UNITED STATES OF AMERICA
DEPARTMENT OF COMMERCE

SETTLEMENT AGREEMENT

This agreement is made by and between Aviall Pte. Ltd. (Singapore), indirectly a controlled in fact foreign subsidiary of Aviall, Inc., a domestic concern incorporated in the State of Delaware, and the Office of Antiboycott Compliance, Bureau of Industry and Security, United States Department of Commerce ("BIS"), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Part 730-774 (2007)) (the "Regulations") issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. §§2401 - 2420 (2000)) (the "Act")¹.

WHEREAS, Aviall Pte. Ltd. (Singapore) has voluntarily disclosed certain information concerning its activities to BIS; and

¹ Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 15, 2007 (72 Fed. Reg. 46137 (Aug. 16, 2007)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)) ("IEEPA").
WHEREAS, BIS has notified Aviall Pte. Ltd. (Singapore) of its intention to initiate an administrative proceeding against it pursuant to Section 11(c) of the Act by issuing the Proposed Charging Letter dated January 28, 2008, a copy of which is attached hereto and incorporated herein by this reference; and

WHEREAS, Aviall Pte. Ltd. (Singapore) has reviewed the Proposed Charging Letter and is aware of the allegations against it and the administrative sanctions which could be imposed against it if the allegations are found to be true; Aviall Pte. Ltd. (Singapore) fully understands the terms of this Settlement Agreement, and enters into this Settlement Agreement voluntarily and with full knowledge of its rights; and Aviall Pte. Ltd. (Singapore) states that no promises or representations have been made to it other than the agreements and considerations herein expressed; and

WHEREAS, Aviall Pte. Ltd. (Singapore) neither admits nor denies the truth of the allegations, but wishes to settle and dispose of the allegations made in the Proposed Charging Letter by entering into this Settlement Agreement; and

WHEREAS, Aviall Pte. Ltd. (Singapore) agrees to be bound by the appropriate Order ("Order") when entered;

NOW, THEREFORE, Aviall Pte. Ltd. (Singapore) and BIS agree as follows:

1. Under the Act and the Regulations, BIS has jurisdiction over Aviall Pte. Ltd. (Singapore) with respect to the matters alleged in the Proposed Charging Letter.
2. BIS will impose a civil penalty in the amount of $3600. Aviall Pte. Ltd. (Singapore) will pay to the U.S. Department of Commerce, within 30 days from the date of entry of the Order, and in accordance with the terms of the Order, when entered, the amount of $3600 in complete settlement of all matters set forth in the Proposed Charging Letter.

3. As authorized by Section 11(d) of the Act, timely payment of the amount agreed to in paragraph 2 is hereby made a condition of the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to Aviall Pte. Ltd (Singapore). Failure to make payment of this amount shall result in the denial of all of Aviall Pte. Ltd. (Singapore)'s export privileges for a period of one year from the date of entry of the Order.

4. Subject to the approval of this Settlement Agreement, pursuant to paragraph 9 hereof, Aviall Pte. Ltd. (Singapore) hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violation of this Settlement Agreement or the Order, when entered) including, without limitation, any right to:
   A. An administrative hearing regarding the allegations in the Proposed Charging Letter;
   B. Request a refund of the funds paid by Aviall Pte. Ltd. (Singapore) pursuant to this Settlement Agreement and the Order, when entered; or
   C. Seek judicial review or otherwise contest the validity of this Settlement Agreement or the Order, when entered.
5. BIS, upon entry of the Order, will not initiate any administrative or judicial proceeding, or make a referral to the Department of Justice for criminal proceedings against Aviall Pte. Ltd. (Singapore) with respect to any violation of Section 8 of the Act or Part 760 of the Regulations arising out of the transaction set forth in the Proposed Charging Letter or any other transaction that was disclosed to or reviewed by BIS in the course of its investigation.

6. Aviall Pte. Ltd. (Singapore) understands that BIS will disclose publicly the Proposed Charging Letter, this Settlement Agreement, and the Order, when entered.

7. This Settlement Agreement is for settlement purposes only, and does not constitute an admission by Aviall Pte. Ltd. (Singapore) that it has violated the Regulations, or an admission of the truth of any allegation contained in the Proposed Charging Letter or referred to in this Settlement Agreement. Therefore, if this Settlement Agreement is not accepted and the Order not entered by the Assistant Secretary for Export Enforcement, BIS may not use this Settlement Agreement against Aviall Pte. Ltd. (Singapore) in any administrative or judicial proceeding.

8. No agreement, understanding, representation or interpretation not contained in this Settlement Agreement may be used to vary or otherwise affect the terms of this Settlement Agreement or the Order, when entered, nor shall this Settlement
Agreement bind, constrain or otherwise limit any action by any other agency or department of the United States Government with respect to the facts and circumstances herein addressed. This paragraph shall not limit Aviall Pte. Ltd. (Singapore)'s right to challenge any action brought by any other agency based on a referral by BIS or any employee thereof, in contravention of paragraph 5 of this Settlement Agreement.

9. This Settlement Agreement will become binding on BIS only when approved by the Assistant Secretary for Export Enforcement by entering the Order.

Aviall Pte. Ltd. (Singapore)

DATE: 23 April 08

U.S. DEPARTMENT OF COMMERCE

DATE: May 4, 2008

Edward O. Weant III
Director
Office of Antiboycott Compliance

Attachments
ORDER


\(^1\) Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 15, 2007 (72 Fed. Reg. 46137 (Aug. 16, 2007)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)) ("IEEPA").
Specifically, the charges are:

1. *One violation of 15 C.F.R. §760.2(a)-Agreeing to Refuse to Do Business:*

   On or about November 11, 2002, Aviall Pte. Ltd. (Singapore) engaged in a transaction involving the sale and transfer of goods from the United States to Bahrain. In connection with this activity, Aviall Pte. Ltd. (Singapore), on one occasion, with intent to comply with, further or support an unsanctioned foreign boycott, knowingly agreed to refuse to do business with another person pursuant to an agreement with, a requirement of, or a request from or on behalf of a boycotting country, an activity prohibited by Section 760.2(a) of the Regulations, and not excepted.

2. *One violation of 15 C.F.R. §760.5-Failing to Report as required by the Regulations the Receipt of a Request to Engage in a Restrictive Trade Practice or Boycott:*

   On or about November 11, 2002, Aviall Pte. Ltd. (Singapore) engaged in a transaction involving the sale and transfer of goods from the United States to Bahrain. In connection with this activity, Aviall Pte. Ltd. (Singapore), on one occasion, received a request to take an action which would have the effect of furthering or supporting a restrictive trade practice or unsanctioned foreign boycott. Aviall Pte. Ltd. (Singapore) failed to report the receipt of this request in a timely manner to the Department of Commerce, as required by Section 760.5 of the Regulations.

BIS and Aviall Pte. Ltd. (Singapore) having entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby the parties have agreed to settle this matter in accordance with the terms and conditions set forth therein and the terms of the Settlement Agreement having been approved by me;
IT IS THEREFORE ORDERED THAT:

FIRST, a civil penalty of $3600 is assessed against Aviall Pte. Ltd. (Singapore) which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment shall be made in the manner specified in the attached instructions.

SECOND, pursuant to the Debt Collections Act of 1982, as amended (31 U.S.C. §§3701 – 3720E (1983 and Supp. 2001)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice and, if payment is not made by the due date specified herein, Aviall Pte. Ltd. (Singapore) will be assessed, in addition to the full amount of the penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, as authorized by Section 11(d) of the Act, the timely payment of the sum of $3600 is hereby made a condition to the granting, restoration or continuing validity of any export license, permission, or privilege granted, or to be granted, to Aviall Pte. Ltd. (Singapore). Accordingly, if Aviall Pte. Ltd. (Singapore) should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order under the authority of Section 11(d) of the Act denying all of Aviall Pte. Ltd. (Singapore)'s export privileges for a period of one year from the date of the entry of this Order.
FOURTH, the Proposed Charging Letter, the Settlement Agreement, and this Order shall be made available to the public, and a copy of this Order shall be served upon Aviall Pte. Ltd. (Singapore).

This Order, which constitutes the final agency action in this matter, is effective immediately.

Darryl W. Jackson
Assistant Secretary of Commerce for Export Enforcement

Entered this 13th day of May, 2008

Attachments
INSTRUCTIONS FOR PAYMENT OF SETTLEMENT AMOUNT

1. The check should be made payable to:

   U.S. DEPARTMENT OF COMMERCE

2. The check should be mailed to:

   U.S. Department of Commerce
   Bureau of Industry and Security
   Room 6622
   14th Street & Constitution Avenue, N.W.
   Washington, D.C. 20230

   Attention: Jennifer Kuo
NOTICE

The Order to which this Notice is attached describes the reasons for the assessment of the civil monetary penalty. It also specifies the amount owed and the date by which payment of the civil penalty is due and payable.

Under the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701–3702E (1983 and Supp. 2001)) and the Federal Claims Collection Standards (65 Fed. Reg. 70390-70406, November 22, 2000, to be codified at 31 C.F.R. Parts 900-904), interest accrues on any and all civil monetary penalties owed and unpaid under the Order, from the date of the Order until paid in full. The rate of interest assessed respondent is the rate of the current value of funds to the U.S. Treasury on the date that the Order was entered. However, interest is waived on any portion paid within 30 days of the date of the Order. See 31 U.S.C. §3717 and 31 C.F.R. §901.9.

The civil monetary penalty will be delinquent if not paid by the due date specified in the Order. If the penalty becomes delinquent, interest will continue to accrue on the balance remaining due and unpaid, and respondent will also be assessed both an administrative charge to cover the cost of processing and handling the delinquent claim and a penalty charge of six percent per year. However, although the penalty charge will be computed from the date that the civil penalty becomes delinquent, it will be assessed only on sums due and unpaid for over 90 days after that date. See 31 U.S.C. §3717 and 31 C.F.R. §901.9.

The foregoing constitutes the initial written notice and demand to respondent in accordance with Section 901.2 of the Federal Claims Collection Standards (31 C.F.R. §901.2(b)).
PROPOSED CHARGING LETTER

January 28, 2008

Aviall Pte. Ltd.
3 Loyang Lane, #05-02
Singapore 508913

Gentlemen/Ladies:

We, the Office of Antiboycott Compliance, Bureau of Industry and Security, United States Department of Commerce ("BIS"), have reason to believe that you, Aviall Pte. Ltd. (Singapore), on two occasions, have violated the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2007)) (the "Regulations")¹, which are issued under the authority of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§2401-2420 (2000)) (the "Act")².

We charge that you committed one violation of Section 760.2(a) of the Regulations, in that, on one occasion, with intent to comply with, further or support an unsanctioned foreign boycott, you knowingly agreed to refuse to do business with another person pursuant to an agreement with, a requirement of, or a request from a boycotting country.

We also charge that you committed one violation of Section 760.5 of the Regulations, in that you failed to report in a timely manner to the Department of Commerce your receipt of a request to engage in a restrictive trade practice or boycott, as required by the Regulations.

We allege that:

Aviall, Inc. is, and at all times relevant was, a domestic concern incorporated in the State of Delaware and doing business in the State of Texas and, as such, is a United States person as defined in Section 760.1(b) of the Regulations.

¹ The alleged violations occurred during the year 2002. The Regulations governing the violations at issue are found in the 2002 version of the Code of Federal Regulations (15 C.F.R. Parts 730 – 774 (2002)). The prior years’ Regulations are substantially the same as the 2007 version of the Regulations which govern the procedural aspects of this matter.

² Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 15, 2007 (72 Fed. Reg. 46137 (Aug. 16, 2007)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)) ("IEEPA").
You, Aviall Pte. Ltd. (Singapore), are, and at all times relevant were, a company registered under the laws of Singapore and, indirectly, a wholly-owned subsidiary of Aviall, Inc. Accordingly, you are a controlled in fact foreign subsidiary of a domestic concern, as defined in Section 760.1(c) of the Regulations and, as such, are a United States person as defined in Section 760.1(b) of the Regulations.

During the year 2002, you engaged in a transaction involving the sale and transfer of goods from the United States to Bahrain, an activity in the interstate or foreign commerce of the United States, as defined in Section 760.1(d) of the Regulations.

**Charge 1**  
(15 C.F.R. §760.2(a) – Agreeing to Refuse to Do Business)

In connection with the activity referred to above, on or about November 11, 2002, you received from your customer in Bahrain a Purchase Order which set out the following condition:

**CONDITIONS OF PURCHASE…**

9. ISRAELI BOYCOTT: In the case of overseas suppliers, this order is placed subject to the Suppliers being NOT on the Israeli Boycott list published by the Central Arab League.

By fulfilling the order, without deleting, rejecting, amending or otherwise taking exception to this condition, you, with intent to comply with, further or support an unsanctioned foreign boycott, on one occasion, knowingly agreed to refuse to do business with another person pursuant to an agreement with, a requirement of, or a request from or on behalf of a boycotting country, an activity prohibited by Section 760.2(a) of the Regulations, and not excepted.

We, therefore, charge you with one violation of Section 760.2(a).

**Charge 2**  
(15 C.F.R. §760.5 – Failing to Report as required by the Regulations the Receipt of a Request to Engage in a Restrictive Trade Practice or Foreign Boycott Against a Country Friendly to the United States)

In connection with the activity referred to above, on or about November 11, 2002, you received the following request to take an action which would have the effect of furthering or supporting a restrictive trade practice or unsanctioned foreign boycott:

9. ISRAELI BOYCOTT: In the case of overseas suppliers, this order is placed subject to the Suppliers being NOT on the Israeli Boycott list published by the Central Arab League.
Section 760.5 of the Regulations requires United States persons to report to the Department of Commerce their receipt of such requests. You failed to report to the Department of Commerce your receipt of this request in a timely manner.

By failing to report your receipt of this request in a timely manner, as directed by Section 760.5 of the Regulations, you are in violation of Section 760.5. We therefore charge you with one violation of Section 760.5 of the Regulations.

Accordingly, administrative proceedings are instituted against you pursuant to Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions.\(^3\)

You are entitled to a hearing on the record as provided in Section 766.6 of the Regulations. If you wish to have a hearing on the record, you must file a written demand for it with your answer. You are entitled to be represented by counsel and, under Section 766.18 of the Regulations, to seek a settlement agreement.

Under the Small Business Regulatory Enforcement Flexibility Act, you may be eligible for assistance from the Office of the National Ombudsman of the Small Business Administration in this matter.\(^4\)

If you fail to answer the allegations contained in this letter within thirty (30) days after service as provided in Section 766.6, such failure will be treated as a default under Section 766.7.

As provided in Section 766.3 of the Regulations, I am referring this matter to the Administrative Law Judge. Pursuant to an Interagency Agreement between BIS and the U.S. Coast Guard, the U.S. Coast Guard is providing administrative law judge services, to the extent that such services are required under the Regulations, in connection with the matters set forth in this letter.

Therefore, in accordance with the instructions in Section 766.5(a) of the Regulations, your answer should be filed with:

U.S. Coast Guard ALJ Docketing Center  
40 South Gay Street  
Baltimore, Maryland 21202-4022

Attention: Administrative Law Judge

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\(^3\) Administrative sanctions may include any or all of the following:

a. A maximum civil penalty of the greater of $250,000 per violation or twice the value of the transaction that is the basis of the violation (see International Emergency Economic Powers Enhancement Act of 2007, Pub. L. No. 110-96, 121 Stat. 1011 (2007));

b. Denial of export privileges (see §764.3(a)(2) of the Regulations); and/or

c. Exclusion from practice before BIS (see §764.3(a)(3) of the Regulations).

\(^4\) To determine eligibility and get more information, please see: [http://www.sba.gov/ombudsman/](http://www.sba.gov/ombudsman/).
Also, in accordance with the instructions in Section 766.5(b) of the Regulations, a copy of your answer should also be served on the Bureau of Industry and Security at the following address:

Office of the Chief Counsel for Industry and Security  
U.S. Department of Commerce  
Room H-3839  
14th Street & Constitution Avenue, NW  
Washington, D.C. 20230

Sincerely,

Edward O. Weant III  
Director  
Office of Antiboycott Compliance