



DEPARTMENT OF THE TREASURY  
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**UniControl, Inc. Settles Potential Civil Liability for Apparent Violations of the Iranian Transactions and Sanctions Regulations**

UniControl, Inc. (“UniControl”), a Cleveland, Ohio-based entity that manufactures process controls, airflow pressure switches, boiler controls, and other instrumentation, has agreed to pay \$216,464 to settle its potential civil liability for apparent violations of the Iranian Transactions and Sanctions Regulations (ITSR). As a result of its failure to act on multiple apparent warning signs, UniControl exported 19 shipments of its goods from the United States to two European companies with reason to know that the goods were intended specifically for supply, transshipment, or reexportation to Iran by the two European companies. Additionally, UniControl had actual knowledge that an additional two shipments would be reexported to Iran. The settlement amount reflects OFAC’s determination that UniControl’s apparent violations were non-egregious and voluntarily self-disclosed, and further reflects the significant remedial measures implemented by UniControl upon discovery of the apparent violations.

**Description of the Conduct Leading to the Apparent Violations**

From on or about July 16, 2013 to on or about March 25, 2017, UniControl appears to have exported to two European companies 21 shipments of air pressure switches, valued at \$687,189, that were subsequently reexported to Iran. UniControl processed these transactions in its own name and in the names of Hays Cleveland and Cleveland Controls Inc., two companies that are divisions of UniControl.

These apparent violations occurred in large part because UniControl failed to take appropriate steps in response to multiple warning signs it encountered when engaging in business with its European trade partners, which gave UniControl reason to know its goods were being reexported to Iran. These warning signs included:

- *Customer Interest in Iranian Market.* Early in their relationship, one of UniControl’s European trade partners told UniControl in May 2010 that it had a significant market for UniControl’s goods in Iran and inquired whether UniControl could serve as a supplier. Although UniControl initially rebuffed the opportunity, UniControl never took steps in the subsequent years of the business relationship to ensure that sales to its European trade partner were not being reexported to Iran.
- *Inclusion of Iran in Authorized Sales Territory.* UniControl and a European trade partner entered into a February 14, 2014 Sales Representative Agreement (SRA) that explicitly listed Iran as a country to which the European company could re-sell UniControl goods. UniControl never sought to update or amend the SRA to make clear to its European trade partner that reexports of its goods to Iran were impermissible.

- *Obfuscated End-User Request.* When a European trade partner informed UniControl of internal company issues and holidays prompting necessary delays to UniControl shipping its switches to the European trade partner for onward shipment to end-users, UniControl offered on May 31, 2016 to ship its goods directly to a purported third-party European end-user in an effort to overcome the European trade partner’s substantial delays and ensure the end-user did not source their goods elsewhere. The European trade partner rebuffed this offer, citing problems with documentation and transportation issues. UniControl did not question or follow up on this obfuscation nor otherwise try to engage directly with the ostensible end-user of its goods.
- *Engagement with Iranian Nationals at European Trade Shows.* UniControl management and employees attended European trade conferences in 2012, 2013, 2016, and 2017 at which they assisted visitors at UniControl’s distributors’ booths to understand UniControl products. In this context, UniControl managers met with Iranian nationals in March 2016 at a European trade partner’s booth, but did not question its European trade partner about the Iranian interest in UniControl products. UniControl also met one-on-one with an Iranian end-user and a European trade partner at the March 2017 trade conference.
- *Request to Remove “Made in USA” Label.* UniControl’s European trade partner requested in a February 23, 2017 email that UniControl remove its “Made in USA” label from the switches slated for exportation to the European trade partner. The European trade partner explained that the Iranian end-user may have problems with the stated origin of the products. The request raised questions within UniControl—and prompted the company to seek follow-up guidance from outside counsel in March 2017—but UniControl nonetheless sent two subsequent shipments to the European trade partner for reexport to Iran.

Following consultation with outside counsel, UniControl voluntarily self-disclosed the apparent violations to OFAC and acknowledged to OFAC that it had actual knowledge that the final two of the 21 transactions were intended specifically for reexport to Iran by its European trade partners. One European trade partner returned the goods to UniControl and was reimbursed for its earlier payment, while the other disregarded UniControl’s request and reexported the goods it received from UniControl to Iran.

Accordingly, UniControl’s conduct resulted in apparent violations of 31 C.F.R. part 560 of the ITSR. Specifically, between the approximate dates of July 16, 2013 and March 25, 2017, UniControl appears to have violated § 560.204 of the ITSR, when it exported goods from the United States to a third country with knowledge or reason to know that the goods were intended specifically for supply, transshipment, or reexportation to Iran. In total, UniControl engaged in 21 prohibited transactions valued at \$687,189.

### **Penalty Calculations and General Factors Analysis**

The statutory maximum civil monetary penalty amount for the apparent violations in this matter is \$5,423,766. However, OFAC determined that UniControl voluntarily self-disclosed the apparent violations and that the apparent violations constitute a non-egregious case. Accordingly, under OFAC’s Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A., the base civil

monetary penalty amount for the apparent violations equals the sum of one-half of the transaction value for each apparent violation, which in this case is \$343,595.

The settlement amount of \$216,464 reflects OFAC's consideration of the General Factors under the Enforcement Guidelines.

OFAC determined the following to be **aggravating factors**:

- (1) With respect to the initial 19 shipments, UniControl failed to follow up on multiple warning signs that its European trade partner was reexporting its goods to Iran.
- (2) With respect to the initial 19 shipments, UniControl senior leadership was aware or should have been aware of the reexportation of its goods to Iran.
- (3) With respect to its two final shipments, UniControl exported its air pressure switches from the United States to two European companies with actual knowledge that these goods were to be reexported to an end-user located in Iran.
- (4) When exporting the final two shipments, UniControl's senior leadership, including its President, Quality Assurance Supervisor, and Sales Engineer, had actual knowledge that the company's goods were to be reexported to an Iranian end-user.

OFAC found the following to be **mitigating factors**:

- (1) UniControl is a modest-sized company with no prior sanctions history with OFAC, including no receipt of a penalty notice or Finding of Violation in the five years preceding the earliest date of the apparent violations.
- (2) UniControl ceased all shipments to its European trade partners at the time of its disclosure. With regard to the final two shipments that UniControl had actual knowledge were intended for reexport to Iran, UniControl requested that both trade partners return the goods to UniControl. One European trade partner complied, and UniControl reimbursed that company its payment. The other trade partner rebuffed UniControl's request and reexported the switches to Iran. UniControl asserted that it forfeited approximately \$66,900 in payment for those switches that were reexported rather than accept funds involving an Iranian end customer.
- (3) UniControl cooperated with OFAC during the course of its investigation by submitting detailed and well-documented correspondence describing the apparent violations, as well as entered into two tolling agreements with OFAC.
- (4) UniControl invested in and strengthened its trade compliance procedures, including by:
  - Hiring outside counsel to assist in strengthening its sanctions compliance and export policies and procedures;

- Requiring customers sign end-user and end-use certificates to ensure that buyers do not resell UniControl products to prohibited end-users;
- Where UniControl customers are reexporting UniControl products, UniControl is now requiring end-user certificates from secondary and tertiary buyers of reexported products; and
- Adding a Destination Control Statement to the footer of certain trade documents, including: internal sales orders, accounting forms, customer-order acknowledgements, and customer invoices, to remind recipients of the restrictions on reselling, transferring, manipulating or otherwise disposing of their products.

### **Compliance Considerations**

This enforcement action highlights the importance of identifying and assessing multiple warning signs that indicate a foreign trade partner may be re-exporting goods to a sanctioned jurisdiction. In this case, the multiple indicia of sanctions risks should have prompted a commensurate compliance response. In particular, U.S. businesses should seek transparency when dealing with foreign trade partners and follow up on activities that raise concerns or suspicion. For example, should a foreign trade partner indicate an interest in reexporting goods to a sanctioned jurisdiction, a U.S. business should actively communicate with the partner about relevant trade restrictions, review relevant trade documents, and conduct other risk-based due diligence to ensure that the trade partner understands the relevant prohibitions and does not engage in violative activity.

### **OFAC Enforcement and Compliance Resources**

On May 2, 2019, OFAC published [A Framework for OFAC Compliance Commitments](#) in order to provide organizations subject to U.S. jurisdiction, as well as foreign entities that conduct business in or with the United States or U.S. persons, or that use U.S.-origin goods or services, with OFAC's perspective on the essential components of a sanctions compliance program. The *Framework* also outlines how OFAC may incorporate these components into its evaluation of apparent violations and resolution of investigations resulting in settlements. The *Framework* includes an appendix that offers a brief analysis of some of the root causes of apparent violations of U.S. economic and trade sanctions programs OFAC has identified during its investigative process.

Information concerning the civil penalties process can be found in the 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](http://www.treasury.gov/ofac/enforcement).

For more information regarding OFAC regulations, please go to: [www.treasury.gov/ofac](http://www.treasury.gov/ofac).