Memorandum

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VIA EMAIL

Date: August 9, 2012

To: Clients and Friends

From: George F. Murphy
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Re: Summary of the Latest Legislation Increasing U.S. Sanctions Against Iran

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The principal features of the new 147-page legislation imposing additional sanctions against Iran and Syria are as follows:

- Within 60 days of the legislation's enactment, the President must subject foreign affiliates owned or controlled by a U.S. company to the same prohibitions as their U.S. parent and subject their U.S. parent to civil penalties for its foreign affiliate's impermissible transactions with Iran. The legislation would allow a U.S. company to avoid penalties if it divests or terminates its business with the foreign affiliate within 180 days of enactment.

- The Securities Exchange Act is amended to require any company trading on U.S. exchanges to disclose certain activities it or its affiliates "knowingly" conducted that involve specific provisions of the Iran Sanctions Act ("ISA"), the Comprehensive Iran Sanctions, Accountability and Divestment Act ("CISADA") and several executive orders. The activities include dealings in Iran's energy sector and development of weapons of mass destruction and dealings with the Revolutionary Guard Corps and persons whose property and interests in property are blocked pursuant to enumerated executive orders. Disclosure is required to the SEC in regular reports due 180 days after the legislation's enactment. The President is also required to investigate activity disclosed to the SEC and determine whether sanctions should be imposed.

- CISADA is amended to extend certain sanctions under CISADA to affiliates and agents of persons sanctioned by UN Security Council Resolutions. This extension of sanctions increases the number of persons with whom foreign financial institutions may not deal under CISADA and, therefore, possibly increasing the number of foreign financial institutions whose U.S. accounts may be restricted.

- The legislation created two new sanctions available under the ISA: a ban on U.S. persons purchasing "significant amounts" of equity or debt of sanctioned persons and denying entry into the United States to officers, principals or controlling shareholders of sanctioned persons. Any sanction available under the ISA may now be imposed against "principal executive" officers or "persons performing similar functions" of sanctioned persons.

- Sanctions are also to be imposed against persons the President identifies as having:

    - Provided to Iran goods, services or technology that contribute "directly and significantly" to enhancements in Iran's energy sector with a value of $1 million or aggregate value of $5 million over twelve months;

    - Owned, operated, controlled or insured a vessel that was used "with actual knowledge" to export crude oil from Iran or

    - "Knowingly" sold, leased or provided a vessel or provided any shipping service, including insurance, for transportation to or from Iran of goods that could "materially contribute" to Iran's ability to produce weapons of mass destruction or support acts of terrorism.

- Sanctions are, in addition, to be imposed against persons participating in certain joint ventures involved with Iran's ability to develop petroleum resources or uranium mining or production where the Government of Iran or, in some cases, an Iranian entity is a partner.

- Finally, sanctions are to be extended to persons identified as being responsible for or facilitating human rights abuses in Iran and Syria.

The new legislation creates a number of different sanctions. Much of the legislation involves amendments to the ISA, CISADA and other existing U.S. sanctions against Iran, all of which provide the President, in many cases, considerable discretion to enforce. Amidst a lot of chest-thumping in the new legislation, the provision subjecting foreign affiliates owned or controlled by a U.S. company to the same prohibitions as their U.S. parent stands out as the most significant.