

FAC No.: IA-[text deleted]

Mr. Charles Lee, Managing Director
HM Digital, Inc.
5819 Uplander Way
Culver City, CA 90230

PENALTY NOTICE

Dear Mr. Lee:

The Office of Foreign Assets Control (“OFAC”) issued to you a Prepenalty Notice (“PPN”) dated September 10, 2007 based on evidence that you engaged in certain transactions prohibited by the Iranian Transactions Regulations, 31 C.F.R. part 560 (the “ITR”). The PPN proposed a penalty in the amount of \$2,662 and informed you of your right to submit a written response within 30 days explaining why you believe there should be no finding of violation, why a monetary penalty should not be imposed, or why the monetary penalty should be in a lesser amount than proposed. The PPN also informed you that the submission of a written response is a factor that may result in a lower penalty absent any aggravating factors and that OFAC may proceed with the issuance of a Penalty Notice whether or not you submit a written response.

On September 10, 2007 OFAC mailed the PPN by first class (regular) mail to you at your last known address.

In a response to OFAC dated October 5, 2007 (“Response”), you stated that you were unaware of the trade sanctions and that you did not realize there was a law prohibiting U.S. entities from facilitating deliveries to Iran from a foreign location. OFAC notes that you knowingly and willfully attempted a second offense and that you made a deliberate effort to hide or conceal the violation.

After consideration of the entire record, OFAC determines that you violated the ITR and that a civil monetary penalty is warranted. OFAC further determines that the aggravating factors negate the mitigating factors presented. Accordingly, there is no reduction in the proposed civil penalty amount.

The issuance of this Penalty Notice constitutes final agency action, and a civil monetary penalty in the amount of \$2,662 is imposed;

You must submit this full penalty amount by check payable to the “U.S. Treasury” postmarked no later than 30 days after the date of service of this Penalty Notice to the Department of Treasury, Financial Management Division, (Attn: Brad Keiser, Met Square, 6th Floor), 1500 Pennsylvania Avenue, N.W., Washington, D.C. 20220. Alternatively, you may arrange with the Office of Financial Management of the Department of the Treasury for installment payment. Such an arrangement must be completed no later than 30 days after the date of service of this Penalty Notice. Failure to pay in full or make arrangements with the

Office of Financial Management will result in interest, administrative charges, and late fees beginning to accrue 30 days after the date of service of this Penalty Notice. Interest, administrative charges, and late fees will commence to accrue after 30 days.

Additionally, you must provide to OFAC your taxpayer identification number (for individuals, your social security number) pursuant to 31 U.S.C. § 7701. OFAC intends to use your taxpayer identification number for the purposes of collecting and reporting on any delinquent penalty amount in the event of a failure to pay the penalty imposed.

Any submission of payment, or other correspondence concerning this penalty matter, should be sent to: Chief of Civil Penalties, Office of Foreign Assets Control, U.S. Treasury Department, 1500 Pennsylvania Avenue NW, Washington, DC 20220, with the envelope prominently marked "Urgent: Part 501 Action."

Sincerely,

[signature]

Adam J. Szubin
Director
Office of Foreign Assets Control