

UNITED STATES DEPARTMENT OF COMMERCE
BUREAU OF INDUSTRY AND SECURITY
WASHINGTON, D.C. 20230

In the Matter of:)
)
Balli Aviation Ltd.)
5 Stanhope Gate)
London, UK)
W1K 1AH)
)
Balli Group PLC)
5 Stanhope Gate)
London, UK)
W1K 1AH)
)

Respondents)

ORDER RELATING TO BALLI AVIATION LTD. AND BALLI GROUP PLC

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”), has initiated an administrative proceeding against Balli Aviation Ltd. (“Balli Aviation”) and Balli Group PLC (“Balli Group”) (collectively “Balli”) pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2009)) (“EAR” or “Regulations”),¹ and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420) (the “EAA”),² through issuance of a Proposed Charging Letter to Balli Aviation and Balli Group. BIS alleged that Balli Aviation and Balli Group committed two violations of the EAR. Specifically:

¹ The violations alleged by BIS occurred between 2005 and 2008. The governing provisions of the EAR are found in the 2005-2008 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2005-2008)). The 2009 version of the EAR establishes the procedures that apply to the BIS administrative proceeding.

² Since August 21, 2001, the EAA has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended most recently by the Notice of August 13, 2009 (74 Fed. Reg. 41,325 (August 14, 2009)), has continued the EAR in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.*) (“IEEPA”).

Charge 1: 15 C.F.R. §764.2(d) – Conspiracy

Beginning in or about October 2005, and continuing through at least October 2008, Balli Aviation and/or Balli Group acted in concert with an Iranian airline and others, known and unknown, to export or reexport, or attempt to export or reexport, certain U.S.-origin aircraft to Iran for the use of the Iranian airline. Beginning in October 2005, Balli acted in concert with the Iranian airline to export or re-export three Boeing 747's, bearing Manufacturer Serial Numbers ("MSNs") 24363, 24383, and 26879 and valued at approximately \$141,861,000, to Iran for the use of the Iranian airline. Pursuant to Section 746.7 of the EAR, authorization was required from the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") before these U.S.-origin aircraft, items subject to the Regulations³ and the Iranian Transaction Regulations,⁴ could be exported or re-exported to Iran. No authorization was obtained for these transactions, thereby constituting violations of the EAR.

Starting in on or about July 2007, Balli Aviation and/or Balli Group knowingly disregarded warnings from both the U.S. manufacturer of the aircraft and the U.S. Government that the planes were being operated contrary to U.S. export control laws. Specifically, the aircraft were flying on routes in and out of Iran using Iranian flight numbers while under the operational control of the Iranian airline. Notwithstanding these warnings, from in or at least October 2007, Balli Aviation and/or Balli Group conspired with the Iranian Airline to enable the airline to continue using the aircraft, and took additional acts in furtherance of this conspiracy, including, but not limited to, misrepresenting and concealing information from the U.S. Government regarding the role the Iranian airline played in the acquisition and the financing of the aircraft via funds from the Iranian Foreign Exchange Reserve Fund. These acts were taken to avoid licensing requirements and prevent detection by law enforcement, and continued after BIS issued on March 17, 2008, and subsequently renewed, an order temporarily denying Balli Aviation's and Balli Group's export privileges.

In addition to the three aircraft described above, Balli Aviation and/or Balli Group acted in concert with the Iranian airline and others, known and unknown, to bring about the export or reexport, or attempted export of reexport, of three additional Boeing 747's, bearing MSNs 25395, 26474, and 26881 and valued at approximately \$135,225,000, to Iran without the required U.S. Government authorization. No authorization was obtained for this attempted transaction in further violation of the EAR.

By engaging in this activity, Balli Aviation and Balli Group committed one violation of Section 764.2(d) of the EAR.

³ The items were classified under Export Control Classification Number ("ECCN") 9A991.b (2005-2008).

⁴ 31 C.F.R. § 560 (2005-2008).

**Charge 2: 15 C.F.R. § 764.2(k): Acting Contrary to the Terms of a
Temporary Denial Order**

Between July 2008, and continuing through September 2008, Balli Aviation and/or Balli Group took actions prohibited by a BIS order temporarily denying its export privileges pursuant to Section 766.24 of the Regulations that was issued on March 17, 2008, and was published in the Federal Register on March 21, 2008 (73 Fed. Reg. 15,130) (the "TDO"). Specifically, Balli Aviation and/or Balli Group carried on negotiations with persons, including another person subject to the TDO, concerning financing, receiving and/or using three U.S.-origin aircraft bearing, MSNs 25395,26474, and 26881, and valued at approximately \$135,225,000, that had been exported from the United States and are subject to the Regulations.⁵ Under the terms of the TDO, Balli Aviation and Balli Group were prohibited from "directly or indirectly, participat[ing] in any way in any transaction involving any [item] exported or to be exported from the United States, that is subject to the Regulations, or in any other activity subject to the Regulations, including, but, not limited to: Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way." The TDO was in effect for 180 days from March 21, 2008, until September 17, 2008, at which time it was renewed for 180 days, and as such continued in force at the time of Balli Aviation's and/or Balli Group's aforementioned actions. By engaging in this activity, Balli Aviation and Balli Group committed one violation of Section 764.2(k) of the Regulations.

WHEREAS, BIS, Balli Aviation and Balli Group have entered into a Settlement Agreement pursuant to Section 766.18 of the EAR, whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein;⁶ and

WHEREAS, I have approved of the terms of the Settlement Agreement;⁷

IT IS THEREFORE ORDERED:

FIRST, Balli Aviation and Balli Group shall be assessed a civil penalty of \$15,000,000. Balli Aviation and Balli Group are jointly and severally liable for the payment of the civil penalty. Of this civil penalty, \$13,000,000 shall be paid in five installments as

⁵ The items were classified under Export Control Classification Number ("ECCN") 9A991.b (2008).

⁶ The Settlement Agreement also resolves allegations by the U.S. Department of the Treasury, Office of Foreign Assets Control ("OFAC"), which is also a party to the Settlement Agreement, of apparent violations of the Iranian Transactions Regulations, 31 C.F.R. Part 560, ("ITR" or the "OFAC Regulations").

⁷ This Order signifies my approval of the Settlement Agreement based on the violations alleged in BIS's Proposed Charging Letter.

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follows: \$2,600,000 no later than March 1, 2010; \$2,600,000 no later than September 1, 2010; \$2,600,000 no later than March 1, 2011; \$2,600,000 no later than September 1, 2011; and \$2,600,000 no later than March 1, 2012. Payment of the remaining \$2,000,000 shall be suspended for a period starting from the date of this Order until the last installment payment is made on or before March 1, 2012, and thereafter shall be waived, provided that during the period of suspension, neither Balli Aviation nor Balli Group has committed any violation of the EAA, EAR, or any order or license issued thereunder and has made full and timely payment of the civil penalty according to the payment schedule set forth above. If any of the five installment payments is not fully and timely made, any remaining scheduled installment payments and the remaining \$2,000,000 shall become due and owing immediately. All payments must be made either by an electronic funds transfer or by cashiers or certified check or money order payable in accordance with the attached payment instructions.

SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), 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 dates specified herein, Balli Aviation and Balli Group will be assessed, in addition to the full amount of the civil penalty and interest, a penalty charge and an administrative charge, as more fully described in the attached Notice.

THIRD, that the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to Balli Aviation and/or Balli Group.

FOURTH, Balli Aviation and Balli Group shall hire an unaffiliated third-party consultant with expertise in U.S. export control laws and sanctions regulations to conduct external audits, as described below, of Balli Aviation's and Balli Group's compliance with

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U.S. export control laws and sanctions regulations (including recordkeeping requirements) with respect to all exports or re-exports to Iran, that are subject to the EAR or to OFAC Regulations or both. The first external audit shall cover the time period of January 1, 2010 through December 31, 2010. Annual calendar year audits shall also be conducted for 2011, 2012, 2013, and 2014. Said audit shall be in substantial compliance with the requirements set out in the Export Management and Compliance Program audit module, which is available from the BIS website at http://www.bis.doc.gov/complianceandenforcement/emcp_audit.pdf, and shall include an assessment of Balli Aviation's and Balli Group's compliance with EAR and OFAC Regulations. In addition, where said audit identifies actual or potential violations of the EAR or OFAC Regulations regarding shipments and transactions involving Iran, Balli Aviation and Balli Group must promptly provide copies of the pertinent air waybills and other supporting documentation. Balli Aviation and Balli Group will send a complete copy of the audit reports, and accompanying air waybills and documentation, by January 31st of the year following the time period for which the audit was conducted. A copy of said audit report shall be transmitted to the Office of Export Enforcement, U.S. Department of Commerce, Suite 1125, 381 Elden Street, Herndon, VA 20170.

FIFTH, Balli Aviation and Balli Group agree not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any allegations in the PCL, the OFAC Allegations, or the BIS Order. Nothing in this paragraph affects Balli Aviation's or Balli Group's testimonial obligations, or right to take legal or factual positions in litigation or other legal proceedings in which neither the U.S. Department of Commerce nor the U.S. Department of the Treasury is a party.

SIXTH, that for a period of five years (5) years from the date of issuance of this Order, BALLI AVIATION LTD., 5 Stanhope Gate, London, UK, W1K 1AH, and BALLI

GROUP PLC, 5 Stanhope Gate, London, UK, W1K 1AH, each of their successors or assigns, and, when acting for or on behalf of Balli Aviation Ltd. or Balli Group PLC, each of their officers, representatives, agents or employees (each a "Denied Person") may not participate, directly or indirectly, in any way in any transaction involving any commodity, software, or technology (hereinafter collectively referred to as "item") exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations, including, but not limited to:

- A. Applying for, obtaining, or using any license, License Exception, or export control document;
- B. Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way, any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations; or
- C. Benefitting in any way from any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations.

SEVENTH, that no person may, directly or indirectly, do any of the actions described below with respect to an item that is subject to the Regulations that has been, will be, or is intended to be exported or reexported from the United States:

- A. Export or reexport to or on behalf of a Denied Person any item subject to the Regulations;
- B. Take any action that facilitates the acquisition or attempted acquisition by a Denied Person of the ownership, possession, or control of any item subject to

the Regulations that has been or will be exported from the United States, including financing or other support activities related to a transaction whereby a Denied Person acquires or attempts to acquire such ownership, possession or control;

- C. Take any action to acquire from or to facilitate the acquisition or attempted acquisition from a Denied Person of any item subject to the Regulations that has been exported from the United States;
- D. Obtain from a Denied Person in the United States any item subject to the Regulations with knowledge or reason to know that the item will be, or is intended to be, exported from the United States; or
- E. Engage in any transaction to service any item subject to the Regulations that has been or will be exported from the United States and that is owned, possessed or controlled by a Denied Person, or service any item, of whatever origin, that is owned, possessed or controlled by a Denied Person if such service involves the use of any item subject to the Regulations that has been or will be exported from the United States. For purposes of this paragraph, servicing means installation, maintenance, repair, modification or testing.

EIGHTH, that, after notice and opportunity for comment as provided in Section 766.23 of the Regulations, any person, firm, corporation, or business organization related to Balli Aviation or Balli Group by affiliation, ownership, control, or position of responsibility in the conduct of trade or related services may also be made subject to the provisions of the Order.

NINTH, that, as authorized by Section 766.18 (c) of the Regulations, the denial period set forth in paragraph Sixth above shall be suspended in its entirety for a period of five

(5) years from the date of issuance of this Order, and shall thereafter be waived, provided that during the period of suspension, neither Balli Aviation nor Balli Group has committed any violation of the Act or any regulation, order or license issued thereunder. If Balli Aviation and Balli Group do not make full and timely payment of the civil penalty set forth above, or Balli Aviation or Balli Group commits another violation during the suspension period, the suspension may be modified or revoked by BIS and a five-year denial period activated against Balli Aviation and Balli Group.

TENTH, that the Proposed Charging Letter, the Settlement Agreement, and this Order shall be made available to the public.

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



Thomas Madigan
Acting Deputy Assistant Secretary of
Commerce for Export Enforcement

Issued this 5th day of February, 2010.

SETTLEMENT AGREEMENT

This settlement agreement (the "Agreement") is made by and among the Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), the Office of Foreign Assets Control, U.S. Department of the Treasury ("OFAC"), and Balli Aviation Ltd. ("Balli Aviation") and Balli Group PLC ("Balli Group") of London, United Kingdom. BIS, OFAC, Balli Aviation, and Balli Group are hereinafter collectively referred to as the "Parties." Balli Aviation and Balli Group are hereinafter collectively referred to as "Balli"

WHEREAS, BIS, pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420) ("EAA"),¹ administers the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2009)) ("EAR" or the "Regulations");²

WHEREAS, OFAC, pursuant to the authority provided under the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-1706 ("IEEPA"), administers the Iranian Transactions Regulations, 31 C.F.R. Part 560 ("ITR" or the "OFAC Regulations");

WHEREAS, BIS has notified Balli Aviation and Balli Group of its intention to initiate an administrative proceeding against Balli Aviation and Balli Group, pursuant to the EAA and the EAR, and has issued a Proposed Charging Letter to Balli Aviation and Balli Group alleging two violations of the EAR. Specifically, BIS alleged:

Charge 1: 15 C.F.R. §764.2(d) – Conspiracy

Beginning in or about October 2005, and continuing through at least October 2008, Balli Aviation and/or Balli Group acted in concert with an Iranian airline and others, known and unknown, to export or reexport, or attempt to export or reexport, certain U.S.-origin aircraft to Iran for the use of the Iranian airline. Beginning in October 2005, Balli acted in concert with the Iranian airline to export or re-export three Boeing 747's, bearing Manufacturer Serial Numbers ("MSNs") 24363, 24383, and 26879 and valued at approximately \$141,861,000, to Iran for the use of the Iranian airline. Pursuant to Section 746.7 of the EAR, authorization was required from the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") before these U.S.-origin aircraft, items subject to the Regulations³ and the Iranian Transaction Regulations,⁴ could be exported or re-exported to Iran. No authorization was obtained for these transactions, thereby constituting violations of the EAR.

Starting in on or about July 2007, Balli Aviation and/or Balli Group knowingly disregarded warnings from both the U.S. manufacturer of the aircraft and the U.S. Government that the planes

¹ Since August 21, 2001, the EAA has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended most recently by the Notice of August 13, 2009 (74 Fed. Reg. 41,325 (August 14, 2009)), has continued the EAR in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, *et seq.*) ("IEEPA").

² The violations alleged in BIS's proposed charging letter occurred between 2005 and 2008. The governing provisions of the EAR are found in the 2005-2008 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2005-2008)). The 2009 version of the EAR establishes the procedures that apply to the BIS administrative proceeding.

³ The items were classified under Export Control Classification Number ("ECCN") 9A991.b (2005-2008).

⁴ 31 C.F.R. § 560 (2005-2008).

were being operated contrary to U.S. export control laws. Specifically, the aircraft were flying on routes in and out of Iran using Iranian flight numbers while under the operational control of the Iranian airline. Notwithstanding these warnings, from in or at least October 2007, Balli Aviation and/or Balli Group conspired with the Iranian Airline to enable the airline to continue using the aircraft, and took additional acts in furtherance of this conspiracy, including, but not limited to, misrepresenting and concealing information from the U.S. Government regarding the role the Iranian airline played in the acquisition and the financing of the aircraft via funds from the Iranian Foreign Exchange Reserve Fund. These acts were taken to avoid licensing requirements and prevent detection by law enforcement, and continued after BIS issued on March 17, 2008, and subsequently renewed, an order temporarily denying Balli Aviation's and Balli Group's export privileges.

In addition to the three aircraft described above, Balli Aviation and/or Balli Group acted in concert with the Iranian airline and others, known and unknown to bring about the export or reexport, or attempted export of reexport, of three additional Boeing 747's, bearing MSNs 25395,26474, and 26881 and valued at approximately \$135,225,000, to Iran without the required U.S. Government authorization. No authorization was obtained for this attempted transaction in further violation of the EAR.

By engaging in this activity, Balli Aviation and Balli Group committed one violation of Section 764.2(d) of the EAR.

Charge 2: 15 C.F.R. § 764.2(k): Acting Contrary to the Terms of a Temporary Denial Order

Between July 2008, and continuing through September 2008, Balli Aviation and/or Balli Group took actions prohibited by a BIS order temporarily denying its export privileges pursuant to Section 766.24 of the Regulations that was issued on March 17, 2008, and was published in the Federal Register on March 21, 2008 (73 Fed. Reg. 15,130) (the "TDO"). Specifically, Balli Aviation and/or Balli Group carried on negotiations with persons, including another person subject to the TDO, concerning financing, receiving and/or using three U.S.-origin aircraft bearing, MSNs 25395,26474, and 26881, and valued at approximately \$135,225,000, that had been exported from the United States and are subject to the Regulations.⁵ Under the terms of the TDO, Balli Aviation and Balli Group were prohibited from "directly or indirectly, participat[ing] in any way in any transaction involving any [item] exported or to be exported from the United States, that is subject to the Regulations, or in any other activity subject to the Regulations, including, but, not limited to: Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way." The TDO was in effect for 180 days from March 21, 2008, until September 17, 2008, at which time it was renewed for 180 days, and as such continued in force at the time of Balli Aviation's and/or Balli Group's aforementioned actions. By engaging in this activity, Balli Aviation and Balli Group committed one violation of Section 764.2(k) of the Regulations.

⁵ The items were classified under Export Control Classification Number ("ECCN") 9A991.b (2008).

OFAC ALLEGATIONS

WHEREAS, OFAC alleges that Balli Aviation and/or Balli Group violated §§ 560.203 and 560.204 of the ITR. Specifically, OFAC alleges that:

1. In or about February 2006, Balli Aviation and/or Balli Group appear to have violated § 560.204 of the ITR when they exported a U.S.-origin airliner (Manufacturer's Serial Number ("MSN") 24383 ("Aircraft 1")) indirectly from the United States to Iran for use by Mahan Air of Iran ("Mahan"). The export was accomplished through the acquisition of Aircraft 1 by Blue Sky One, Ltd., a subsidiary of Balli Aviation and/or Balli Group.
2. In or about February 2006, Balli Aviation and/or Balli Group appear to have violated § 560.204 of the ITR when they exported a U.S.-origin airliner (MSN 26879 ("Aircraft 2")) indirectly from the United States to Iran for use by Mahan. The export was accomplished through the acquisition of Aircraft 2 by Blue Sky Two, Ltd., a subsidiary of Balli Aviation and/or Balli Group.
3. In or about February 2006, Balli Aviation and/or Balli Group appear to have violated § 560.204 of the ITR when they exported a U.S.-origin airliner (MSN 24363 ("Aircraft 3")) indirectly from the United States to Iran for use by Mahan. The export was accomplished through the acquisition of Aircraft 3 by Blue Sky Three, Ltd., a subsidiary of Balli Aviation and/or Balli Group.
4. During the period October 2006 – July 2008, Balli Aviation and/or Balli Group appear to have violated § 560.203 of the ITR when they engaged in financing and sales negotiations with Mahan regarding three additional airliners (MSNs 26474, 25395, 26881).

WHEREAS, Balli Aviation and Balli Group have reviewed the Proposed Charging Letter issued to Balli Aviation and Balli Group (the "Proposed Charging Letter" or "BIS Allegations") and the OFAC allegations asserted against Balli Aviation and Balli Group (the "OFAC Allegations"), and are aware of the administrative sanctions that could be imposed against them if such allegations are found to be true, including a monetary civil penalty up to the greater of \$250,000 per violation, or twice the value of the transactions that are the basis of the violations;⁶

WHEREAS, Balli Aviation and Balli Group fully understand the terms of this Agreement and the proposed Order that the Assistant Secretary of Commerce for Export Enforcement will issue if he approves this Agreement as the final resolution of this matter ("BIS Order"),⁷ and fully understand that this Agreement shall serve as the final resolution of the BIS Allegations and the OFAC Allegations;

WHEREAS, Balli Aviation and Balli Group enter into this Agreement voluntarily and with full knowledge of their rights;

⁶ See International Emergency Economic Powers Enhancement Act of 2007, Pub. L. No. 110-96, 121 Stat. 1011 (2007).

⁷ The BIS Order, if issued, would signify the approval of the Assistant Secretary of Commerce for Export Enforcement of the Agreement based on the violations alleged in the Proposed Charging Letter.

WHEREAS, the Parties enter into this Agreement having taken into consideration a plea agreement that Balli Aviation has agreed to enter into with the U.S. Attorney's Office for the District of Columbia;

WHEREAS, Balli Aviation and Balli Group state that no promises or representations have been made to either of them other than the agreements and considerations herein expressed;

WHEREAS, Balli Aviation and Balli Group neither admit nor deny the allegations contained in the Proposed Charging Letter and the OFAC Allegations;

WHEREAS, Balli Aviation and Balli Group desire to settle the BIS Allegations and the OFAC Allegations and agree to be bound by this Agreement and the BIS Order, if issued;

NOW THEREFORE, pursuant to the authority under Section 766.18 of the EAR and the OFAC Regulations, the Parties hereby agree as follows:

1. BIS has jurisdiction, pursuant to the EAR, over Balli Aviation and Balli Group in connection with the matters alleged in the Proposed Charging Letter, and OFAC has jurisdiction over Balli Aviation and Balli Group and the transactions described in the OFAC Allegations.

2. The following sanctions shall be imposed against Balli Aviation and Balli Group in complete settlement of the BIS Allegations and the OFAC Allegations:

a. Balli Aviation and Balli Group shall be assessed a civil penalty of \$15,000,000. Balli Aviation and Balli Group are jointly and severally liable for the payment of the civil penalty. Of this civil penalty, \$13,000,000 shall be paid in five installments as follows: \$2,600,000 no later than March 1, 2010; \$2,600,000 no later than September 1, 2010; \$2,600,000 no later than March 1, 2011; \$2,600,000 no later than September 1, 2011; and \$2,600,000 no later than March 1, 2012. Payment of the remaining \$2,000,000 shall be suspended for a period starting from the date of the BIS Order until the last installment payment is made on or before March 1, 2012, and thereafter shall be waived provided that during the period of suspension, neither Balli Aviation nor Balli Group has committed any violation of the EAA, EAR, or any order or license issued thereunder and has made full and timely payment of the civil penalty according to the payment schedule set forth above. If any of the five installment payments is not fully and timely made, any remaining scheduled installment payments and the remaining \$2,000,000 shall become due and owing immediately. All payments must be made either by an electronic funds transfer or by cashiers or certified check or money order payable in accordance with the attached payment instructions.

b. The full and timely payment of the civil penalty agreed to in paragraph 2.a is hereby made a condition to the granting, restoration, or continuing validity of any BIS export license, permission, or privilege granted, or to be granted, to Balli Aviation and/or Balli Group.

c. Balli Aviation and Balli Group shall hire an unaffiliated third-party consultant with expertise in U.S. export control laws and sanctions regulations to conduct external audits, as described below, of Balli Aviation's and Balli Group's compliance with U.S. export control laws and sanctions regulations (including recordkeeping requirements) with respect to all exports or re-exports to Iran, that are subject to the EAR or to the OFAC Regulations or both. The first external audit shall cover the time period of January 1, 2010 through December 31, 2010. Annual calendar year audits shall also be conducted for 2011, 2012, 2013, and 2014. Said audit shall be in substantial compliance with the requirements set out in the Export Management and Compliance Program audit module, which is

available from the BIS website at http://www.bis.doc.gov/complianceandenforcement/emcp_audit.pdf, and shall include an assessment of Balli Aviation's and Balli Group's compliance with the EAR and the OFAC Regulations. In addition, where said audit identifies actual or potential violations of the EAR or the OFAC Regulations regarding shipments and transactions involving Iran, Balli Aviation and Balli Group must promptly provide copies of the pertinent air waybills and other supporting documentation to OFAC and BIS as described below. Balli Aviation and Balli Group will send a complete copy of the audit reports, and accompanying air waybills and documentation, to BIS and OFAC at the addresses specified below, by January 31st of the year following the time period for which the audit was conducted:

U.S. Department of Commerce
Office of Export Enforcement
Suite 1125
381 Elden Street
Herndon, VA 20170

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

d. For a period of five years from the date of the BIS Order, Balli Aviation and Balli Group, each of their successors or assigns, and, when acting for or on behalf of Balli Aviation or Balli Group, each of their representatives, agents, or employees ("Denied Person") may not participate, directly or indirectly, in any way in any transaction involving any commodity, software or technology (hereinafter collectively referred to as "item") exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations, including, but not limited to:

- i. Applying for, obtaining, or using any license, License Exception, or export control document;
- ii. Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way, any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations; or
- iii. Benefitting in any way from any transaction involving any item exported or to be exported from the United States that is subject to the Regulations, or in any other activity subject to the Regulations.

e. BIS agrees that, as authorized by Section 766.18(c) of the Regulations, the five-year denial period set forth in paragraph 2.d shall be suspended in its entirety from the date of issuance of the BIS Order, and shall thereafter be waived, provided that Balli Aviation and Balli Group make full and timely payment of the civil penalty in accordance with paragraph 2.a above and provided that during the period of suspension neither Balli Aviation nor Balli Group has committed any other violation of the EAA, the EAR, or any order, license, or authorization issued thereunder. If Balli Aviation and Balli Group do not make full and timely payment of the civil penalty agreed to in paragraph 2.a, or Balli Aviation or Balli Group commits another violation during the suspension

period, the suspension may be modified or revoked by BIS and a five-year denial period activated against Balli Aviation and Balli Group.

3. Subject to the approval of this Agreement pursuant to Paragraph 9 hereof, Balli Aviation and Balli Group hereby waive any claims by or on behalf of Balli Aviation and/or Balli Group, whether asserted or unasserted, against BIS, the U.S. Department of Commerce and/or its officials and employees, and/or against OFAC, the U.S. Department of the Treasury, and/or its officials and employees, arising out of the facts and circumstances giving rise to the matters that resulted in this Agreement, including, but not limited to, BIS's investigation of the facts and circumstances giving rise to the BIS Allegations and BIS's issuance of the Proposed Charging Letter, as well as OFAC's investigation of the facts and circumstances giving rise to the OFAC Allegations. Balli Aviation and Balli Group also hereby waive any possible legal objections to this Agreement at any future date and all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the BIS Order, if issued), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in any proposed charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if issued; and (c) seek judicial review or otherwise contest the validity of this Agreement or the BIS Order, if issued.

4. Balli Aviation and Balli Group agree not to take any action or to make or permit to be made any public statement denying, directly or indirectly, any allegations in the PCL, the OFAC Allegations, or the BIS Order. Nothing in this paragraph affects Balli Aviation's or Balli Group's testimonial obligations, or right to take legal or factual positions in litigation or other legal proceedings in which neither U.S. Department of Commerce nor the U.S. Department of the Treasury is a party.

5. Upon issuance of the BIS Order, (a) BIS will not initiate any further administrative proceeding against Balli Aviation or Balli Group in connection with any violation of the EAA or the EAR arising out of the transactions specifically detailed in the Proposed Charging Letter; (b) OFAC will not initiate any enforcement action or further administrative proceeding against Balli Aviation or Balli Group in connection with any violation of the ITR arising out of the transactions specifically detailed in the OFAC Allegations.

6. This Agreement expresses the complete understanding of the Parties regarding resolution of the BIS Allegations and the OFAC Allegations. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the BIS Order, if issued. This Agreement shall not serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

7. BIS will make the Proposed Charging Letter, this Agreement, and the BIS Order, if issued, available to the public. OFAC may, in its sole discretion, post this entire agreement and/or the facts of this Agreement (including the identity of any entity involved, the settlement amount, and a brief description of the OFAC Allegations) on OFAC's Web site. BIS and OFAC may also issue a joint press release or separate press releases relating to this matter, the contents of which will be determined by BIS and OFAC in their discretion.

8. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the BIS Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the EAR, no Party may use this Agreement in any administrative or

judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

9. This Agreement shall become binding on the Parties only if the Assistant Secretary of Commerce for Export Enforcement approves it by issuing the BIS Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record. If the Agreement is so approved and the BIS Order so issued, this Agreement shall inure to the benefit of and be binding on each party, as well as its respective successors or assigns.

10. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

Respondent Balli Aviation Ltd. accepts the terms of this Settlement Agreement this 4th day of Feb. 2010.


Farhad Ivanipour
Director
Balli Aviation Ltd.,

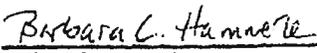
Respondent Balli Group PLC accepts the terms of this Settlement Agreement this 4th day of Feb. 2010.


Vahid Alaghband
Director
Balli Group PLC

BUREAU OF INDUSTRY AND SECURITY
U.S. DEPARTMENT OF COMMERCE

Date: 2/4/2010 
John Sonderran
Acting Director
Office of Export Enforcement
Bureau of Industry and Security
U.S. Department of Commerce

OFFICE OF FOREIGN ASSETS CONTROL
U.S. DEPARTMENT OF THE TREASURY

Date: Feb. 4, 2010 
Barbara C. Hammerle
Acting Director
Office of Foreign Assets Control
U.S. Department of the Treasury

PROPOSED CHARGING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Balli Aviation Ltd.
Mr. Farshad Irvanipour, Director
5 Stanhope Gate
London, UK
W1K 1AH

Balli Group PLC
Mr. Vahid Alaghband, Director
5 Stanhope Gate
London, UK
W1K 1AH

Dear Mr. Alaghband and Mr. Irvanipour:

The Bureau of Industry and Security, United States Department of Commerce (“BIS”), has reason to believe that Balli Aviation Ltd. (“Balli Aviation”) and Balli Group PLC (“Balli Group”) of London, United Kingdom (collectively “Balli”), have committed two violations of the Export Administration Regulations (the “Regulations”),¹ which are issued under the authority of the Export Administration Act of 1979, as amended (the “Act”).² Specifically, BIS charges that Balli Aviation and Balli Group committed the following violations:

Charge 1: 15 C.F.R. §764.2(d) – Conspiracy

Beginning in or about October 2005, and continuing through at least October 2008, Balli Aviation and/or Balli Group acted in concert with an Iranian airline and others, known and unknown, to export or reexport, or attempt to export or reexport, certain U.S.-origin aircraft to Iran for the use of the Iranian airline. Beginning in October 2005, Balli acted in concert with the Iranian airline to export or re-export three Boeing 747’s, bearing Manufacturer Serial Numbers (“MSNs”) 24363, 24383, and 26879 and valued at approximately \$141,861,000, to Iran for the use of the Iranian airline. Pursuant to Section 746.7 of the EAR, authorization was required from the U.S Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) before these U.S.-origin aircraft, items

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2009). The charged violations occurred between 2005 and 2008. The Regulations governing the violations at issue are found in the 2005 through 2008 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2005-2008)). The 2009 Regulations establish the procedures that apply to this matter.

² 50 U.S.C. app. §§ 2401-2420 (2000). 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 13, 2009 (74 Fed. Reg. 41,325 (Aug. 14, 2009)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701, *et seq.*) (“IEEPA”).

subject to the Regulations³ and the Iranian Transaction Regulations,⁴ could be exported or re-exported to Iran. No authorization was obtained for these transactions, thereby constituting violations of the EAR.

Starting in on or about July 2007, Balli Aviation and/or Balli Group knowingly disregarded warnings from both the U.S. manufacturer of the aircraft and the U.S. Government that the planes were being operated contrary to U.S. export control laws. Specifically, the aircraft were flying on routes in and out of Iran using Iranian flight numbers while under the operational control of the Iranian airline. Notwithstanding these warnings, from in or at least October 2007, Balli Aviation and/or Balli Group conspired with the Iranian Airline to enable the airline to continue using the aircraft, and took additional acts in furtherance of this conspiracy, including, but not limited to, misrepresenting and concealing information from the U.S. Government regarding the role the Iranian airline played in the acquisition and the financing of the aircraft via funds from the Iranian Foreign Exchange Reserve Fund. These acts were taken to avoid licensing requirements and prevent detection by law enforcement, and continued after BIS issued on March 17, 2008, and subsequently renewed, an order temporarily denying Balli Aviation's and Balli Group's export privileges.

In addition to the three aircraft described above, Balli Aviation and/or Balli Group acted in concert with the Iranian airline and others, known and unknown to bring about the export or reexport, or attempted export of reexport, of three additional Boeing 747's, bearing MSNs 25395,26474, and 26881 and valued at approximately \$135,225,000, to Iran without the required U.S. Government authorization. No authorization was obtained for this attempted transaction in further violation of the EAR.

By engaging in this activity, Balli Aviation and Balli Group committed one violation of Section 764.2(d) of the EAR.

**Charge 2: 15 C.F.R. § 764.2(k): Acting Contrary to the Terms of a
Temporary Denial Order**

Between July 2008, and continuing through September 2008, Balli Aviation and/or Balli Group took actions prohibited by a BIS order temporarily denying its export privileges pursuant to Section 766.24 of the Regulations that was issued on March 17, 2008, and was published in the Federal Register on March 21, 2008 (73 Fed. Reg. 15,130) (the "TDO"). Specifically, Balli Aviation and/or Balli Group carried on negotiations with persons, including another person subject to the TDO, concerning financing, receiving and/or using three U.S.-origin aircraft bearing, MSNs 25395,26474, and 26881, and valued at approximately \$135,225,000, that had been exported from the United States and are subject to the Regulations.⁵ Under the terms of the TDO, Balli Aviation and Balli Group were prohibited from "directly or indirectly, participat[ing] in any way in any transaction involving any [item] exported or to be exported from the United States, that is subject to the Regulations, or in any other activity subject to the Regulations, including, but, not limited to: Carrying on negotiations concerning, or ordering, buying, receiving, using, selling, delivering, storing, disposing of, forwarding, transporting, financing, or otherwise servicing in any way." The TDO was in effect for

³ The items were classified under Export Control Classification Number ("ECCN") 9A991.b (2005-2008).

⁴ 31 C.F.R. § 560 (2005-2008).

⁵ The items were classified under Export Control Classification Number ("ECCN") 9A991.b (2008).

180 days from March 21, 2008, until September 17, 2008, at which time it was renewed for 180 days, and as such continued in force at the time of Balli Aviation's and/or Balli Group's aforementioned actions. By engaging in this activity, Balli Aviation and Balli Group committed one violation of Section 764.2(k) of the Regulations.

* * * * *

Accordingly, Balli Aviation and Balli Group are hereby notified that an administrative proceeding is instituted against them pursuant to Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

- The maximum civil penalty allowed by law of up to the greater of \$250,000 per violation, or twice the value of the transaction that is the basis of the violation⁶;
- Denial of export privileges; and/or
- Exclusion from practice before BIS.

If Balli Aviation and Balli Group fail to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. *See* 15 C.F.R. §§ 766.6 and 766.7 (2009). If Balli Aviation and Balli Group defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Balli Aviation and Balli Group. The Under Secretary for Industry and Security may then impose up to the maximum penalty on the charges in this letter.

Balli Aviation and Balli Group are further notified that they are entitled to an agency hearing on the record if Balli Aviation and/or Balli Group files a written demand for one with their answer. *See* 15 C.F.R. § 766.6 (2009). Balli Aviation and Balli Group are also entitled to be represented by counsel or other authorized representative who has power of attorney to represent them. *See* 15 C.F.R. §§ 766.3(a) and 766.4 (2009).

Balli Aviation and Balli Group are further notified that under the Small Business Regulatory Enforcement Flexibility Act, Balli Aviation and/or Balli Group may be eligible for assistance from the Office of the National Ombudsman of the Small Business Administration in this matter. To determine eligibility and get more information, please see: <http://www.sba.gov/ombudsman/>.

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18 (2009). Should Balli Aviation and/or Balli Group have a proposal to settle this case, it should be transmitted to the attorney representing BIS named below.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, Balli Aviation's and Balli Group's answer must be filed in accordance with the instructions set forth in Section 766.5(a) of the Regulations with:

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

⁶ *See* International Emergency Economic Powers Enhancement Act of 2007, Pub. L. No. 110-96, 121 Stat. 1011 (2007).

In addition, a copy of Balli Aviation's and Balli Group's answer must be served on BIS at the following address:

Chief Counsel for Industry and Security
Attention: Gregory Michelsen, Esq.
Room H-3839
United States Department of Commerce
14th Street and Constitution Avenue, N.W.
Washington, D.C. 20230

Gregory Michelsen is the attorney representing BIS in this case; any communications that Balli Aviation and/or Balli Group may wish to have concerning this matter should occur through him. He may be contacted by telephone at (202) 482-5301.

Sincerely,

John Sonderman
Acting Director
Office of Export Enforcement

Enclosure