in effect through August 20, 2001. 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)), as extended by the Notice of August 14, 2002 (3 C.F.R., 2002 Comp. 306 (2003)), has continued the Regulations in effect under IEEPA. The Act and Regulations are available on the Government Printing Office website at: <http://w3.access.gpo.gov/bis/>.



2. Between July 1997 and December 2001, you engaged in transactions involving the sale or transfer of goods between the United States and Oman, U.A.E., Kuwait, Qatar, and Saudi Arabia, activities in the foreign commerce of the United States as defined in Section 760.1(d) of the Regulations and Section 769.1 (d) of the Regulations.
3. In connection with the transactions described in paragraph 2 above, you received requests, described in Table A, which is attached and incorporated by this reference, in eight (8) separate transactions, to engage in restrictive trade practices or unsanctioned foreign boycotts which you failed to report to the Department as directed by Section 760.5 of the Regulations. By failing to report your receipt of the restrictive trade practice or boycott requests described in Table A within the time period required by Section 760.5(b)(4), you are in violation of Section 760.5 of the Regulations. We charge you with eight (8) 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.<sup>3</sup>

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

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. You are entitled to be represented by counsel, and under Section 766.18 of the Regulations, to seek a settlement agreement.

As provided in Section 766.3, I am referring this matter to the Administrative Law Judge. Pursuant to an Interagency Agreement between the Bureau of Industry and Security<sup>4</sup> and the 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:

Attention: Administrative Law Judge

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<sup>3</sup> Administrative sanctions may include any or all of the following:

- a. The maximum civil penalty of \$11,000 per violation (~~see § 764.3(a)(1)~~ of the Regulations and 15 C.F.R. § 6.4(a)(3), 2002);
- b. Denial of export privileges (see § 764.3(a)(2) of the Regulations); and/or
- c. Exclusion from practice (~~see § 764.3(a)(3)~~ of the Regulations).

<sup>4</sup> On April 18, 2002, the Department of Commerce announced that the name of the Bureau of Export Administration (BXA) had been changed to the Bureau of Industry and Security (BIS) and made conforming changes in the Export Administration Regulations. (67 Fed. Reg. 20630 - 32 (April 26, 2002)). This change does not affect the substantive activities or responsibilities of BIS. All actions taken before, on or after April 18 under the name of BXA will be deemed to have been taken under the name of BIS and all references to BXA are deemed to be to BIS.

U.S. Coast Guard ALJ Docketing  
40 South Gay Street  
Baltimore, Maryland 21202-4022

Also, in accordance with the instructions in Section 766.5(b) of the Regulations, a copy of your answer should be served on the Bureau of Industry and Security at:

Office of the Chief Counsel for Industry and Security  
U.S. Department of Commerce  
Room H-3 839  
14th Street & Constitution Avenue, N. W.  
Washington, D.C. 20230

Sincerely,

Dexter M. Price  
Director  
Office of Antiboycott Compliance

**MCMaster-CARR SUPPLY COMPANY**  
**(98-1 2)**  
**SCHEDULE OF ALLEGED REPORTING (§ 760.5) VIOLATIONS**

<b>Item No.</b>	<b>Reference No.</b>	<b>Boycotting Country</b>	<b>Date Request Received</b>	<b>Date Reported</b>	<b>Date Report Due</b>	<b>Boycott Language <u>1/</u></b>
1	37832	Oman	07/09/97	04/28/98	10/31/97	C
2	0818054	Dubai, UAE	0810 1/97	04/28/98	10/31/97	A
3	8602P1869REV.1	Kuwait	08/26/97	04/28/98	10/31/97	B
4	972416/WSZ	Qatar	08/30/97	04/28/98	10/31/97	D
5	892775201	Saudi Arabia	09/15/97	12/31/97	10/31/97	E
6	0818963	Saudi Arabia	11/28/97	04/28/98	01/31/98	A
7	8768591-01	Saudi Arabia	02/22/01	04/29/02	04/30/01	F
8	1550641-01	Dubai, UAE	12/10/01	04/29/02	01/31/02	G

**11 BOYCOTT LANGUAGE**

- A. CONDITIONS OF PURCHASE . . . . 19. ISRAELI CLAUSE: The seller shall not supply goods or materials which have been manufactured or processed in Israel nor shall the services of any Israeli organisation [sic] be used in handling or transporting the goods or materials.
- B. DOCUMENTATION CERTIFICATION [sic] REQUIREMENTS. . . .3.1. INVOICE . . . . The original and all copies of the invoice must include the certification stating the goods are of non-Israeli origin, i.e. "We hereby certify that the goods enumerated on this invoice are not of Israeli origin, nor do they contain any Israeli materials."
- C. CONDITIONS OF CONTRACT . . . . 20. The vendor must ensure that-all products supplied do not contravene the regulations in force with regard to the boycott of Israel.
- D. GENERAL TERMS AND CONDITIONS. . . .3.3. The Vendor guarantees that he is fully informed concerning the latest status of the Boycott list of the Arab League's Israel Boycott Office. The Vendor further guarantees that, himself, the Original Manufacturer of all Purchased Goods and Material and/or the Vendor's Carrier of such Goods and Material are not included in the aforementioned Boycott List.
- E. Seller Acknowledges that the customs regulations of Saudi Arabia will apply to the importation of equipment and materials and that such regulations prohibit the importation of certain products or components.
- F. TERMS AND CONDITIONS . . . . 08. 3) . . . . Note : Any item of Israeli origin is not permissible.
- G. 4. SHIPPING MARK FOR SEAFREIGHT (sic) . . . . Note : . . . . 2. No goods of Israeli origin will be accepted.