DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

SETTLEMENT AGREEMENT

This settlement agreement (the "Agreement") with respect to ENF [redacted] is made by and between the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") and Fracht FWO Inc. including its subsidiaries, assignees, successors, and affiliates worldwide (collectively referred to hereafter as "Respondent").

I. PARTIES

OFAC administers and enforces economic sanctions against targeted foreign countries, regimes, terrorists, international narcotics traffickers, human rights abusers, 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.

Respondent is an international freight forwarder, whose principal place of business in the United States is in Houston, Texas, and which maintains offices in large port cities throughout the United States. Respondent's core business function is to identify brokers and carriers capable of transporting cargo (via land, sea, or air) in a cost efficient and timely manner for its clients. Respondent has operated in the United States since 1976 and is owned by a non-U.S. person. Respondent operates in a regulatory environment concerning cross-border international trade, requiring Respondent to abide by sanctions, trade agreements, customs regulations, security measures, export controls, and environmental standards among other requirements. Respondent also operates in industries related to cargo transport, including international logistics and cargo brokerage.

II. FACTUAL STATEMENT

In May 2022, a major automobile manufacturer (the "Customer") requested Respondent's Mexico affiliate secure transport of a shipment of car parts from Mexico to Argentina on an urgent basis. The Mexican affiliate, a new company lacking the requisite expertise, capacity, and monetary resources to fulfill the request, sought Respondent's assistance. Respondent initially attempted to procure an aircraft for the shipment through a broker in Mexico ("Broker 1"), with that effort failing due to the expedited nature of the request. In internal communications, Respondent acknowledged the risk of losing the Customer's business to a competitor if Respondent did not imminently find a suitable arrangement. Respondent's Vice President of Airfreight ("Vice President 1") had recently attended an industry conference and decided to contact a broker ("Broker 2") recommended by a contact he had met. Broker 2 promptly arranged for an aircraft with Empresade Transporte Aéreocargo del Sur, S.A. ("EMTRASUR"),[1]

[1] With Venezuela Government Decree Number 4.379 of November 19, 2020, President Maduro of Venezuela created EMTRASUR as a state company fully owned by Consorcio Venezolano de Industrias Aeronauticas y Servicios Aereos, S.A. ("CONVIASA"). As a government of Venezuela entity, CONVIASA and its fleet of aircraft have been blocked since the issuance of Executive Order (E.O.) 13884 of August 5, 2019, "Blocking Property of the

a Government of Venezuela cargo airline. For the Customer's shipment, as detailed in the below descriptions of the Apparent Violations, EMTRASUR used an aircraft identified on OFAC's List of Specially Designated Nationals and Blocked Persons (the "SDN List") as blocked property of Mahan Air.[2] Unbeknownst to Respondent, EMTRASUR also staffed the aircraft with an Iranian crew apparently associated with Mahan Air.

First Apparent Violation with EMTRASUR

On May 30, 2022, Respondent, through Vice President 1 and another vice president ("Vice President 2"), entered into an aircraft charter contract ("Charter Contract") with Broker 2 to deliver the parts. The Charter Contract provided for a flight scheduled to arrive in Mexico on June 2, 2022, to pick up Respondent's cargo and deliver it to Argentina on June 3, 2022. The Charter Contract named Venezuelan state-owned entity EMTRASUR as the carrier, with a Venezuelan address, and, for the aircraft, listed a tail number of YV-3531, with the "YV" prefix indicating a Venezuelan aircraft. The Charter Contract had the aircraft arriving in Mexico from Venezuela, and the flight from Mexico to Argentina including a layover in Venezuela. After executing the Charter Contract with Broker 2 on June 1, 2022, Fracht made an $885,000 payment to Broker 2 ("Transaction 1"). Of the $885,000, EMTRASUR received $825,000. Vice President 1 and Vice President 2 entered Fracht into the Charter Contract without conducting the sanctions screening required under Fracht's sanctions policies and procedures.

Second Apparent Violation with EMTRASUR

The EMTRASUR aircraft arrived in Mexico on June 4, 2022, two days late from its original scheduled arrival date, to pick up the cargo. While loading the plane, the ground crew notified Vice President 2 that the aircraft was a converted passenger aircraft and could not hold the entire cargo as intended. Respondent was informed it could either authorize the ground crew to unload and reconfigure the cargo to fit, which would further delay the aircraft's arrival in Argentina by two days or procure a different aircraft for transport.

On June 4, 2022, Vice President 1, Vice President 2, Respondent's Chief Executive Officer (CEO), and Fracht Mexico's CEO exchanged messages on a group chat to discuss the resultant delay and mitigate its impact on Respondent's reputation and business. The chat messages addressed how to maximize the cargo it could load onto the aircraft and agreed to attempt the reconfiguration of the aircraft. The CEO of EMTRASUR also spoke with Vice President 2 and explained that, as a result of the delay, Respondent would need to pay a $110,000 late fee to EMTRASUR for additional loading time in Mexico. EMTRASUR instructed Respondent to pay the fee to its agent before the aircraft would depart Mexico.

In response to an inquiry from the Respondent's CEO in the group chat regarding the identity of the airline, Vice President 2 explained that Respondent had engaged EMTRASUR, adding that EMTRASUR was a "subcompany of…CONVIASA." Respondent's CEO was

Government of Venezuela." On February 7, 2020, OFAC strengthened the blocking of the Government of Venezuela by specifically designating CONVIASA and identifying its fleet of aircraft as blocked property of the Government of Venezuela on the OFAC SDN List.
[2] OFAC designated Mahan Air on October 12, 2011, pursuant to E.O. 13224 of September 23, 2001.

unaware that either company was blocked or that sanctions screening had not been performed and deferred to the senior executive group's decision to use the current plane and maximize the cargo space, delaying the flight and agreeing to pay EMTRASUR's late fee. On June 6, 2022, EMTRASUR's agent issued an invoice for $110,000 to Respondent, which Fracht paid the following day.

Prohibited Dealings Involving the Blocked Property Interests of Mahan Air and Iranian-Origin Flight Crew Services

OFAC designated Mahan Air on October 12, 2011, pursuant to E.O. 13224 of September 23, 2001.[3] On September 12, 2012, OFAC added an aircraft bearing tail number EP-MND to the SDN List as blocked property in which Mahan Air has an interest (the "Blocked Aircraft"), and included the aircraft's manufacturer's serial number, 23413. On December 11, 2019, OFAC implemented the U.S. Department of State's designation of Mahan Air pursuant to E.O. 13382 of June 28, 2005.[4]

In or around October 2021, Mahan Air transferred custody and control of the aircraft to CONVIASA.[5] EMTRASUR changed the unique identifier tail number from EP-MND to YV-3531, reflecting its status as a Venezuela-based aircraft. Although Mahan Air transferred the Blocked Aircraft to CONVIASA, it still appeared on OFAC's SDN List and continued to contain Mahan Air's property or interest in property when Respondent contracted to use the aircraft.

Following the Blocked Aircraft's transfer to EMTRASUR, Mahan Air continued to coordinate use of the aircraft, providing operations training and maintenance services.[6] Under EMTRASUR, the Blocked Aircraft made various trips between Caracas, Venezuela; Tehran, Iran; and Moscow, Russia.

The manifest for the Blocked Aircraft for the Respondent-chartered flight identified various crew members, including the captain, as Iranian nationals. Since Fracht personnel did not perform due diligence on counterparties or the aircraft, it did not discover that it was blocked property of sanctioned parties, namely the Government of Venezuela and Mahan Air.

III. APPARENT VIOLATIONS

Under § 591.201 of the Venezuela Sanctions Regulations, 31 C.F.R. part 591 (VSR), U.S. persons are prohibited from making any contribution or provision of funds, goods, or services by, to, or for the benefit of any person whose property and interests in property are blocked pursuant to E.O. 13884 and are prohibited from receiving any contribution or provision

[3] "Designation of One Entity Pursuant to Executive Order 13224 of September 23, 2001, 'Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism,'" Department of the Treasury, Office of Foreign Assets Control, 76 F.R. 64427, October 18, 2011. 31 C.F.R. part 594 implements E.O. 13224.
[4] "Designation of Iranian Entity Pursuant to Executive Order 13382," Department of State, 85 F.R. 3468, January 21, 2020. 31 C.F.R. part 544 implements E.O. 13382.
[5] Accordingly, the Blocked Aircraft also reflected CONVIASA's blocked property interests.
[6] *See* "Former Iranian-Owned Boeing Aircraft Successfully Returned to the United States," U.S. Department of Justice press release, February 12, 2024.

of funds, goods, or services from any person whose property and interests in property are blocked pursuant to E.O. 13884. These prohibitions under § 591.201 of the VSR also extend to the property and interest in property of entities that are 50 percent or more owned by blocked persons regardless of whether the name of the entity is incorporated into OFAC's SDN List, pursuant to § 591.406.

Between June 1, 2022 and June 7, 2022, Respondent appears to have violated § 591.201 of the VSR when it dealt with EMTRASUR, an entity owned 50 percent or more by CONVIASA, an entity whose property or interests in property are blocked. Respondent received air freight services from EMTRASUR to transport cargo, using an aircraft operated by EMTRASUR, for which Respondent indirectly compensated EMTRASUR in two transactions worth $995,000, giving rise to the apparent violations.

Section 560.206 of the Iranian Transactions and Sanctions Regulations, 31 C.F.R. part 560 (ITSR) prohibits U.S. persons, wherever located, from engaging in any transaction or dealing in or related to goods or services of Iranian origin. Services of Iranian origin are defined pursuant to § 560.306(c)(2) to include services performed outside Iran by a citizen, national or permanent resident of Iran who is ordinarily resident in Iran. Between June 1, 2022 and June 7, 2022, Respondent engaged in apparent violations of § 560.206(a)(1) of the ITSR by using services provisioned by Iranian citizens for the flight.

Under § 594.204 of the Global Terrorism Sanctions Regulations, 31 C.F.R. part 594 (GTSR), U.S. persons are prohibited from engaging in any transaction or dealing in property or interests in property of persons whose property and interests in property are blocked pursuant to E.O. 13224 of September 23, 2001. Further, under § 544.201 of the Weapons of Mass Destruction Proliferators Sanctions Regulations, 31 C.F.R. part 544 (WMDPSR), U.S. persons are prohibited from engaging in any transaction or dealing in property or interests in property of persons whose property and interests in property are blocked pursuant to E.O. 13382 of June 28, 2005.

Between June 1, 2022 and June 7, 2022, Respondent engaged in apparent violations of §§ 594.204 of the GTSR and 544.201 of the WMDPSR by using an aircraft that had been identified on OFAC's SDN List as blocked property of Mahan Air, an entity whose property and interest in property were blocked pursuant to both E.O. 13224 and E.O. 13882. Accordingly, Respondent's use of the aircraft were apparently prohibited dealings in Mahan Air's blocked property or interests in property.

Pursuant to OFAC's Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, Appendix A ("Enforcement Guidelines"), OFAC has found that Respondent's conduct was egregious and was not voluntarily self-disclosed.

IV. TERMS OF SETTLEMENT

OFAC and Respondent agree as follows:

1. In consideration of the undertakings of Respondent in paragraph 2 below, and subject to the breach provisions of this Agreement in 2.D and 2.E below, OFAC agrees to enter into a monetary settlement in the amount of $1,610,775 and to release and forever discharge Respondent, without any finding of fault, from any and all civil liability in connection with the Apparent Violations described above arising under the legal authorities that OFAC administers.

2. In consideration of the undertakings of OFAC in paragraph 1 above:

   A. Respondent agrees, no later than (15) days after both parties have signed this Agreement, to: (1) pay the U.S. Department of the Treasury (the "Department") the amount of **$1,610,775**. 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 [redacted]**. Unless otherwise arranged with the Department'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) arrange to send the payment by cashier's or certified check or money order.

   B. Respondent agrees to waive (i) any claim by or on behalf of Respondent, whether asserted or unasserted, against OFAC, the Department, 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. **Compliance Commitments:** By entering into this Agreement, Respondent represents that Respondent, including its senior management, recognizes the seriousness of apparent violations of the laws and regulations administered by OFAC, and acknowledges its understanding of the apparent violations at issue. Respondent also (1) represents that it has terminated the apparently violative conduct described above; and (2) has established and will maintain for at least five years following the execution date of this Agreement a sanctions compliance program, and associated measures, designed to minimize the risk of recurrence of similar conduct.

   Specifically, as part of these sanctions compliance measures, Respondent agrees to the following Compliance Commitments:

   (1) **Management Commitment:**

      a. Senior management has reviewed and approved Respondent's sanctions compliance program, including enhancements implemented in response to the Apparent Violations and related sanctions compliance risks.

b. Respondent's compliance unit(s) is (are) delegated sufficient authority and autonomy to deploy its policies and procedures in a manner that effectively controls Respondent's sanctions risk.

c. Respondent's compliance unit(s) receive(s) adequate resources — including in the form of human capital, expertise, information technology, and other resources, as appropriate — that are relative to Respondent's breadth of operations, target and secondary markets, and other factors affecting its overall risk profile, as informed by the risk assessment described in paragraph (2) below.

d. Respondent promotes a "culture of compliance" throughout the organization.

e. Respondent will implement any additional necessary measures to reduce the risk of recurrence of apparent violations in the future.

(2) **Risk Assessment:**

a. Respondent conducts a sanctions risk assessment in a manner, and with a frequency, that adequately accounts for potential sanctions compliance risks. Such risks could be posed by its clients and customers, products, services, supply chain, intermediaries, counterparties, transactions, or geographic locations, depending on the nature of the organization.

b. Respondent has developed a methodology to identify, analyze, and address the particular risks. The risk assessments will be updated to account for the conduct and root causes of any apparent violations or systemic deficiencies identified by Respondent during the routine course of business, for example, through a testing or audit function.

(3) **Internal Controls:**

a. Respondent has designed and implemented written policies and procedures outlining its sanctions compliance program. These policies and procedures are relevant to the organization, capture Respondent's day-to-day operations and procedures, are easy to follow, and designed to prevent employees from engaging in misconduct.

b. Respondent has implemented internal controls that adequately address the results of its sanctions risk assessment and profile. These internal controls should enable Respondent to clearly and effectively identify, interdict, escalate, and report to appropriate personnel within the organization transactions and activity that may be prohibited by OFAC. Respondent has selected and calibrated information technology solutions in a manner that is appropriate to address Respondent's risk profile and compliance needs, and Respondent routinely tests the solutions to ensure effectiveness.

c. Respondent's sanctions-related recordkeeping policies and procedures will adequately account for its requirements pursuant to the regulations administered by OFAC.

d. Upon learning of a weakness in its internal controls pertaining to sanctions compliance, Respondent will take immediate and effective action, to the extent possible, to identify and implement compensating controls until the root cause of the deficiency can be determined and remediated.

e. Respondent has clearly communicated its sanctions compliance program's policies and procedures to all relevant staff, including relevant gatekeepers and business units (e.g., customer acquisition, payments, sales, etc.) as well as, where applicable, external parties acting on behalf of Respondent.

f. Respondent has appointed personnel to integrate the sanctions compliance program's policies and procedures into Respondent's daily operations. This process includes consultations with relevant business units and confirms that Respondent's employees understand the policies and procedures.

(4) **Testing and Audit:**

a. Respondent will ensure that the testing or audit function is accountable to senior management, is independent of the audited activities and functions, and has sufficient authority, skills, expertise, resources, and authority within the organization.

b. Respondent will ensure that it employs testing or audit procedures appropriate to the level and sophistication of its sanctions compliance program and that this function, whether deployed internally or by an external party, reflects a comprehensive and objective assessment of Respondent's sanctions-related risks and internal controls.

c. Respondent will ensure that, upon learning of any test result, audit finding, or other assessment of a failure or deficiency related to its sanctions compliance program, it will take immediate and effective action to identify and implement compensating controls until the root cause of the deficiency can be determined and remediated.

d. Respondent agrees to expeditiously identify for OFAC any apparent sanctions violation identified through such audits.

(5) **Training:**

a. Respondent will ensure that its sanctions-related training program provides adequate information and instruction to employees and, as appropriate, stakeholders (for example, clients, suppliers, business partners, and counterparties) in order to support Respondent's sanctions compliance efforts.

b. Respondent will provide sanctions-related training with a scope that is appropriate for the products and services that Respondent offers; the customers, clients, and partner relationships it maintains; and the geographic regions in which it operates.

c. Respondent will provide sanctions-related training with a frequency that is appropriate based on its sanctions risk assessment and risk profile and, at a minimum, at least once a year to all relevant employees.

d. Upon learning of a confirmed negative testing result or audit finding, or other deficiency pertaining to its sanctions compliance program, Respondent will take immediate and effective action to provide training to relevant personnel.

e. Respondent will ensure that its training program includes easily accessible resources and materials that are available to all applicable personnel.

(6) **Cooperation with OFAC**: Respondent agrees to cooperate fully with OFAC in any and all matters under investigation by OFAC, including any investigation of Respondent, or any of its present or former owners, officers, directors, employees, agents, consultant, and any other person within its authority or control. Respondent agrees that its cooperation pursuant to this paragraph shall include, but not be limited to, timely providing upon request, as determined by OFAC, any information, testimony, document, record, or other tangible evidence about which OFAC may inquire of Respondent, as well as making available for interview or testimony any present or former owner, officer, director, employee, agent, consultants of the Respondent, or any other person within its authority or control, to the extent permitted by applicable U.S. law. This obligation includes, but is not limited to, sworn testimony pursuant to an administrative subpoena or a request for information. Respondent further agrees that it shall timely and truthfully disclose, as determined by OFAC, all evidence and factual information related to any conduct or activities of Respondent, and those of its present and former owners, directors, officers, employees, agents, consultants, and any other person within its authority or control, that may constitute a violation of U.S. sanctions administered by OFAC.

(7) **Annual Certification:** On an annual basis, for a period of five years beginning 180 days after the date this Agreement is executed, a senior-level executive of Respondent will submit to OFAC a written explanation that provides substantive

details regarding how Respondent is meeting all the Compliance Commitments detailed in Subparagraph 2.C of this Agreement.

D. Should OFAC have reason to believe that a breach of, or misrepresentation in or pursuant to, this Agreement has occurred, including due to a failure to specifically perform or fulfill completely each of Respondent's Compliance Commitments, OFAC will provide written notice to Respondent of the breach or misrepresentations and provide Respondent with 30 days from the date of Respondent's receipt of such notice, or longer as determined by OFAC, to provide a response demonstrating that no breach or misrepresentation has occurred, or that any breach or misrepresentation has been cured. Respondent will make available to OFAC the underlying evidence relevant to a potential breach or misrepresentation, as appropriate.

E. If, after receiving such response, OFAC determines, in its sole discretion, that a breach of, or misrepresentation in or pursuant to, this Agreement has occurred, including due to a failure to specifically perform or fulfill completely each of the Respondent's Compliance Commitments, OFAC will provide notice to Respondent of its determination. In such event, OFAC may re-open its investigation with respect to the Apparent Violations and may impose on Respondent a civil monetary penalty in an amount up to the applicable statutory maximum of $2,147,700 in connection with the Apparent Violations. Any such investigation may be premised on information provided by Respondent or its present or former owners, directors, officers, employees, agents, consultants, or any other person. Respondent agrees that the statute of limitations applying to the apparent violations shall be deemed tolled until a date three hundred and sixty-five (365) days following Respondent's receipt of notice of OFAC's determination that a breach of, or misrepresentation in, this Agreement has occurred.

F. Should the Respondent engage in any violations of the sanctions laws and regulations administered by OFAC—including those that are either apparent or alleged—OFAC may consider Respondent's sanctions history, or its failure to employ an adequate sanctions compliance program or appropriate remedial measures associated with this Agreement as a potential aggravating factor consistent with the Enforcement Guidelines.

3. This Agreement does not constitute a final agency determination that a violation has occurred and shall not in any way be construed as an admission by Respondent that Respondent engaged in the Apparent Violations.

4. OFAC may, in its sole discretion, post on OFAC's website this entire Agreement and/or issue a public notice describing the conduct underlying this Agreement, including the identity of any entities involved, the settlement amount, and a description of the Apparent Violations, as well as OFAC's application of the Enforcement Guidelines.

5. The certifications to OFAC required under this Agreement shall be submitted to OFAC by email at OFAC_Compliance_Certification@treasury.gov, addressed to Assistant Director,

Enforcement Division, Office of Foreign Assets Control, Freedman's Bank Building, U.S. Department of the Treasury, 1500 Pennsylvania Avenue, NW, Washington, DC 20220.

6. Respondent agrees that if a court of competent jurisdiction considers any of the provisions of this Agreement unenforceable, such unenforceability does not render the entire Agreement unenforceable. Rather, the entire Agreement will be construed as if not containing the particular unenforceable provision(s), and the rights and obligations of OFAC and Respondent shall be construed and enforced accordingly.

7. This Agreement expresses the complete understanding of OFAC and Respondent regarding resolution of OFAC's enforcement matter involving the Apparent Violations. Unless otherwise described or referred to in this Agreement, no other agreements, oral or written, exist between OFAC and Respondent regarding resolution of this matter.

8. Respondent agrees that the provisions of this Agreement are binding on its owners, directors, officers, and as applicable to its employees, agents, consultants, and any other person within its authority or control. If Respondent (i) sells any of it operating divisions, subsidiaries, affiliates, business units, operations, or assets, or any portion thereof, that were involved in the activities that are the subject of this Agreement, (ii) is a party to a corporate merger or restructuring, or (iii) is acquired by another party (collectively, (i)-(iii) being "purchased or merged entities"), then such purchased or merged entities shall be bound by and fully responsible for all terms and conditions of this Agreement to the same extent as Respondent. Respondent further agrees to notify OFAC 60 days prior to such event. Respondent further agrees to notify the purchaser or other responsible party in writing and to require the purchaser or other responsible party to acknowledge in writing, prior to the sale, merger, restructuring, or acquisition event that the purchased or merged entities shall be bound by the terms and conditions of this Agreement to the same extent as Respondent.

9. Respondent affirms that it agrees to and approves this Agreement and all terms herein freely and voluntarily and that no offers, promises, or inducements of any nature whatsoever have been made by OFAC or any employee, agent, or representative of OFAC to induce Respondent to agree to or approve this Agreement, except as specified in this Agreement.

10. Respondent's Duly Authorized Representative, by signing this Agreement, hereby represents and warrants that the Duly Authorized Representative has full power and authority to execute and agree to this Agreement for and on behalf of Respondent, and further represents and warrants that Respondent agrees to be bound by the terms and conditions of this Agreement.

ENF [redacted]
Fracht FWO Inc.

Respondent accepts the terms of this Agreement on this 5th day of August, 2025

[redacted]

Signature

[redacted]

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

[redacted]

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) and the EFT Instructions enclosed with this Agreement).

Date: ____________

Bradley T. Smith Digitally signed by Bradley T. Smith Date: 2025.08.08 08:27:56 -04'00'

Bradley T. Smith
Director
Office of Foreign Assets Control