

## ENFORCEMENT INFORMATION FOR December 12, 2019

Information concerning the civil penalties process can be found in the Office of Foreign Assets Control (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 Web site at [www.treasury.gov/ofac/enforcement](http://www.treasury.gov/ofac/enforcement).

### ENTITY – 31 C.F.R. 501.805(d)(1)(i)

**OFAC Issues a Finding of Violation to Aero Sky Aircraft Maintenance, Inc. for Violations of the Global Terrorism Sanctions Regulations:** OFAC has issued a Finding of Violation to Aero Sky Aircraft Maintenance, Inc. (“Aero Sky”), a Texas company located in San Antonio, that negotiated and entered into a contract and contingent contract with Mahan Air in violation of the Global Terrorism Sanctions Regulations, 31 C.F.R. part 594 (GTSR). On October 12, 2011, OFAC designated Mahan Air, an Iranian commercial airline company, pursuant to Executive Order 13224 for providing financial, material, and technological support to the Islamic Revolutionary Guard Corps-Qods Force. Accordingly, Mahan Air is identified on OFAC's List of Specially Designated Nationals and Blocked Persons (the “SDN List”). OFAC determined that in 2016, Aero Sky violated § 594.201(a) of the GTSR by dealing in the property and interests in property of Mahan Air when Aero Sky negotiated and entered into a contract and a second contingent contract with Mahan Air (hereinafter referred to as the “Violations”).

Aero Sky subsequently entered into bankruptcy proceedings and has since dissolved.<sup>1</sup> But for Aero's Sky dissolution, OFAC believes the facts presented in this matter would have justified a strong civil monetary penalty.

On December 19, 2016, after multiple rounds of negotiations with Mahan Air representatives, Aero Sky entered into Memorandum of Understanding (MOU) with Mahan Air and two other parties. The MOU called for the parties to, among other things, make reasonable efforts to collaborate in order to provide future non-exclusive maintenance and repair services to Mahan Air and to enter into a joint venture agreement. The MOU also included an appendix that stated that the MOU was contingent, in part, upon Mahan Air being removed from OFAC's SDN List.

Aero Sky was aware that Mahan Air was an entity identified on the SDN List. Prior to the negotiations of, and entry into, the contingent contract with Mahan Air, Aero Sky consulted legal counsel, who reviewed OFAC's website and determined that Mahan Air was listed as a Specially Designated Global Terrorist on OFAC's SDN List. Nonetheless, Aero Sky mistakenly determined that its negotiation of, and entry into, a contingent contract with Mahan Air was authorized under the scope of Iran General License I (“GL I”), *Authorizing Certain Transactions Related to the Negotiation of, and Entry into, Contingent Contracts for Activities Eligible for Authorization Under the Statement of Licensing Policy for Activities Related to the Export or Re-export to Iran of Commercial Passenger Aircraft and Related Parts and Services*.<sup>2</sup>

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<sup>1</sup> OFAC is not aware of any successor entity.

<sup>2</sup> OFAC implemented GL I on March 24, 2016, and subsequently revoked GL I on June 27, 2018.

At the relevant time, GL I authorized certain transactions related to the negotiation of, and entry into, contingent contracts for activities eligible for authorization under the then-Joint Comprehensive Plan of Action Statement of Licensing Policy. However, GL I explicitly and specifically excluded transactions and dealings with any person whose property or interests in property were blocked pursuant to any part of 31 C.F.R. chapter V other than part 560. At all times during which Aero Sky engaged in the conduct associated with the Violations, Mahan Air was designated (and continues to be designated) pursuant to Executive Order 13224 and the GTSR—a part of 31 C.F.R. chapter V other than part 560.

GL I did not authorize Aero Sky to enter into negotiations and a contract or contingent contract with Mahan Air. Therefore, Aero Sky dealt with a person whose property or property interests were blocked without authorization from OFAC in violation of § 594.201(a) of the GTSR. OFAC determined that Aero Sky did not voluntarily self-disclose the Violations.

The determination to issue a Finding of Violation to Aero Sky reflects OFAC’s consideration of the following facts and circumstances, pursuant to the General Factors Affecting Administrative Action (the “General Factors”) as outlined in OFAC’s Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A, including, as noted above, the company’s subsequent bankruptcy and dissolution.

OFAC considered the following to be aggravating factors in this case:

- (1) Aero Sky engaged in a reckless violation of the law by failing to exercise a minimal degree of caution or care by negotiating and entering into a contingent contract with an entity on the SDN List;
- (2) A senior Aero Sky executive had actual knowledge of, and participated in, the conduct that led to the Violations; and
- (3) Aero Sky undermined the policy objectives of the GTSR by dealing in blocked property or property interests of a high-profile entity identified on the SDN List—Mahan Air. Mahan Air was designated in 2011, approximately five years prior to the Violations. As OFAC has publicly documented on numerous occasions, Mahan Air supports terrorism by providing, among other things, financial, material and technological support to the Islamic Revolutionary Guard Corps-Qods Force, and support to the Iranian government’s destabilizing activity in the Middle East.

OFAC considered the following to be mitigating factors in this case:

- (1) Aero Sky has not been subject to a Finding of Violation or penalty notice from OFAC in the five years preceding the date of the transaction giving rise to the Violations; and
- (2) Aero Sky was a small company in poor financial condition that dissolved after the violations.

This enforcement action demonstrates that any individuals or entities engaging in dealings or transactions with persons, regions, or countries subject to U.S. economic and trade sanctions in accordance with a specific or general license issued by OFAC should ensure they carefully review, and fully comply with, all of the terms and conditions of those licenses. The execution of a contract or contingent contract by a person subject to OFAC's jurisdiction with a person whose property and property interests are blocked is prohibited, unless authorized by OFAC or exempt by law. Furthermore, this enforcement action demonstrates the U.S. government's commitment to enforcing sanctions in response to prohibited dealings with designated Iranian airlines, such as Mahan Air. For example, on July 23, 2019, OFAC issued an [Iran-Related Civil Aviation Industry Advisory](#) to warn of deceptive practices employed by Iran with respect to aviation matters.

As noted in [OFAC's A Framework for Compliance Commitments](#), issued in May 2019, risks in sanctions compliance are potential threats or vulnerabilities that, if ignored or not properly handled, can lead to violations of OFAC's regulations and negatively affect an organization's reputation and business. U.S. companies can mitigate sanctions risk by conducting risk assessments and exercising caution when doing business with entities that are affiliated with, or known to transact with, OFAC-sanctioned persons or jurisdictions, or that otherwise pose high risks due to their joint ventures, affiliates, subsidiaries, customers, suppliers, geographic location, or the products and services they offer.

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