

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

In the Matter of:)
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Volvo Aero Services, LP)
645 Park of Commerce Way)
Boca Raton, FL 33487)
)
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Respondent)

ORDER RELATING TO VOLVO AERO SERVICES

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has notified Volvo Aero Services, LP (“Volvo”), of its intention to initiate an administrative proceeding against Volvo pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2007)) (the “Regulations”),¹ and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (the “Act”),² through issuance of a proposed charging letter to Volvo that alleged that Volvo committed 93 violations of the Regulations. Specifically, these charges are:

¹ The violations alleged to have been committed occurred between 2001 and 2005. The Regulations governing the violations at issue are found in the 2001 through 2005 versions of the Code of Federal Regulations. *See* (15 C.F.R. Parts 730-774 (2001-2005)). The 2007 Regulations govern the procedural aspects of this case.

² Since August 21, 2001 the Act has been in lapse. However, 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)).

Charges 1 - 46 15 C.F.R. § 764.2(a): Engaging in Prohibited Conduct

As described in greater detail in the attached Schedule of Violations, which is incorporated herein, on 46 occasions between on or about September 21, 2001 and on or about July 8, 2005, VAS engaged in conduct prohibited by the Regulations. Specifically, VAS exported various aircraft parts, items classified under Export Classification Control Number (ECCN) 7A101 and ECCN 7A103 and controlled for missile technology and anti-terrorism reasons, from the United States to various countries without the Department of Commerce licenses required by Section 742.5(a)(1) of the Regulations. In so doing, VAS committed 46 violations of Section 764.2(a) of the Regulations.

Charges 47 – 70 15 C.F.R. § 764.2(e): Acting with knowledge of a violation

As described in greater detail in the attached Schedule of Violations and in connection with 24 of the transactions described above, VAS engaged in conduct prohibited by the Regulations by selling, transferring, forwarding or otherwise servicing items subject to the Regulations that would be or were exported from the United States with knowledge that violations of the Regulations would occur in connection with those items. Specifically, between on or about September 21, 2001 and on or about July 8, 2005, VAS was informed of the correct ECCN in 24 of the transactions referenced above. Those items, classified as ECCN 7A101 and ECCN 7A103 and controlled for missile technology and anti-terrorism reasons, required a license from the Department of Commerce under Section 742.5(a)(1) of the Regulations. Despite being informed of the correct ECCN, VAS exported the items without the Department of Commerce licenses required by Section 742.5(a)(1) of the Regulations. In so doing, VAS committed 24 violations of Section 764.2(e) of the Regulations.

Charges 71 - 78 15 C.F.R. § 764.2(i): Failure to comply with Reporting Requirements

As described in greater detail in the attached Schedule of Violations and in connection with 8 of the transactions described above, VAS engaged in conduct prohibited by the Regulations. Specifically, Section 758.1(b) of the Regulations requires exporters to file a Shippers Export Declaration (SED) for all exports subject to the Regulations that require a license, regardless of value or destination. On 8 occasions, between on or about September 21, 2001 and on or about July 8, 2005, VAS shipped items that required a license without filing a SED. In so doing, VAS committed 8 violations of Section 764.2(i) of the Regulations.

Charges 79 – 93 15 C.F.R. § 764.2(g): Misrepresentation or Concealment of Facts

As described in greater detail in the attached Schedule of Violations and in connection with 15 of the transactions described above, between on or about September 21, 2001 and on or about July 8, 2005, VAS made 15 false and/or misleading representations to the U.S. government in connection with the preparation, submission, issuance, use, or

maintenance of an export control document. VAS filed 15 Shipper's Export Declarations, an export control document as defined in Part 772 of the Regulations, indicating that no license was required for the shipments. These representations were false and/or misleading as a license was required for the exports under Section 742.5(a)(1) of the Regulations. In so doing, VAS committed 15 violations of Section 764.2(g)(ii) of the Regulations.

WHEREAS, BIS and Volvo have entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein, and

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

IT IS THEREFORE ORDERED:

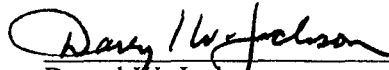
FIRST, that a civil penalty of \$204,600 is assessed against Volvo, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order. Payment shall be made in the manner specified in the attached instructions.

SECOND, 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 date specified herein, Volvo 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 Volvo. Accordingly, if Volvo should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Volvo's export privileges for a period of one year from the date of entry of this Order.

FOURTH, that the proposed charging letter, the Settlement Agreement, and this Order shall be made available to the public.

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 21ST day of September, 2007.

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

In the Matter of:)
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Volvo Aero Services, LP)
645 Park of Commerce Way)
Boca Raton, FL 33487)
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Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Volvo Aero Services, LP (“Volvo”), and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively, the “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2007)) (the “Regulations”),¹ issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (the “Act”),²

¹ The violations alleged to have been committed occurred between 2001 and 2005. The Regulations governing the violations at issue are found in the 2001 through 2005 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2001-2005)). The 2007 Regulations establish the procedures that apply to 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”).

WHEREAS, Volvo filed a voluntary self-disclosure with BIS's Office of Export Enforcement in accordance with Section 764.5 of the Regulations concerning certain transactions at issue herein;

WHEREAS, BIS has notified Volvo of its intention to initiate an administrative proceeding against Volvo, pursuant to the Act and the Regulations;

WHEREAS, BIS has issued a proposed charging letter to Volvo that alleged that Volvo committed 93 violations of the Regulations, specifically:

Charges 1 - 46 15 C.F.R. § 764.2(a): Engaging in Prohibited Conduct

As described in greater detail in the attached Schedule of Violations, which is incorporated herein, on 46 occasions between on or about September 21, 2001 and on or about July 8, 2005, VAS engaged in conduct prohibited by the Regulations. Specifically, VAS exported various aircraft parts, items classified under Export Classification Control Number (ECCN) 7A101 and ECCN 7A103 and controlled for missile technology and anti-terrorism reasons, from the United States to various countries without the Department of Commerce licenses required by Section 742.5(a)(1) of the Regulations. In so doing, VAS committed 46 violations of Section 764.2(a) of the Regulations.

Charges 47 – 70 15 C.F.R. § 764.2(e): Acting with knowledge of a violation

As described in greater detail in the attached Schedule of Violations and in connection with 24 of the transactions described above, VAS engaged in conduct prohibited by the Regulations by selling, transferring, forwarding or otherwise servicing items subject to the Regulations that would be or were exported from the United States with knowledge that violations of the Regulations would occur in connection with those items. Specifically, between on or about September 21, 2001 and on or about July 8, 2005, VAS was informed of the correct ECCN in 24 of the transactions referenced above. Those items, classified as ECCN 7A101 and ECCN 7A103 and controlled for missile technology and anti-terrorism reasons, required a license from the Department of Commerce under Section 742.5(a)(1) of the Regulations. Despite being informed of the correct ECCN, VAS exported the items without the Department of Commerce licenses required by Section 742.5(a)(1) of the Regulations. In so doing, VAS committed 24 violations of Section 764.2(e) of the Regulations.

Charges 71 - 78 15 C.F.R. § 764.2(i): Failure to comply with Reporting Requirements

As described in greater detail in the attached Schedule of Violations and in connection with 8 of the transactions described above, VAS engaged in conduct prohibited by the

Regulations. Specifically, Section 758.1(b) of the Regulations requires exporters to file a Shippers Export Declaration (SED) for all exports subject to the Regulations that require a license, regardless of value or destination. On 8 occasions, between on or about September 21, 2001 and on or about July 8, 2005, VAS shipped items that required a license without filing a SED. In so doing, VAS committed 8 violations of Section 764.2(i) of the Regulations.

Charges 79 – 93 15 C.F.R. § 764.2(g): Misrepresentation or Concealment of Facts

As described in greater detail in the attached Schedule of Violations and in connection with 15 of the transactions described above, between on or about September 21, 2001 and on or about July 8, 2005, VAS made 15 false and/or misleading representations to the U.S. government in connection with the preparation, submission, issuance, use, or maintenance of an export control document. VAS filed 15 Shipper's Export Declarations, an export control document as defined in Part 772 of the Regulations, indicating that no license was required for the shipments. These representations were false and/or misleading as a license was required for the exports under Section 742.5(a)(1) of the Regulations. In so doing, VAS committed 15 violations of Section 764.2(g)(ii) of the Regulations.

WHEREAS, Volvo has reviewed the proposed charging letter and is aware of the allegations made against it and the administrative sanctions which could be imposed against it if the allegations are found to be true;

WHEREAS, Volvo fully understands the terms of this Agreement and the Order ("Order") that the Assistant Secretary of Commerce for Export Enforcement will issue if he approves this Agreement as the final resolution of this matter;

WHEREAS, Volvo enters into this Agreement voluntarily and with full knowledge of its rights;

WHEREAS, Volvo states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, Volvo neither admits nor denies the allegations contained in the proposed charging letter;

WHEREAS, Volvo wishes to settle and dispose of all matters alleged in the proposed charging letter by entering into this Agreement; and

WHEREAS, Volvo agrees to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over Volvo, under the Regulations, in connection with the matters alleged in the proposed charging letter.

2. The following sanction shall be imposed against Volvo in complete settlement of the alleged violations of the Regulations relating to the transactions detailed in the voluntary self-disclosure and the proposed charging letter:

a. Volvo shall be assessed a civil penalty in the amount of \$204,600, all of which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the Order.

b. The 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 export license, permission, or privilege granted, or to be granted, to Volvo. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Volvo's export privileges for a period of one year from the date of imposition of the penalty.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, Volvo hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the Order, if entered), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in any charging letter; (b) request a refund of any civil penalty paid pursuant to this

Agreement and the Order, if entered; and (c) seek judicial review or otherwise contest the validity of this Agreement or the Order, if entered.

4. Upon entry of the Order and timely payment of the \$204,600 civil penalty, BIS will not initiate any further administrative proceeding against Volvo in connection with any violation of the Act or the Regulations arising out of the transactions identified in the voluntary self-disclosure and the proposed charging letter.

5. BIS will make the proposed charging letter, this Agreement, and the Order, if entered, available to the public.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, 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.

7. 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 Order, if entered, nor shall this Agreement 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.

8. This Agreement shall become binding on the Parties only if the Assistant Secretary of Commerce for Export Enforcement approves it by entering the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

9. 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.

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

Thomas Madigan

Tom Madigan
Acting Director
Office of Export Enforcement

Date: September 21, 2007

VOLVO AERO SERVICES, LP

Richard P. Murad

Richard P. Murad
Vice President and General Counsel

Date: September 21, 2007

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Volvo Aero Services, LP
645 Park of Commerce Way
Boca Raton, FL 33487

Attention: *Mr. Richard P. Murad*
Vice President and General Counsel

Dear Mr. Murad:

The Bureau of Industry and Security, U. S. Department of Commerce (“BIS”), has reason to believe that Volvo Aero Services, LP (“VAS”), of Boca Raton, Florida, has committed 93 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 VAS committed the following violations:

Charges 1 - 46 15 C.F.R. § 764.2(a): Engaging in Prohibited Conduct

As described in greater detail in the attached Schedule of Violations, which is incorporated herein, on 46 occasions between on or about September 21, 2001 and on or about July 8, 2005, VAS engaged in conduct prohibited by the Regulations. Specifically, VAS exported various aircraft parts, items classified under Export Classification Control Number (ECCN) 7A101 and ECCN 7A103 and controlled for missile technology and anti-terrorism reasons, from the United States to various countries without the Department of Commerce licenses required by Section 742.5(a)(1) of the Regulations. In so doing, VAS committed 46 violations of Section 764.2(a) of the Regulations.

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¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2007). The violations charged occurred between 2001 and 2005. The Regulations governing the violations at issue are found in the 2001 - 2005 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2001 - 2005)). The 2007 Regulations govern the procedural aspects of this case.

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 13,222 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 3, 2006 (71 Fed. Reg. 44,551, Aug. 7, 2006), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701-1706 (2000)). The Act and the Regulations are available on the Government Printing Office website at: <http://www.access.gpo.gov/bis/>.

September 21, 2001 and on or about July 8, 2005, VAS was informed of the correct ECCN in 24 of the transactions referenced above. Those items, classified as ECCN 7A101 and ECCN 7A103 and controlled for missile technology and anti-terrorism reasons, required a license from the Department of Commerce under Section 742.5(a)(1) of the Regulations. Despite being informed of the correct ECCN, VAS exported the items without the Department of Commerce licenses required by Section 742.5(a)(1) of the Regulations. In so doing, VAS committed 24 violations of Section 764.2(e) of the Regulations.

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As described in greater detail in the attached Schedule of Violations and in connection with 15 of the transactions described above, between on or about September 21, 2001 and on or about July 8, 2005, VAS made 15 false and/or misleading representations to the U.S. government in connection with the preparation, submission, issuance, use, or maintenance of an export control document. VAS filed 15 Shipper's Export Declarations, an export control document as defined in Part 772 of the Regulations, indicating that no license was required for the shipments. These representations were false and/or misleading as a license was required for the exports under Section 742.5(a)(1) of the Regulations. In so doing, VAS committed 15 violations of Section 764.2(g)(ii) of the Regulations.

Accordingly, VAS is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(c) of the Act and 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 \$11,000 per violation;³

Denial of export privileges; and/or

Exclusion from practice before BIS.

³ See 15 C.F.R. § 6.4(a)(2).

If VAS fails 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 (2007). If VAS defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to VAS. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty on each of the charges in this letter.

VAS is further notified that it is entitled to an agency hearing on the record if it files a written demand for one with its answer. *See* 15 C.F.R. § 766.6 (2007). VAS is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. 15 C.F.R. §§ 766.3(a) and 766.4 (2007).

VAS is additionally notified that under the Small Business Regulatory Enforcement Flexibility Act, it 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 (2007). Should VAS have a proposal to settle this case, VAS's representative should transmit it through the attorney representing BIS, who is named below.

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

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

In addition, a copy of VAS's answer must be served on BIS at the following address:

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

Volvo Aero Services, LP
Proposed Charging Letter
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Adrienne Frazier is the attorney representing BIS in this case. Any communications that VAS may wish to have concerning this matter should occur through her. She may be contacted by telephone at (202) 482-5301, by fax at (202) 482-0085, or via email at afrazier@bis.doc.gov.

Sincerely,

John McKenna
Acting Director
Office of Export Enforcement

Enclosure