SETTLEMENT AGREEMENT

This settlement agreement (the "Agreement") is made by and between Yantai Jereh Oilfield Services Group Co., Ltd. and its affiliated companies and subsidiaries worldwide (collectively referred to hereafter as "Jereh Group" or "Respondent"), and the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC).

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.

The Jereh Group is an integrated oil and gas company specializing in oil and gas equipment manufacturing, engineering and construction, and oilfield technology services. The Jereh Group employs approximately 5,000 employees worldwide and is headquartered in the city of Yantai in China's northeastern Shandong province. The Jereh Group has established subsidiaries and marketing and services agencies across the globe, and its products and services are available in over 30 countries and regions.

II. APPARENT VIOLATIONS

From on or about October 2, 2014 to on or about March 4, 2016, the Jereh Group appears to have violated the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (ITSR), on at least 11 occasions. Specifically, the Jereh Group appears to have violated §§ 560.203 and 560.204 of the ITSR when it exported or reexported, or attempted to export or reexport, U.S.-origin goods ultimately intended for Iran via China, in some cases after incorporation into other goods in China (referred to hereafter as the "Apparent Violations"). Two of the 11 transactions involved shipments that were seized by U.S. Customs and Border Protection (CPB). The Jereh Group did not cease its activities until the U.S. Department of Commerce's Bureau of Industry and Security (BIS) added Yantai Jereh Oilfield Services Group Co., Ltd. and four of its former employees, as well as other companies and individuals involved in the prohibited activities described below, to the Entity List.

III. STATEMENT OF FACTS

In June 2011, in response to an increase in U.S. and international sanctions against Iran, the Chairman of the Jereh Group issued a companywide memorandum "instructing all Jereh employees to immediately cease and refrain from engaging in any business relationships with Iran or Iranian companies." In parallel with this directive, the Company updated the language contained in its template contracts to include a provision that explicitly prohibited the unauthorized re-exportation of its products to Iran. Despite these steps, the Jereh Group failed to develop any procedures to audit compliance with the June 2011 directive.

On November 24, 2013, the P5+1 (the United States, United Kingdom, Germany, France, Russia, and China) and Iran announced a set of initial understandings known as the Joint Plan of Action. In or around this time, several former Jereh Group employees — specifically including a former sales executive focusing on the Middle East (the "Sales Executive"), and a former business manager (the "Business Manager") — began to investigate potential sales opportunities in Iran.

Beginning in late 2013, the former Sales Executive and the former Business Manager arranged meetings in Iran and/or with Iranian customers. Through these and other communications with potential buyers, both the former Sales Executive and the former Business Manager developed a scheme whereby they utilized intermediary companies, such as the Chinese trading company Jinan Tongbaolai Oilfield Equipment Co., Ltd. ("JNTBL") and the UAE distribution company Dubai Great Technology Trading LLC ("DGT"), in order to sell and ship Jereh Group products to Iran — many of which relied upon and incorporated U.S.-origin goods. In a report submitted to OFAC, the company summarized the interactions and relationships amongst and between these parties as follows:

> DGT was contracted by the Iranian end-user to act as an intermediary between Jereh Group and JNTBL. JNTBL was the Chinese company that executed purchase orders and contracts with Jereh Group while separately contracting for the resale of Jereh [Group] merchandise indirectly through DGT and directly to other Iranian end-users. For these multi-party arrangements, two separate contracts were signed: one between Jereh Group and JNTBL and one between JNTBL and DGT, for the sale and shipment of Jereh Group equipment through the UAE to the end-users in Iran.

The Jereh Group also identified additional Iranian-related transactions involving a company named Jinan Tai-Si Mechanical Equipment Co., Ltd ("TES"), an entity that appears to have been incorporated in mid-to-late 2014. The company explained that the former Sales Executive started to conduct Jereh Group's Iran-related business through this company in late 2014, and that the former Business Manager left the Jereh Group in order to begin working as a TES salesman with a specific focus on the Iranian market. In a report submitted to OFAC, the company provided a description of the transactions made by and between these various entities as follows:

> In mid-2014, another contract was formed with an Iranian customer through the Business Manager, this time for a coiled tubing skid unit. Due to banking and logistical issues, JNTBL was used to arrange the contract with the Iranian customer indirectly through Jereh and TES. Jereh then contracted with TES, which in turn contracted with JNTBL for the sale of Jereh Group's products into the Iranian market. Just as the previous multi-party transaction, this transaction involving TES was equally prohibited by U.S. law and Jereh Group management's strict instructions against doing business with Iran.

Overall, the Jereh Group determined that sales directed through multiple intermediaries — including JNTBL, TES, and Beijing Groma International Trade Co., Ltd. ("Groma") — were

delivered for use by several Iranian companies, including the Mehran Engineering and Well Service Co. ("Mehran") and Petro Sanat Haffar Co. ("PSH").

The following provides an example of the manner in which the Jereh Group procured and provided U.S.-origin goods to Iran. American Jereh International Corporation ("American Jereh") — the Houston, Texas affiliate of Yantai Jereh Oilfield Services Group Co., Ltd. — purchased tees and tee joints from a U.S. company located in Houston, Texas (the "U.S. Company"). American Jereh purchased these items for or on behalf of Yantai Jereh Petroleum Equipment and Technologies Co., Ltd. ("JPE"), a Jereh Group company based in Yantai, China. American Jereh was the contract party and shipped the tees and tee joints to JPE in China, but JPE paid the U.S. Company for the tees and tee joints. The tees and tee joints were incorporated into a nitrogen pumper, as part of a liquid nitrogen pumper set, at the Jereh Group's facilities in Yantai, China by Jereh Group employees. The liquid nitrogen pumper set was sold by JPE to Groma (one of the above-referenced intermediaries) in China. Groma subsequently transferred and/or shipped these products to the Mapna Group in Iran.

The Jereh Group's export controls and sanctions compliance program was non-existent or unenforced during the time period in which the Apparent Violations occurred. An external review of the company's compliance program in late 2015 and early 2016 noted the following: "Our conclusion was that [the] Jereh [Group's] controls were largely non-existent and, when in place, were ineffective, easily circumvented and, when circumvented, the circumvention could and did go undetected." In addition, despite changing the company's contracts to include an explicit provision prohibiting the re-exportation of Jereh Group products to countries subject to U.S. economic sanctions, some legal contracts signed between the Jereh Group and JNTBL or TES excluded this language. The aforementioned external review determined the following: "This change to contract language should have been noticed by [the Jereh Group] legal department . . . . [I]t is . . . clear that the Jereh [Group] legal department did not provide adequate review or oversight regarding these contracts."

Despite the June 2011 policy directive that forbade any business with Iran or Iranian companies, the Jereh Group identified multiple visits made to its facilities in Yantai, China by representatives of Iranian companies in mid-2014, including, among others, MEED, Mehran, and PSH (Iranian companies that purchased and received the goods in connection with the Apparent Violations described in this Agreement). According to the Jereh Group, the Iranian representatives used these visits to inspect equipment, receive training, and contemplate future procurement of Jereh Group products.

In the summer of 2014, CBP detained a shipment of goods destined for the Jereh Group, and BIS officials interacted with multiple Jereh Group and American Jereh employees regarding U.S. economic and trade sanctions against Iran. Although the Chairman of the Jereh Group appears to have issued instructions to several employees and business units to cooperate with the U.S. Government's inquiries, the former Sales Executive falsely denied having engaged in any business dealings with Iran. Nine of the 11 transactions constituting the Apparent Violations of the ITSR occurred in or after January 2015, more than four months after BIS officials began communicating with the Jereh Group.

On March 21, 2016, BIS added several Jereh Group companies and related individuals to its Entity List.

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:

   A. Within thirty (30) days of the date Respondent receives the unsigned copy of this Agreement, to:

      (i) sign, date, and mail an original signed copy of this Agreement to: [redacted] Office of Foreign Assets Control, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, DC 20220. Respondent should retain a copy of the signed Agreement and a receipt or other evidence that shows the date that Respondent mailed the signed Agreement to OFAC; and

      (ii) pay or arrange for the payment to the U.S. Department of the Treasury the amount of **$2,774,972**. 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 46105**. 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; 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, and/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. Respondent has terminated the conduct described in this Agreement which led to or was otherwise associated with the Apparent Violations.

D. Respondent represents it has taken the following steps to minimize the risk of the recurrence of similar conduct in the future:

(i) Terminated the employment of three individuals determined to be responsible for or involved in the Apparent Violations;
(ii) Engaged outside trade counsel to conduct an internal review and develop a trade and sanctions compliance program;
(iii) Created a dedicated International Business Compliance Department;
(iv) Hired full-time compliance personnel, including a dedicated and U.S.-trained Chief Legal Officer, as well as a Deputy Director of Compliance;
(vi) Held multiple export and sanctions compliance training sessions for company personnel;
(v) Proactively contacted suppliers and issuing compliance certifications;
(vi) Established a compliance committee with representatives from a number of business units;
(vii) Launched a company-wide compliance program;
(viii) Prepared and circulated an Export Compliance manual; and
(ix) Implemented trade and sanctions compliance policies and procedures.

Should OFAC determine, in the reasonable exercise of its discretion, that Respondent has materially breached its obligations or made any material misrepresentations under paragraph 2 above, OFAC shall provide written notice to Respondent of the alleged breach or misrepresentation and provide Respondent with 30 days from the date of Respondent's receipt of such notice, or longer as determined by OFAC, to demonstrate that no material breach or misrepresentation has occurred or that any breach or misrepresentation has been cured. In the event that OFAC determines that a material breach or misrepresentation of this Agreement has occurred, OFAC will provide notice to Respondent of its determination, and 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 this Agreement has occurred.

This Agreement shall not in any way be construed as an admission by Respondent that Respondent engaged in the Apparent Violations.

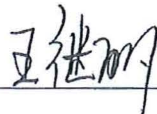
This Agreement has no bearing on any past, present, or future OFAC actions, including the imposition of civil penalties, with respect to any activities by Respondent other than those set forth in the Apparent Violations.

OFAC may, in its sole discretion, post on OFAC's website this entire Agreement and/or issue a public statement about the facts of this Agreement, including the identity of any entity involved, the settlement amount, and a description of the Apparent Violations.

This Agreement consists of seven pages and one spreadsheet, 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.

This Agreement shall inure to the benefit of and be binding on each party, as well as its respective successors or assigns.

Respondent accepts the terms of this Settlement Agreement this 29 day of November, 2018.



Signature

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

President, Yantai Jereh Oilfield Services Group Co., Ltd.
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 Electronic Funds Transfer Instructions enclosed with this Agreement).

Date: Nov. 30, 2018

Andrea M. Gacki
Director
Office of Foreign Assets Control

Enclosures