

PROPOSED CHARGING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Aviacsa Airlines
6100 Westheimer Road
Suite 116
Houston, Texas 77057

Attention: *Martha E. Gonzalez*
General Manager

Dear Ms. Gonzalez:

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS"), has reason to believe that Aviacsa Airlines ("Aviacsa") of Houston, Texas has committed 75 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 Aviacsa committed the following violations:

Charges 1-75 15 C.F.R. § 764.2(a) - Failure to File Shipper's Export Declaration

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on 75 occasions, between on or about October 2, 2002 and on or about May 27, 2003, Aviacsa refrained from engaging in conduct required by the Regulations by failing to file with the U.S. Government the Shipper's Export

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2006). The violations charged occurred during 2002 and 2003. The Regulations governing the violations at issue are found in the 2002 and 2003 versions of the Code of Federal Regulations. See 15 C.F.R. Parts 730-774 (2002-2003). The 2006 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 2, 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/>.

Declarations ("SEDs") required by Section 758.1(b)(3) of the Regulations. Specifically, Aviacsa exported aircraft parts that were subject to the Regulations and valued over \$2,500 per Harmonized Tariff Schedule/Schedule B ("HTS") number to Mexico without filing the required SEDs. Pursuant to Section 758.1(b)(3) of the Regulations, SEDs must be filed with the U.S. Government for all exports of commodities subject to the Regulations when the value of the commodities classified under a single HTS number is over \$2,500. In so doing, Aviacsa committed 75 violations of Section 764.2(a) of the Regulations.

* * * * *

Accordingly, Aviacsa 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.

If Aviacsa 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 (2006). If Aviacsa defaults, the Administrative Law Judge may find the charges alleged in this letter are true without a hearing or further notice to Aviacsa. 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.

Aviacsa is further notified that it is entitled to an agency hearing on the record if Aviacsa files a written demand for one with its answer. *See* 15 C.F.R. § 766.6 (2006). Aviacsa 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 (2006).

The Regulations provide for settlement without a hearing. *See* 15 C.F.R. § 766.18 (2006). Should Aviacsa have a proposal to settle this case, Aviacsa or its 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, Aviacsa's answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

³ *See* 15 C.F.R. § 6.4(a)(4) (2002-2003).

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

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

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

Thea D. R. Kendler is the attorney representing BIS in this case; any communications that Aviacsa may wish to have concerning this matter should occur through her. Ms. Kendler may be contacted by telephone at (202) 482-5301.

Sincerely,

Michael D. Turner
Director
Office of Export Enforcement

Enclosure

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Schedule of Violations

Charge Nos.	Approx. Date of Export	Item(s) Included in Shipment	Destination	Airway Bill No.	Value of Parts and/or Labor
1	2-Oct-02	P.C.U.	Mexico	095-1000-0155	\$4,219.00
2	9-Oct-02	P.C.U. Assy	Mexico	095-1000-0158	\$3,955.00
3	21-Oct-02	Actuator Assy	Mexico	095-1000-0159	\$2,761.87
4	29-Oct-02	Cockpit Voic	Mexico	095-1000-0160	\$3,087.00
5	7-Nov-02	P.C.U. Actuator	Mexico	095-1000-0162	\$4,091.43
6	13-Nov-02	Rudder P.C.U.	Mexico	095-1000-0164	\$4,633.24
7	14-Nov-02	Power Control Unit	Mexico	095-1000-0165	\$12,394.32
8	21-Nov-02	APU Accessory Unit	Mexico	095-1000-0166	\$2,720.00
9	21-Nov-02	Air Data Com	Mexico	095-1000-0167	\$3,435.00
10	26-Nov-02	Element	Mexico	095-1000-0168	\$2,863.00
	27-Nov-02	Constant Speed Drive	Mexico	095-1000-0169	\$12,200.00
11	2-Dec-02	Actuator	Mexico	095-1000-0170	\$3,935.81
12	5-Dec-02	P.C.U.	Mexico	095-1000-0171	\$6,450.00
13	11-Dec-02	JT8D Controller	Mexico	095-1000-0174	\$6,500.00
14	12-Dec-02	Vertical Gyro	Mexico	095-1000-0175	\$5,172.00
15	13-Dec-02	Vaneaxial Fan	Mexico	095-1000-0176	\$3,284.50
16	18-Dec-02	Fuel Nozzle	Mexico	095-1000-0177	\$7,200.00
17	19-Dec-02	Gear Box	Mexico	095-1000-0178	\$6,700.00
18	23-Jan-03	TCAS/Processor	Mexico	095-1000-0190	\$13,500.00
19	23-Jan-03	TCAS Transmitter	Mexico	095-1000-0191	\$17,900.00
20	29-Jan-03	Combustion Unit	Mexico	095-1000-0196	\$3,440.00
21	30-Jan-03	Panel Control	Mexico	095-1000-0197	\$7,250.00
22	31-Jan-03	Mod kit	Mexico	095-1000-0198	\$3,816.96
23	3-Feb-03	Roll Control Channel	Mexico	095-1000-0199	\$2,584.96
24	4-Feb-03	Cabin Pressure Controller	Mexico	095-1000-0200	\$3,946.00

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25	5-Feb-03	Generator	Mexico	095-1000-0201	\$3,338.00
26	6-Feb-03	Engine Starter	Mexico	095-1000-0202	\$7,984.00
27	10-Feb-03	SB Kit	Mexico	095-1000-0203	\$4,846.00
28	10-Feb-03	TCAS Processor	Mexico	095-1000-0204	\$5,915.00
29	11-Feb-03	Rivet-Tubular, Blad	Mexico	095-1000-0205	\$2,920.00
	12-Feb-03	Tube	Mexico	095-1000-0206	\$4,100.00
30	12-Feb-03	Engine Starter	Mexico	095-1000-0207	\$8,822.00
31	17-Feb-03	Fire Detector	Mexico	095-1000-0209	\$2,673.00
32	19-Feb-03	Ferrules	Mexico	095-1000-0210	\$4,190.00
33	20-Feb-03	Support Assy	Mexico	095-1000-0212	\$8,100.00
34	21-Feb-03	P.C.U.	Mexico	095-1000-0213	\$3,355.40
35	24-Feb-03	Cable	Mexico	095-1000-0214	\$2,748.00
36	27-Feb-03	Landing Light	Mexico	095-1000-0216	\$3,660.00
37	28-Feb-03	Rotary Actuator	Mexico	095-1000-0217	\$3,950.00
38	28-Feb-03	Headset	Mexico	095-1000-0218	\$2,615.20
39	1-Mar-03	IVSI, TCAS	Mexico	095-1000-0220	\$21,500.00
	3-Mar-03	Auto Pilot Assy	Mexico	095-1000-0219	\$8,425.00
40	4-Mar-03	Fuel Control	Mexico	095-1000-0221	\$8,490.00
	5-Mar-03	Transmission AS	Mexico	095-1000-0222	\$5,000.00
41	6-Mar-03	Conebolt	Mexico	095-1000-0223	\$8,190.00
42	7-Mar-03	Nut-Bearing Retain	Mexico	095-1000-0225	\$5,269.60
43	12-Mar-03	SB Kit	Mexico	095-1000-0226	\$4,846.00
44	13-Mar-03	Cabin Press Control	Mexico	095-1000-0227	\$3,500.00
45	17-Mar-03	Turbine	Mexico	095-1000-0228	\$5,040.00
46	18-Mar-03	Roller	Mexico	095-1000-0229	\$6,500.00
47	19-Mar-03	Switch	Mexico	095-1000-0230	\$3,550.00
48	20-Mar-03	Fan Exit Case	Mexico	095-1000-0231	\$8,000.00
	20-Mar-03	Linning	Mexico	095-1000-0232	\$9,775.00
49	20-Mar-03	Radio Altimeter	Mexico	095-1000-0233	\$2,800.00

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50	24-Mar-03	Linning	Mexico	095-1000-0234	\$16,617.50
51	27-Mar-03	Lamp	Mexico	095-1000-0235	\$2,790.00
52	1-Apr-03	Linear Actuator	Mexico	095-1000-0237	\$5,188.50
53	1-Apr-03	Synchro Panel Meter	Mexico	095-1000-0238	\$4,378.00
54	3-Apr-03	Cabin Press. Control	Mexico	095-1000-0239	\$2,630.00
55	4-Apr-03	Power Control Unit	Mexico	095-1000-0240	\$4,970.40
56	9-Apr-03	Roller Assy	Mexico	095-1000-0241	\$2,900.00
57	10-Apr-03	Heat Module	Mexico	095-1000-0242	\$3,280.00
58	11-Apr-03	Valve Assy	Mexico	095-1000-0243	\$2,875.45
59	14-Apr-03	Plate Assy	Mexico	095-1000-0244	\$3,120.00
60	17-Apr-03	Grille	Mexico	095-1000-0245	\$2,812.50
61	22-Apr-03	Solenoid	Mexico	095-1000-0246	\$3,600.00
62	23-Apr-03	Push Pull	Mexico	095-1000-0247	\$2,556.00
63	24-Apr-03	Vertical Gyro	Mexico	095-1000-0248	\$2,717.00
	25-Apr-03	Clock	Mexico	095-1000-0249	\$3,460.00
64	28-Apr-03	Lens	Mexico	095-1000-0250	\$3,198.00
65	30-Apr-03	Command Navigation	Mexico	095-1000-0251	\$7,500.00
	2-May-03	Flap Transmission	Mexico	095-1000-0252	\$9,750.00
66	3-May-03	TCAS Processor	Mexico	095-1000-0253	\$6,251.00
	5-Mar-03	Hydraulic Pump	Mexico	095-1000-0254	\$5,104.00
67	6-May-03	Flight Spoiler PCU	Mexico	095-1000-0256	\$3,762.00
68	7-May-03	Ring	Mexico	095-1000-0257	\$3,000.00
69	8-May-03	Flow Control Valve	Mexico	095-1000-0258	\$4,071.00
70	12-May-03	Flow Control Valve	Mexico	095-1000-0259	\$4,071.00
71	14-May-03	Fan	Mexico	095-1000-0260	\$5,800.00
72	16-May-03	Traffic Advisory VSI	Mexico	095-1000-0261	\$3,990.28
73	19-May-03	Module Anti-Static	Mexico	095-1000-0262	\$5,200.00
74	20-May-03	Oxy Mask	Mexico	095-1000-0263	\$4,995.00
75	27-May-03	Pneumatic Starter	Mexico	095-1000-0264	\$5,553.74

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

.....
In the Matter of:)
)
Aviacsa Airlines)
6100 Westheimer Road)
Suite 116)
Houston, Texas 77057)
)
Respondent)
.....

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made by and between Aviacsa Airlines ("Aviacsa") 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 (2006)) (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

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

.....
¹ The violations alleged to have been committed occurred during 2002 and 2003. The Regulations governing the violations at issue are found in the 2002 and 2003 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774) (2002-2003). The 2006 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 2, 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)) ("IEEPA").

WHEREAS, BIS has issued a proposed charging letter to Aviacsa that alleged that Aviacsa committed 75 violations of the Regulations, specifically:

Charges 1-75 15 C.F.R. § 764.2(a) - Failure to File Shipper's Export Declaration

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on 75 occasions, between on or about October 2, 2002 and on or about May 27, 2003, Aviacsa refrained from engaging in conduct required by the Regulations by failing to file with the U.S. Government the Shipper's Export Declarations ("SEDs") required by Section 758.1(b)(3) of the Regulations. Specifically, Aviacsa exported aircraft parts that were subject to the Regulations and valued over \$2,500 per Harmonized Tariff Schedule/Schedule B ("HTS") number to Mexico without filing the required SEDs. Pursuant to Section 758.1(b)(3) of the Regulations, SEDs must be filed with the U.S. Government for all exports of commodities subject to the Regulations when the value of the commodities classified under a single HTS number is over \$2,500. In so doing, Aviacsa committed 75 violations of Section 764.2(a) of the Regulations.

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

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

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

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

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

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over Aviacsa, under the Regulations, in connection with the matters alleged in the proposed charging letter.
2. The following sanction shall be imposed against Aviacsa in complete settlement of the alleged violations of the Regulations relating to the transactions specifically detailed in the proposed charging letter:
 - a. Aviacsa shall be assessed a civil penalty in the amount of \$450,000. Aviacsa shall pay \$225,000 to the U.S. Department of Commerce within 30 days from the date of entry of the Order. Payment of the remaining \$225,000 shall be suspended for a period of one year from the date of entry of the Order and thereafter shall be waived, provided that during the period of suspension, Aviacsa has committed no violation of the Act, or any regulation, order, or license issued thereunder and has made the payment of \$225,000, described above, in a timely manner.
 - 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 Aviacsa. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Aviacsa'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, Aviacsa 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 \$225,000 civil penalty, BIS will not initiate any further administrative proceeding against Aviacsa in connection with any violation of the Act or the Regulations arising out of the transactions identified in 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



Michael D. Turner
Director
Office of Export Enforcement

Date: 2/12/07

AVIACSA AIRLINES
a dba of Consorcio Aviaxsa, S.A. de C.V.



[Name] Ing. Eduardo Mega Morales
[Title] Director General

Date: Feb. 12, 2007
by TDRK with authorization
of Ing. Eduardo Mega Morales

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

.....
In the Matter of:)
)
Aviacsa Airlines)
6100 Westheimer Road)
Suite 116)
Houston, Texas 77057)
)
Respondent)
.....

ORDER RELATING TO AVIACSA AIRLINES

The Bureau of Industry and Security, U.S. Department of Commerce ("BIS") has notified Aviacsa Airlines ("Aviacsa"), of its intention to initiate an administrative proceeding against Aviacsa pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (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 Aviacsa that alleged that Aviacsa committed 75 violations of the Regulations.

Specifically, these charges are:

.....
¹ The violations alleged to have been committed occurred during 2002 and 2003. The Regulations governing the violations at issue are found in the 2002 and 2003 versions of the Code of Federal Regulations (15 C.F.R. Parts 730-774) (2002-2003). The 2006 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)), as 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)) ("IEEPA"). The Act and the Regulations are available on the Government Printing Office website at: <http://www.access.gpo.gov/bis/>.

Charges 1-75**15 C.F.R. § 764.2(a) - Failure to File Shipper's Export Declaration**

As described in greater detail in the attached Schedule of Violations, which is incorporated herein by reference, on 75 occasions, between on or about October 2, 2002 and on or about May 27, 2003, Aviacsa refrained from engaging in conduct required by the Regulations by failing to file with the U.S. Government the Shipper's Export Declarations ("SEDs") required by Section 758.1(b)(3) of the Regulations. Specifically, Aviacsa exported aircraft parts that were subject to the Regulations and valued over \$2,500 per Harmonized Tariff Schedule/Schedule B ("HTS") number to Mexico without filing the required SEDs. Pursuant to Section 758.1(b)(3) of the Regulations, SEDs must be filed with the U.S. Government for all exports of commodities subject to the Regulations when the value of the commodities classified under a single HTS number is over \$2,500. In so doing, Aviacsa committed 75 violations of Section 764.2(a) of the Regulations.

WHEREAS, BIS and Aviacsa 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 \$450,000 is assessed against Aviacsa. Aviacsa shall pay \$225,000 to the 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. Payment of the remaining \$225,000 shall be suspended for a period of one year from the date of entry of this Order and thereafter shall be waived, provided that during the period of suspension, Aviacsa has committed no violation of the Act, or any regulation, order, or license issued thereunder and has made the payment of \$225,000, described above, in a timely manner.

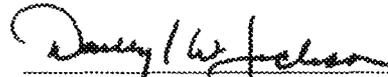
SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due

date specified herein, Aviacsa 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 Aviacsa. Accordingly, if Aviacsa should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Aviacsa'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 16th day of February, 2007.