

NOTE: On May 26, 2017, the U.S. Court of Appeals for the District of Columbia remanded this matter to OFAC for further consideration. See Epsilon Electronics, Inc., v. OFAC, 857 F.3d 913 (D.C. Cir. 2017). On further consideration, OFAC rescinded the penalty notice described below and entered into a settlement agreement with Epsilon Electronics, Inc. Further information about the settlement agreement is available in OFAC's Enforcement Information of September 13, 2018.

ENFORCEMENT INFORMATION FOR JULY 25, 2014

Information concerning the civil penalties process is discussed in OFAC regulations governing the various sanctions programs and in 31 CFR part 501. On November 9, 2009, OFAC published as Appendix A to part 501 Economic Sanctions Enforcement Guidelines. See 31 CFR part 501, app. A. The Economic Sanctions Enforcement Guidelines, as well as recent final civil penalties and enforcement information, can be found on OFAC's Web site at www.treasury.gov/ofac/enforcement.

ENTITIES – 31 CFR 501.805(d)(1)(i)

Epsilon Electronics Inc. Assessed a Penalty for Violating the Iranian Transactions and Sanctions Regulations. Epsilon Electronics Inc. ("Epsilon"), Montebello, California, also doing business as Power Acoustik Electronics, Sound Stream, Kole Audio, and Precision Audio, has been assessed a penalty of \$4,073,000 for violations of the Iranian Transactions and Sanctions Regulations (the "ITSR"), 31 C.F.R. part 560.¹ From on or about August 26, 2008, to on or about May 22, 2012, Epsilon violated § 560.204 of the ITSR when it issued 39 invoices for car audio and video equipment, valued at \$3,407,491, which was shipped to a company that reexports most, if not all, of its products to Iran and has offices in Tehran, Iran, and Dubai, the U.A.E. Epsilon knew or had reason to know that such goods were intended specifically for supply, transshipment, or reexportation, directly or indirectly to Iran. In addition, Epsilon issued five of these invoices after it received a cautionary letter from OFAC in January 2012. The cautionary letter explained that the ITSR generally prohibited the unauthorized exportation, reexportation, sale or supply of goods, technology, or services to Iran.

OFAC determined that Epsilon did not voluntarily self-disclose the violations to OFAC, and that the violations occurring before OFAC issued a cautionary letter to Epsilon constitute a non-egregious case, while those occurring after the cautionary letter constitute an egregious case.

This 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: (1) Epsilon demonstrated reckless disregard for U.S. sanctions requirements by exporting its products to a company it knew or had reason to know distributed most, if not all, of its products to Iran; (2) it appears that Epsilon attempted to hide or purposely

¹ On October 22, 2012, OFAC changed the heading of 31 C.F.R. part 560 from the Iranian Transactions Regulations to the Iranian Transactions and Sanctions Regulations ("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.

obfuscate its sales to Iran, when it changed a Web site to remove a photo gallery of Epsilon's products that was labeled "Iran;" (3) the alleged violations constituted or resulted in a systematic pattern of conduct; (4) five of Epsilon's shipments occurred after Epsilon received a cautionary letter from OFAC, in connection with similar conduct; (5) Epsilon exported goods valued at \$3,407,491; (6) Epsilon had no compliance program at the time of the alleged violations; (7) Epsilon attempted to mislead OFAC by providing false information in its subpoena responses and other letters to OFAC; (8) Epsilon has not received a penalty notice or Finding of Violation in the five years preceding the transactions that gave rise to the alleged violations; (9) Epsilon is a small business; and (10) Epsilon provided some cooperation to OFAC, including entering into an agreement to toll the statute of limitations for one year.

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