

## PROPOSED CHARGING LETTER

Mr. Victor J. Miller  
Vice President, Deputy General Counsel,  
Corporate Secretary, and Chief Compliance Officer  
Honeywell International Inc.  
300 South Tryon Street.  
Charlotte, NC 28202

Re: Alleged Violations of the Arms Export Control Act and the International Traffic in Arms Regulations by Honeywell International Inc.

Dear Mr. Miller:

The Department of State (“Department”) charges Honeywell International Inc., including its operating divisions, subsidiaries, and business units (collectively “Honeywell” or “Respondent”), with violations of the Arms Export Control Act (“AECA”) (22 U.S.C. § 2751 *et seq.*) and the International Traffic in Arms Regulations (“ITAR”) (22 C.F.R. parts 120-130) in connection with unauthorized exports and retransfers of technical data, to various countries, including a proscribed destination. A total of thirty-four (34) charges are alleged at this time.

The essential facts constituting the alleged violations are described herein. The Department reserves the right to amend this proposed charging letter, including through a revision to incorporate additional charges stemming from the same misconduct of Respondent. Please be advised that this proposed charging letter, pursuant to 22 C.F.R. § 128.3, provides notice of our intent to impose debarment or civil penalties or both in accordance with 22 C.F.R. §§ 127.7 and 127.10.

When determining the charges to pursue in this matter, the Department considered a number of mitigating factors. In particular, the Department took into account that Respondent voluntarily disclosed the violations, cooperated with the Department’s requests, and entered into two agreements tolling the statutory period that applies to enforcement of the AECA and the ITAR. The Department notes that had it not taken into consideration these mitigating factors it would have charged Respondent with additional violations.

The Department also considered aggravating factors, including that certain violations harmed U.S. national security; certain violations involved unauthorized exports to a proscribed destination listed in ITAR § 126.1; certain violations involved unauthorized exports of technical data designated as Significant Military Equipment (SME); and Respondent committed violations in 2018 that were similar to the violations disclosed in 2016 despite purporting to have implemented corrective actions to prevent such violations in the future.

### JURISDICTION

Respondent is a corporation organized under the laws of the State of Delaware. Respondent is a U.S. person within the meaning of the AECA and the ITAR and is subject to the jurisdiction of the United States.

During the period covered by the violations set forth herein, Respondent was engaged in the manufacture and export of defense articles, and was registered as a manufacturer and exporter with the Department of State, Directorate of Defense Trade Controls (“DDTC”) in accordance with section 38 of the AECA and section 122.1 of the ITAR.

### BACKGROUND

Honeywell is a conglomerate that manages its operations through four business groups: Aerospace; Building Technologies; Performance Materials & Technologies; and Safety & Productivity Solutions. The company manufactures and exports a variety of ITAR-controlled defense articles, including aircraft parts and components, military electronics, and gas turbine engines, to overseas corporate and government customers in the aerospace and defense markets.

### VIOLATIONS

The ITAR violations addressed in this proposed charging letter are derived from two voluntary disclosures that Respondent submitted to the Department. The first voluntary disclosure described violations that took place between July 2011 and October 2015, and the second voluntary disclosure described violations that took place between June and July of 2018. All of the violations disclosed involved unauthorized exports or retransfers of technical data resulting from the failure to exercise appropriate internal controls.

I. Respondent's Unauthorized Exports and Retransfers from July 2011 to October 2015 to Multiple Countries

Honeywell Aerospace's Integrated Supply Chain (ISC) organization sent Request for Quotations (RFQs) to U.S. and foreign suppliers that contained drawings of parts for which suppliers were asked to provide price quotations. ISC personnel generally transfer drawings to suppliers through a file exchange platform called DEXcenter. In December 2015, Honeywell initially disclosed to the Department that it had identified multiple ITAR-controlled drawings that ISC personnel had exported without authorization via DEXcenter to Taiwan and the People's Republic of China (PRC) in July 2015. By March 2017, based on an internal investigation and additional analysis conducted at the Department's request, Honeywell ultimately identified 71 ITAR-controlled drawings that between July 2011 and October 2015 it had exported without authorization via DEXcenter to Canada, Ireland, the PRC, and Taiwan, 65 of which form the basis of the alleged violations.

The 71 drawings, which Honeywell identified in its first voluntary disclosure and supplemental correspondence with the Department as controlled under Categories VIII(i), XI(d), and XIX(g) of the United States Munitions List (USML), contained engineering prints showing layouts, dimensions, and geometries for manufacturing castings and finished parts for multiple aircraft, military electronics, and gas turbine engines, including but not limited to the:

- F-35 Joint Strike Fighter,
- B-1B Lancer Long-Range Strategic Bomber,
- F-22 Fighter Aircraft,
- C-130 Military Transport Aircraft,
- A-7H Corsair Aircraft,
- A-10 Aircraft,
- Apache Longbow Helicopter,
- M1A1 Abrams Tank,
- Tactical Tomahawk Missile, and
- T55 Turboshaft Engine.

Some of the drawings contained technical data designated as SME. As defined in ITAR § 120.7, SME means articles for which special export controls are warranted because of their capacity for substantial military utility or capability. Pursuant to

ITAR § 121.1(a)(2), technical data directly related to the manufacture or production of a defense article designated as SME is also designated as SME.

*Unauthorized Exports to and Retransfers in a Proscribed Country*

Honeywell exported 51 of the 71 drawings to unaffiliated suppliers in the PRC, which is a proscribed destination under ITAR § 126.1(d)(1). Honeywell also exported 20 of the 71 drawings to its subsidiaries in the PRC, and its subsidiaries retransferred 16 of the 20 drawings to unaffiliated suppliers in the PRC.

The U.S. Government reviewed copies of the 71 drawings and determined that exports to and retransfers in the PRC of drawings for certain parts and components for the engine platforms for the F-35 Joint Strike Fighter, B-1B Lancer Long-Range Strategic Bomber, and the F-22 Fighter Aircraft harmed U.S. national security.

II. Respondent's Additional Unauthorized Exports and Retransfers of Technical Data in 2018 Despite Purporting to Implement Corrective Actions in 2016

In its September 2016 full voluntary disclosure, Honeywell informed the Department of multiple corrective actions it had taken to prevent the types of violations it disclosed from recurring. The actions included: 1) a mandatory second-level review requirement for all international document transfers through DEXcenter; 2) mandatory training measures to address the risk of human error due to misidentifying export classification or authorizations, especially in the RFQ context; and 3) enhancing DEXcenter to further reduce the risk of human error by limiting the user's ability to select an export authorization that does not match a drawing's export classification and by providing additional warnings, reminders, and training resources and requirements.

In October 2018, Honeywell submitted a second voluntary disclosure describing how personnel in the same organization within Honeywell Aerospace, ISC, committed another series of ITAR violations that were similar to the violations disclosed in the first voluntary disclosure. According to the second voluntary disclosure, a team of U.S. ISC personnel invented what Honeywell referred to as "an alternative process, which the team believed complied with export compliance requirements," for soliciting RFQs. Under the alternative process, ISC personnel either failed to review the export control classifications for multiple technical documents or used a classification analysis method that did not properly categorize the documents as described on either the USML or the

Commerce Control List (CCL). Additionally, ISC personnel without authorization exported technical drawings using a different file exchange tool than DEXcenter called Daptiv. Honeywell stated that ISC personnel were not permitted to deviate from the standard process, which entailed properly identifying a drawing's USML or CCL category and then using DEXcenter to transfer the files. Honeywell's investigation determined that ISC personnel developed the alternative process using Daptiv in order to increase the efficiency and speed of a procurement project.

Under the alternative process ISC personnel devised, between June and July of 2018, Honeywell without authorization exported two drawings to Canada, two drawings to the PRC, and 23 drawings to Mexico. The drawings, which Honeywell identified in its second voluntary disclosure as controlled under USML Categories VIII(i) and XIX(g), contained engineering prints showing layouts, dimensions, and geometries for manufacturing castings and finished parts for aircraft and gas turbine engines, including the:

- F-35 Joint Strike Fighter,
- F/A-18 Hornet,
- F135 turboshaft engine,
- F414 turboshaft engine,
- T55 turboshaft engine, and
- CTS800 turboshaft engine.

Some of the drawings contained technical data described as SME pursuant to ITAR § 121.1(a)(2).

#### *Unauthorized Exports to and Retransfers in a Proscribed Country*

Honeywell exported two drawings to an employee of one of its subsidiaries in the PRC, which is a proscribed destination under ITAR § 126.1(d)(1). Honeywell also disclosed that this employee retransferred one of the two drawings to another employee at its subsidiary in the PRC.

The U.S. Government reviewed copies of the 23 drawings and determined that exports to and retransfers in the PRC of drawings for certain parts and components of the CTS800 gas turbine engine harmed U.S. national security.

#### RELEVANT ITAR REQUIREMENTS

The relevant period for the alleged conduct is May 2014 through July 2018. The regulations effective as of the relevant period are described below.

Part 121 of the ITAR identifies the items that are defense articles, technical data, and defense services pursuant to section 38 of the AECA.

Section 123.1(a) of the ITAR provides that any person who intends to export or to import temporarily a defense article must obtain the approval of the DDTC prior to the export or temporary import, unless the export or temporary import qualifies for an exemption under the provisions of this subchapter.

Section 126.1(a) of the ITAR provides that it is the policy of the United States to deny, among other things, licenses and other approvals for exports and imports of defense articles and defense services, destined for or originating in certain countries, including the PRC.

Section 127.1(a)(1) of the ITAR provides that it is unlawful to export or attempt to export from the United States, any defense article or technical data or to furnish any defense service for which a license or written approval is required by the ITAR without first obtaining the required license or written approval from DDTC.

Section 127.1(a)(2) of the ITAR provides that it is unlawful to reexport or retransfer or attempt to reexport or retransfer any defense article, technical data, or defense service from one foreign end-user, end-use, or destination to another foreign end-user, end-use, or destination for which a license or written approval is required by the ITAR without first obtaining the required license or written approval from DDTC.

## CHARGES

### Charges 1-17: Unauthorized Exports of Technical Data to the PRC

Respondent violated section 127.1(a)(1) of the ITAR seventeen (17) times when Respondent without authorization exported technical data for parts and components controlled under USML Categories VIII(i), XI(d), and XIX(g) that are used in platforms including in the F-35 Joint Strike Fighter, M1A1 Abrams Tank, Tactical Tomahawk Missile, B-1B Lancer Long-Range Strategic Bomber, and F-22 Fighter Aircraft platforms as well as the T55 and CTS800 turbo shaft engines to the PRC.

Charges 18-26: Unauthorized Retransfers of Technical Data to the PRC

Respondent violated section 127.1(a)(1) of the ITAR nine (9) times when Respondent without authorization retransferred technical data for parts and components controlled under USML Categories VIII(i), XI(d), and XIX(g) that are used in platforms including in the F-35 Joint Strike Fighter and the Tactical Tomahawk Missile as well as the T55 and CTS800 turbo shaft engines in the PRC.

Charges 27-30: Unauthorized Exports of Technical Data to Taiwan

Respondent violated section 127.1(a)(1) of the ITAR four (4) times when Respondent without authorization exported technical data for aircraft parts and components controlled under USML Categories VIII(i) and XIX(g) to Taiwan.

Charges 31-32: Unauthorized Exports of Technical Data to Canada

Respondent violated section 127.1(a)(1) of the ITAR two (2) times when Respondent without authorization exported technical data for aircraft parts and components, including for the CTS800 turbo shaft engine, controlled under USML Categories VIII(i) and XIX(g) to Canada.

Charge 33: Unauthorized Export of Technical Data to Ireland

Respondent violated section 127.1(a)(1) of the ITAR one (1) time when Respondent without authorization exported technical data for aircraft parts and components controlled under USML Categories VIII(i) and XIX(g) to Ireland.

Charge 34: Unauthorized Export of Technical Data to Mexico

Respondent violated section 127.1(a)(1) of the ITAR one (1) time when Respondent without authorization exported technical data for aircraft parts and components controlled under USML Categories VIII(i) and XIX(g) to Mexico.

ADMINISTRATIVE PROCEEDINGS

Pursuant to 22 C.F.R. § 128.3(a), administrative proceedings against a respondent are instituted by means of a charging letter for the purpose of obtaining an Order imposing civil administrative sanctions. The Order issued may include an appropriate period of debarment, which shall generally be for a period of three

(3) years, but in any event will continue until an application for reinstatement is submitted and approved. Civil penalties, not to exceed \$1,197,728, per violation of 22 U.S.C. § 2778, may be imposed as well, in accordance with 22 U.S.C. § 2778(e) and 22 C.F.R. § 127.10.

A respondent has certain rights in such proceedings as described in 22 C.F.R. part 128. This is a proposed charging letter. In the event, however, that the Department serves Respondent with a charging letter, the company is advised of the following:

You are required to answer a charging letter within 30 days after service. If you fail to answer the charging letter, your failure to answer will be taken as an admission of the truth of the charges and you may be held in default. You are entitled to an oral hearing, if a written demand for one is filed with the answer, or within seven (7) days after service of the answer. You may, if so desired, be represented by counsel of your choosing.

Additionally, in the event that the company is served with a charging letter, its answer, written demand for oral hearing (if any) and supporting evidence required by 22 C.F.R. § 128.5(b), shall be in duplicate and mailed to the administrative law judge designated by the Department to hear the case at the following address:

USCG, Office of Administrative Law Judges G-CJ,  
2100 Second Street, SW  
Room 6302  
Washington, DC 20593.

A copy shall be simultaneously mailed to the Deputy Assistant Secretary for Defense Trade Controls:

Deputy Assistant Secretary Michael Miller  
U.S. Department of State  
PM/DDTC  
SA-1, 12th Floor,  
Washington, DC 20522-0112.

If a respondent does not demand an oral hearing, it must transmit within seven (7) days after the service of its answer, the original or photocopies of all



correspondence, papers, records, affidavits, and other documentary or written evidence having any bearing upon or connection with the matters in issue.

Please be advised also that charging letters may be amended upon reasonable notice. Furthermore, pursuant to 22 C.F.R. § 128.11, cases may be settled through consent agreements, including after service of a proposed charging letter.

The U.S. government is free to pursue civil, administrative, and/or criminal enforcement for AECA and ITAR violations. The Department of State's decision to pursue one type of enforcement action does not preclude it, or any other department or agency, from pursuing another type of enforcement action.

Sincerely,

Michael F. Miller  
Deputy Assistant Secretary  
Bureau of Political-Military Affairs