



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

**SETTLEMENT AGREEMENT**

This settlement agreement (the “Agreement”) is made by and between the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC), and Construction Specialties Inc. (“CS”) on behalf of itself and its subsidiaries and affiliates worldwide, including Construction Specialties, Middle East L.L.C. (“CSME”), (collectively, “Respondent”).

**I. PARTIES**

OFAC administers and enforces economic sanctions against targeted foreign countries, regimes, terrorists, international narcotics traffickers, and proliferators of weapons of mass destruction, among others. OFAC acts under Presidential national emergency authorities, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under U.S. jurisdiction.

CS, a U.S. person, is a corporation headquartered in Lebanon, New Jersey, engaged in the manufacture and sale of specialized architectural products and construction materials for commercial buildings, such as malls, hospitals, and office buildings. CS has ten offices in the United States and 25 foreign affiliates located across 16 countries.

CSME is a wholly controlled subsidiary of CS incorporated in Dubai, United Arab Emirates (UAE) that sells specialized construction products for commercial buildings.

**II. APPARENT VIOLATIONS**

OFAC has determined that between December 2016 and August 2017 CSME committed three Apparent Violations of § 560.215 of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (“ITSR”) when it purchased commercial building materials from CS and one other supplier in the United States and knowingly reexported these goods to Iran. CSME issued three invoices to its customer in Iran for these exports, together totaling approximately \$1,100,991. The Apparent Violations were voluntarily self-disclosed and constitute an egregious case.

Under § 560.215 of the ITSR, it is prohibited for foreign entities owned or controlled by a U.S. person to knowingly engage in any transaction with any person subject to the jurisdiction of the Government of Iran that would be prohibited if engaged in by a U.S. person. Under § 560.701(a)(4), a U.S. person is subject to civil penalties if foreign entities it owns or controls violate this prohibition. Because CSME’s activities, as described below, would be prohibited for U.S. persons, CS is liable for the Apparent Violations of its controlled foreign subsidiary, CSME.

### III. FACTUAL STATEMENT

#### CS Establishes Policies for Business with Iran

During a visit to Dubai made by CS executives in June 2016, CSME's General Manager, a non-U.S. person based at CSME in Dubai, proposed a new business opportunity: that CSME supply materials to build a shopping mall in Tehran, Iran. CS executives informed CSME's General Manager that CSME was not permitted to pursue business with Iran until CS and external counsel determined the proposal to be permissible under sanctions laws and regulations.

At all times relevant to the Apparent Violations, General License H ("GL H") authorized foreign subsidiaries of U.S. persons to do business with Iran under certain conditions.<sup>2</sup> GL H, however, did not authorize the exportation, reexportation, sale, or supply, directly or indirectly, of any goods, technology, or services from the United States to Iran.

Seeking to operate in accordance with GL H, CS established a new compliance policy and issued written instructions to CSME's General Manager that set forth how CSME and other non-U.S. persons among CS' foreign subsidiaries could permissibly engage in business dealings with Iran. Based on guidance from external counsel, and consistent with GL H and OFAC's published guidance, CS' new policy removed U.S. persons from dealings with Iran, reflecting the scope of the ITSR and then-active GL H. Consistent with this policy, CS changed CSME's reporting structure so that CSME's General Manager would no longer report to the U.S. person Chief Executive Officer (CEO) of CS regarding any matter relating to CSME's business dealings with Iran.

On August 29, 2016, the Secretary of the Board of Directors for CS disseminated the new company policy to CSME's General Manager and pertinent CS business units via email. The Secretary's correspondence stated, "In a nutshell, CS [USA] may not engage in business with Iran, but CSME is allowed to do so. US citizens and US lawful permanent residents are not allowed to facilitate or support Iranian business in any way." The internal correspondence went on to say, "[Non-U.S. person] has been appointed by [CS Chief Executive Officer] as a non-U.S. citizen proxy to provide support to CSME on the project as needed... I want you all to be aware of this so that neither you nor your teams inadvertently get involved."

#### CSME Willfully Reexports U.S.-origin Goods to Iran

Between December 4, 2016, and August 3, 2017, contrary to CS' new policy, CSME's General Manager and another senior manager at CSME sourced materials for the shopping mall project from CS and another supplier in the United States. In doing so, the two senior managers comingled the U.S.-origin goods with goods produced in Dubai and repackaged them in the UAE before exporting them to Iran for the construction of the shopping mall in Iran.

Prior to being detected, CSME's senior managers willfully concealed their conduct by: (a) stripping Iran as the final destination on purchase orders for U.S.-origin goods and instead using

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<sup>2</sup> See General License H, January 16, 2016 – revoked June 27, 2018.

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a false project name to purchase such goods, (b) falsely stating the goods were for general inventory at CSME's warehouse in Dubai, (c) relabeling U.S.-origin goods before export to Iran, falsely identifying the country of origin as the UAE rather than the United States and, (d) omitting U.S.-origin details from invoices and related documentation. In total, CSME received payment from the customer in Iran for approximately \$1,100,990 worth of prohibited goods from the United States.

CSME's Iran-related Dealings are Uncovered

Despite their efforts at concealment, a U.S. person employed at CSME in Dubai discovered the activity. The employee confronted the CSME senior managers, who then dismissed the employee. The U.S. person employee then flew to CS headquarters in the United States to report the Apparent Violations to CS, which prompted CS to launch an internal investigation. CS subsequently replaced CSME's General Manager and the senior manager involved in the Apparent Violations, ended all future business dealings with Iran, and disclosed the matter to OFAC.

**IV. TERMS OF SETTLEMENT**

OFAC and Respondent agree as follows:

1. In consideration of the undertakings of Respondent in paragraph 2 below, OFAC agrees to release and forever discharge Respondent, without any finding of fault, from any and all civil liability in connection with the Apparent Violations arising under the legal authorities that OFAC administers.
2. In consideration of the undertakings of OFAC in paragraph 1 above, Respondent agrees and represents:
  - A. Within ten (10) days of the date Respondent receives the unsigned copy of this Agreement, to:
    - i. sign, date, and send a digital copy of this agreement to [REDACTED] Respondent should retain a copy of the signed Agreement, and a receipt or other evidence that shows the date that Respondent sent a digital copy of the signed Agreement to OFAC; and
    - ii. pay or arrange for the payment to the U.S. Department of the Treasury the amount of **\$660,594**. Respondent's payment must be made either by electronic funds transfer in accordance with the enclosed "Electronic Funds Transfer (EFT) Instructions," or by cashier's or certified check or money order payable to the "U.S. Treasury" and referencing **ENF 49843**. Unless otherwise arranged with the U.S. Department of the Treasury's Bureau of the Fiscal Service, Respondent must either: (1) indicate payment by electronic funds transfer, by checking the box on the signature page of this Agreement;

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or (2) enclose with this Agreement the payment by cashier's or certified check or money order.

B. To waive (i) any claim by or on behalf of Respondent, whether asserted or unasserted, against OFAC, the U.S. Department of the Treasury, or its officials and employees arising out of the facts giving rise to the enforcement matter that resulted in this Agreement, including but not limited to OFAC's investigation of the Apparent Violations, and (ii) any possible legal objection to this Agreement at any future date.

C. **Compliance Commitments:** Respondent has terminated the conduct described above and will establish and agrees to maintain for at least five years following the date this Agreement is executed, sanctions compliance measures that are designed to minimize the risk of recurrence of similar conduct in the future. Specifically, OFAC and Respondent understand that the following compliance commitments have been made:

a. **Management Commitment:**

- i. Respondent commits that senior management has reviewed and approved Respondent's sanctions compliance policy and program.
- ii. Respondent commits to ensuring that its compliance unit(s) is (are) delegated sufficient authority and autonomy to deploy its policies and procedures in a manner that effectively controls Respondent's sanctions risk.
- iii. Respondent commits to ensuring that its compliance unit(s) receives (receive) adequate resources—including in the form of human capital, expertise, information technology, and other resources, as appropriate—that are relative to Respondent's breadth of operations, target and secondary markets, and other factors affecting its overall risk profile
- iv. Respondent commits to ensuring that senior management promotes a "culture of compliance" throughout the organization.
- v. Respondent's senior management recognizes the seriousness of apparent violations of the laws and regulations administered by OFAC and acknowledges its understanding of the Apparent Violations at issue, and commits to implementing necessary measures to reduce the risk of recurrence of apparent violations in the future.

b. **Risk Assessment:**

- i. Respondent will conduct an OFAC risk assessment in a manner, and with a frequency, that adequately accounts for potential risks. Such risks could be posed by its clients and customers, products, services, supply chain,

intermediaries, counterparties, transactions, or geographic locations, depending on the nature of the organization.

- ii. Respondent will develop a methodology to identify, analyze, and address the particular risks. The risk assessments will be updated to account for the conduct and root causes of any apparent violations or systemic deficiencies identified by Respondent during the routine course of business, for example, through a testing or audit function.

**c. Internal Controls:**

- i. Respondent will design and implement written policies and procedures outlining its sanctions compliance program. These policies and procedures will be relevant to the organization, capture Respondent's day-to-day operations and procedures, be easy to follow, and be designed to prevent employees from engaging in misconduct.
- ii. Respondent will implement internal controls that adequately address the results of its sanctions risk assessment and profile. These internal controls should enable Respondent to clearly and effectively identify, interdict, escalate, and report to appropriate personnel within the organization transactions and activity that may be prohibited by OFAC. To the extent information technology solutions factor into Respondent's internal controls, Respondent will select and calibrate the solutions in a manner that is appropriate to address Respondent's risk profile and compliance needs, and Respondent will routinely test the solutions to ensure effectiveness.
- iii. Respondent commits to enforcing the policies and procedures it implements as part of its sanctions compliance internal controls through internal or external audits.
- iv. Respondent commits to ensuring that its OFAC-related recordkeeping policies and procedures adequately account for its requirements pursuant to the sanctions programs administered by OFAC.
- v. Respondent commits to ensuring that, upon learning of a weakness in its internal controls pertaining to sanctions compliance, it will take immediate and effective action, to the extent possible, to identify and implement compensating controls until the root cause of the weakness can be determined and remediated.
- vi. Respondent will clearly communicate the sanctions compliance program's policies and procedures to all relevant staff, including personnel within the sanctions compliance function, as well as relevant gatekeepers and business units operating in high-risk areas (e.g., customer acquisition, payments, sales,

etc.) and to external parties performing sanctions compliance responsibilities on behalf of Respondent.

- vii. Respondent will appoint personnel to integrate the sanctions compliance program's policies and procedures into Respondent's daily operations. This process will include consultations with relevant business units and confirm that Respondent's employees understand the policies and procedures.

**d. Testing and Audit:**

- i. Respondent commits to ensuring that its OFAC-related training program provides adequate information and instruction to employees and, as appropriate, stakeholders (for example, clients, suppliers, business partners, and counterparties) in order to support Respondent's sanctions compliance efforts.
- ii. Respondent commits to ensuring that it employs testing or audit procedures appropriate to the level and sophistication of its sanctions compliance program and that this function, whether deployed internally or by an external party, reflects a comprehensive and objective assessment of Respondent's OFAC-related risks and internal controls.
- iii. Respondent commits to ensuring that, upon learning of a confirmed negative testing result or audit finding pertaining to its sanctions compliance program, it will take immediate and effective action, to the extent possible, to identify and implement compensating controls until the root cause of the weakness can be determined and remediated.

**e. Training:**

- i. Respondent commits to ensuring that its OFAC-related training program provides adequate information and instruction to employees and, as appropriate, stakeholders (for example, clients, suppliers, business partners, and counterparties) in order to support Respondent's sanctions compliance efforts.
- ii. Respondent commits to providing OFAC-related training with a scope that is appropriate for the products and services it offers; the customers, clients, and partner relationships it maintains; and the geographic regions in which it operates.
- iii. Respondent commits to providing OFAC-related training with a frequency that is appropriate based on its OFAC risk assessment and risk profile and, at a minimum, at least once a year to all relevant employees.

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- iv. Respondent commits to ensuring that, upon learning of a confirmed negative testing result or audit finding, or other deficiency pertaining to its sanctions compliance program, it will take immediate and effective action to provide training to relevant personnel.
  - v. Respondent's training program will include easily accessible resources and materials that are available to all applicable personnel.
  - f. **Annual Certification:** On an annual basis, for a period of five years, starting from 180 days after the date the Agreement is executed, a senior-level executive or manager of Respondent will submit a certification confirming that Respondent has implemented and continued to maintain the sanctions compliance measures as committed above.
- D. Should OFAC determine, in the reasonable exercise of its discretion, that Respondent appears to have materially breached its obligations or made any material misrepresentations under Subparagraph C (Compliance Commitments) above, OFAC shall provide written notice to Respondent of the alleged breach or misrepresentations and provide Respondent with 30 days from the date of Respondent's receipt of such notice, or longer as determined by OFAC, to determine that no material breach or misrepresentations has occurred or that any breach or misrepresentation has been cured.
- E. In the event OFAC determines that a material breach of, or misrepresentation in, this Agreement has occurred due to a failure to perform the Compliance Commitments, OFAC will provide notice to Respondent of its determination and whether OFAC is re-opening its investigation. The statute of limitations applying to the Apparent Violations shall be deemed tolled until a date 180 days following Respondent's receipt of notice of OFAC's determination that a breach of, or misrepresentation in, this Agreement has occurred.
- F. Should the Respondent engage in any violations of the sanctions laws and regulations administered by OFAC—including those that are either apparent or alleged—OFAC may consider Respondent's sanctions history, or its failure to employ an adequate sanctions compliance program or appropriate remedial measures, associated with this Agreement as a potential aggravating factor consistent with the Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, Appendix A.
3. This Agreement does not constitute a final agency determination that a violation has occurred and shall not in any way be construed as an admission by Respondent that Respondent engaged in the Apparent Violations.
4. This Agreement has no bearing on any past, present, or future OFAC actions, including the imposition of civil monetary penalties, with respect to any activities by Respondent other than those set forth in the Apparent Violations.

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5. OFAC may, in its sole discretion, post on OFAC's website this entire Agreement and/or issue a public statement about the factors of this Agreement, including the identity of any entities involved, the settlement amount, and a brief description of the Apparent Violations.
6. The certifications to OFAC required under this Agreement shall be submitted to OFAC by email at [OFAC Compliance Certification@treasury.gov](mailto:OFAC_Compliance_Certification@treasury.gov), addressed to Assistant Director, Enforcement Division, Office of Foreign Assets Control, Freedman's Bank Building, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, DC 20220.
7. This Agreement consists of nine pages and expresses the complete understanding of OFAC and Respondent regarding resolution of OFAC's enforcement matter involving the Apparent Violations. No other agreements, oral or written, exist between OFAC and Respondent regarding resolution of this matter.
8. This Agreement shall inure to the benefit of and be binding on each party, as well as its respective successors or assigns.

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Respondent accepts the terms of this Agreement on this 27 day of June, 2023.

Frank Probst  
Signature

Franks Probst  
Respondent's Printed Name (or in the case of an entity, the name of Respondent's Duly Authorized Representative)

President and CEO  
Printed Title of Respondent's Duly Authorized Representative and Name of Entity (if applicable)

Please check this box if you have not enclosed payment with this Agreement and will instead be paying or have paid by electronic funds transfer (see paragraph 2(A)(ii) and the EFT Instructions enclosed with this Agreement).

Date: June 27, 2023

**Andrea M. Gacki**  
Digitally signed by Andrea M. Gacki  
Date: 2023.06.27 16:58:24 -04'00'  
Andrea M. Gacki  
Director  
Office of Foreign Assets Control