

ENFORCEMENT INFORMATION FOR SEPTEMBER 13, 2018

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)

Epsilon Electronics, Inc. Settles Potential Civil Liability for Alleged Violations of the Iranian Transactions and Sanctions Regulations and Related Claims. Epsilon Electronics Inc. ("Epsilon"), located in Montebello, California, also doing business as Power Acoustik Electronics, Sound Stream, Kole Audio, and Precision Audio, has agreed to pay \$1,500,000 to settle liability arising from OFAC's discovery of alleged violations of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (the "ITSR").¹ On July 21, 2014, OFAC issued Epsilon a Penalty Notice alleging that, from on or about August 26, 2008 to May 22, 2012, Epsilon had violated § 560.204 of the ITSR when it issued 39 invoices for sales to Asra International LLC, a/k/a Asra Electronic Trading Co., a company that Epsilon knew or had reason to know that distributed most, if not all, of its products to Iran (the "Alleged Violations").²

Epsilon challenged OFAC's Penalty Notice in the U.S. District Court for the District of Columbia ("D.C. District Court"), which issued an order granting summary judgment in favor of OFAC. *See Epsilon Electronics, Inc., v. U.S. Department of the Treasury, Office of Foreign Assets Control*, 168 F. Supp. 3d 131 (D.D.C. 2016). Epsilon appealed this order to the U.S. Court of Appeals for the District of Columbia ("D.C. Circuit"), which affirmed in part and reversed in part the D.C. District Court's order, remanding the case to the D.C. District Court with instructions to remand the case to OFAC for further consideration. *See Epsilon Electronics, Inc., v. U.S. Department of the Treasury, Office of Foreign Assets Control*, 857 F.3d 913 (D.C. Cir. 2017).

This settlement amount reflects OFAC's further consideration of the case, in light of the D.C. Circuit's decision and 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) the Alleged Violations constituted or resulted in a systematic pattern of conduct; (2) Epsilon exported goods valued at \$2,823,000 or more; and (3) Epsilon had no compliance program at the time of the Alleged Violations.

¹ On October 22, 2012, OFAC changed the heading of 31 C.F.R. part 560 from the Iranian Transactions Regulations to the ITSR, amended the renamed ITSR, and reissued them in their entirety. *See* 77 Fed. Reg. 64,664 (Oct. 22, 2012). For the sake of clarity, all references herein to the ITSR shall mean the regulations in 31 C.F.R. part 560 in effect at the time of the activity, regardless of whether such activity occurred before or after the regulations were renamed.

² *See* Release of OFAC Enforcement Information, July 25, 2014, <https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20140725.aspx>.

OFAC considered the following to be mitigating factors: (1) Epsilon has not received a Penalty Notice or a Finding of Violation in the five years preceding the transactions that gave rise to the Alleged Violations; (2) Epsilon is a small business; and (3) Epsilon provided some cooperation to OFAC, including entering into an agreement to toll the statute of limitations for one year.

OFAC and Epsilon have agreed to settle the civil liability arising from the Alleged Violations, including the issuance of the prior Penalty Notice and the subsequent litigation in the D.C. District Court and the D.C. Circuit. OFAC also notes that, following litigation of the Alleged Violations, Epsilon took additional remedial actions to address the conduct that led to the Alleged Violations, including terminating its relationship with Asra International LLC and instituting an OFAC sanctions compliance program.

For more information regarding OFAC regulations, please go to: www.treasury.gov/ofac.