

ENFORCEMENT INFORMATION FOR February 21, 2019

Information concerning the civil penalties process can be found in the Office of Foreign Assets Control (OFAC) regulations governing each sanctions program; the Reporting, Procedures, and Penalties Regulations, 31 C.F.R. part 501; and the Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A. These references, as well as recent final civil penalties and enforcement information, can be found on OFAC's website at www.treasury.gov/ofac/enforcement.

ENTITIES – 31 CFR 501.805(d)(1)(i)

ZAG IP, LLC Settles Potential Civil Liability for Apparent Violations of the Iranian Transactions and Sanctions Regulations: ZAG IP, LLC (formerly known as ZAG International, LLC) (“ZAG”), a U.S. company with its business address in Newtown, Connecticut, has agreed to pay \$506,250 to settle its potential civil liability for five apparent violations of § 560.206 of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (ITSR). Specifically, between on or about July 11, 2014 and on or about January 15, 2015, through five separate transactions, ZAG purchased a total of 263,563 metric tons of Iranian-origin clinker from a company located in the United Arab Emirates, with knowledge that the cement clinker was sourced from Iran, and then resold and transported it to a company in Tanzania. The aggregate value of the five transactions was \$14,495,961.

OFAC determined that ZAG voluntarily self-disclosed the apparent violations to OFAC, and that the apparent violations constitute a non-egregious case. The statutory maximum civil monetary penalty amount for the apparent violations was \$28,991,922, and the base civil monetary penalty amount was \$625,000.

During the time period in which the apparent violations occurred, ZAG's business focused on global sourcing and marketing of cement raw materials and providing strategic advisory services related to raw material selection for companies in the construction industry. On April 11, 2014, ZAG signed a supply contract with a company based in Tanzania (the “Purchaser”) and agreed to supply about 400,000 metric tons of cement clinker manufactured by a company based in India (the “Supplier”). Under the terms of the contract, ZAG was required to supply the Purchaser with a minimum of three shipments of cement clinker in 2014 and a minimum of five shipments in 2015 (about 50,000 metric tons per each shipment).

On or about June 26, 2014, the Supplier sent an email to ZAG's Managing Director of the Asia Pacific, Middle East, and East Africa Regions (“ZAG Managing Director”) that, due to a technical problem at its production plant, it would not have sufficient cement clinker to load onto ZAG's vessel on or about July 5, 2014. ZAG attempted to reschedule the date of its first shipment to the Purchaser but was unable to do so after the Purchaser objected to any delays and threatened to cancel the entire contract. The ZAG Managing Director subsequently identified a business contact and trading company located in the United Arab Emirates (the “Alternative Supplier”) capable of providing alternative Iranian-origin cement clinker. Relying on the Alternative Supplier's misrepresentation that the cement clinker was not subject to U.S. economic sanctions on Iran, ZAG purchased the alternative cement clinker from the Alternative

Supplier despite its knowledge that the goods were produced by an Iranian manufacturer and shipped from a port in Iran.

The settlement amount reflects OFAC's consideration of the following facts and circumstances, pursuant to the General Factors under OFAC's Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A.

OFAC considered the following to be aggravating factors: (1) although ZAG did exercise limited due diligence, it acted with reckless disregard for sanctions requirements by failing to substantively address the U.S. sanctions prohibitions in place with respect to Iran despite contemporaneous risk indicators; (2) ZAG's senior management was aware that ZAG was purchasing and reselling goods of Iranian origin at the time of the conduct at issue; (3) the transactions giving rise to the apparent violations conferred significant economic benefits to Iran; (4) ZAG is a commercially sophisticated company operating globally with experience and expertise in international transactions; and (5) ZAG did not have an effective OFAC compliance program in place at the time of the transactions commensurate with its level of risk.

OFAC considered the following to be mitigating factors: (1) ZAG has not received a penalty notice or Finding of Violation from OFAC in the five years preceding the date of the transactions giving rise to the apparent violations; (2) ZAG was a small business entity as defined by the U.S. Small Business Administration's standards; (3) ZAG undertook significant remedial measures by conducting a thorough internal investigation to determine the causes of the compliance failures associated with the apparent violations and enhancing its sanctions compliance policy and procedures, including by developing and implementing a U.S. Export Controls and Economic Compliance Manual and appointing a sanctions compliance officer; and (4) ZAG cooperated with OFAC's investigation by providing all relevant information regarding the apparent violations in an organized fashion and by responding to OFAC's requests for information in a timely and efficient manner.

This case demonstrates the importance for companies operating in high-risk industries (e.g., international trading) to implement risk-based compliance measures, especially when engaging in transactions involving exposure to jurisdictions or persons implicated by U.S. sanctions. It is essential that companies engaging in international transactions consider and respond to sanctions-related warning signs, such as information that goods originating from, being loaded or unloaded at ports located in, or trans-shipping through, countries or regions subject to comprehensive U.S. economic and trade sanctions. For more information regarding OFAC regulations, please go to: www.treasury.gov/ofac.