

AVIALL INC  
Form PRER14A  
August 04, 2006  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**

**of the Securities Exchange Act of 1934**

**(Amendment No. 2)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Preliminary Proxy Statement       | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input type="checkbox"/> Definitive Proxy Statement                   |  |
| <input type="checkbox"/> Definitive Additional Materials              |  |
| <input type="checkbox"/> Soliciting Materials Pursuant to §240.14a-12 |  |

**AVIALL, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:  
Common stock, par value \$0.01 per share of Aviall, Inc.

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(2) Aggregate number of securities to which transaction applies:

34,206,454 shares of Aviall common stock (as of June 12, 2006), 2,862,884 shares of Aviall common stock underlying outstanding options to purchase Aviall common stock, of which 2,862,884 shares underlie options with an exercise price of less than \$48.00 (as of June 12, 2006), and 262,500 shares of Aviall common stock underlying outstanding and unexercised Aviall warrants (as of June 12, 2006).

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The filing fee of \$191,736.32 was calculated pursuant to Exchange Act Rule 0-11(c) and is equal to \$107.00 per million of the aggregate merger consideration of \$1,791,928,224. The aggregate merger consideration is calculated as the sum of (a) the product of 34,206,454 shares of Aviall common stock and the merger consideration of \$48.00 per share in cash, (b) the product of 2,862,884 shares of Aviall common stock underlying Aviall options that have an exercise price of less than \$48.00 per share and the merger consideration of \$48.00 in cash, and (c) the product of 262,500 shares of Aviall common stock underlying the warrants and the merger consideration of \$48.00 in cash.

(4) Proposed maximum aggregate value of transaction:

\$1,791,928,224

(5) Total fee paid:

\$191,736.32

x Fee paid previously with preliminary materials.

\*\* Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**Table of Contents**

**Preliminary Copy Subject to Completion**

, 2006

Dear Aviall Stockholder:

You are cordially invited to attend a special meeting of stockholders of Aviall, Inc. to be held on September 19, 2006 at 11:30 a.m., Dallas, Texas Time, at the Four Seasons Resort and Club, 4150 N. MacArthur Boulevard, Irving, Texas 75038.

At the special meeting, you will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of April 30, 2006, by and among The Boeing Company, Boeing-Avenger, Inc., a wholly owned subsidiary of Boeing, and Aviall, Inc. Pursuant to the merger agreement, Boeing will acquire Aviall through an approximately \$1.8 billion cash merger. We are also asking that you grant the authority to vote your shares to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of adoption of the merger agreement at the time of the special meeting.

If the merger is completed, Aviall stockholders will receive \$48.00 in cash, without interest, for each share of Aviall common stock owned by them as of the effective time of the merger, except for stockholders who properly exercise appraisal rights.

After careful consideration, our board of directors unanimously determined that the merger agreement and the merger are in the best interests of Aviall and its stockholders. Our board of directors has unanimously approved the merger agreement. **Our board of directors unanimously recommends that you vote FOR the adoption of the merger agreement at the special meeting.**

Our board of directors considered a number of factors in evaluating the transaction and consulted with its legal and financial advisors. Included in the attached proxy statement is the opinion of our financial advisor, Credit Suisse Securities (USA) LLC, relating to the fairness, from a financial point of view, to the holders of our common stock, other than Boeing and its affiliates, of the consideration provided for in the merger. The enclosed proxy statement also provides detailed information about the merger agreement and the merger. The description of the merger agreement and all other agreements described in the proxy statement are subject to the terms of the actual agreements. We encourage you to read this proxy statement carefully, including its annexes and the documents we refer to in this proxy statement.

**Your vote is very important, regardless of the number of shares you own.** The merger must be adopted by the holders of a majority of the outstanding shares of our common stock entitled to vote at the special meeting. Therefore, if you do not return your proxy card, vote via the Internet or telephone or attend the special meeting and vote in person, it will have the same effect as if you voted AGAINST adoption of the merger agreement. Only stockholders who owned shares of Aviall common stock at the close of business on August 15, 2006, the record date for the special meeting, will be entitled to vote at the special meeting. To vote your shares, you may use the enclosed proxy card, vote via the Internet or telephone or attend the special meeting and vote in person. **On behalf of the board of directors, I urge you to complete, sign, date and return the enclosed proxy card, or vote via the Internet or telephone as soon as possible, even if you currently plan to attend the special meeting.**

Thank you for your support of our company. I look forward to seeing you at the special meeting.

Sincerely,

Paul E. Fulchino

*Chairman, President and Chief Executive Officer*

This proxy statement is dated \_\_\_\_\_, 2006 and is first being mailed to stockholders of Aviall on or about \_\_\_\_\_, 2006.

Table of Contents

AVIALL, INC.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

<b>Date and Time:</b>	11:30 a.m. Dallas, Texas Time on September 19, 2006.
<b>Place:</b>	The Four Seasons Resort and Club, 4150 N. MacArthur Boulevard, Irving, Texas 75038.
<b>Items of Business:</b>	<ol style="list-style-type: none"><li>1. Consider and vote upon the proposal to adopt the Agreement and Plan of Merger, dated as of April 30, 2006, by and among The Boeing Company, a Delaware corporation, Boeing-Avenger, Inc., a Delaware corporation and wholly owned subsidiary of Boeing, and Aviall, Inc., a Delaware corporation, as more fully described in the attached proxy statement, including its annexes and the documents referred to in the attached proxy statement;</li><li>2. Adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of adoption of the merger agreement at the time of the special meeting; and</li><li>3. Transact such other business as may properly come before the special meeting or any adjournment or postponement of the special meeting.</li></ol>
<b>Who May Vote:</b>	You can vote if you were a stockholder of record as of the close of business on August 15, 2006, the record date for the special meeting. Your vote is important. The affirmative vote of the holders of at least a majority of Aviall's outstanding common stock entitled to vote at the special meeting is required to adopt the merger agreement. A complete list of Aviall stockholders entitled to vote at the special meeting will be available for inspection at the principal executive offices of Aviall during regular business hours for a period of no less than ten days before the special meeting and at the special meeting.
<b>Proxy Voting:</b>	All stockholders are cordially invited to attend the special meeting in person. Even if you plan to attend the special meeting in person, we request that you complete, sign, date and return the enclosed proxy or vote via the Internet or telephone and thus ensure that your shares will be represented at the special meeting if you are unable to attend. If you sign, date and return your proxy card without indicating how you wish to vote, your proxy will be counted as a vote in favor of adoption of the merger agreement and in favor of adjournment or postponement of the special meeting, if necessary or appropriate, to permit solicitations of additional proxies. If you fail to return your proxy card, do not vote via the Internet or telephone, and do not attend the special meeting and vote in person, your shares will effectively be counted as a vote AGAINST adoption of the merger agreement and will not be counted for purposes of determining whether a quorum is present at the special meeting or for purposes of the vote to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies. If you do attend the special meeting and wish to vote in person, you may withdraw your proxy and vote in person.
<b>Recommendations:</b>	<b>The board of directors unanimously recommends that you vote FOR the adoption of the merger agreement at the special meeting. The board of directors also recommends that you vote FOR the approval of any proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of adoption of the merger agreement at the time of the special meeting.</b>
<b>Appraisal Rights:</b>	Aviall stockholders who do not vote in favor of adoption of the merger agreement may obtain payment in cash of the fair value of their shares of common stock under applicable provisions of Delaware law. In order to perfect their appraisal rights, stockholders must give written demand for appraisal of their shares before the taking of the vote on the merger at the special meeting and must not vote in favor of the merger. A copy of the applicable Delaware statutory provision is included as Annex C to the attached proxy statement and a summary of this provision can be found in the section entitled Appraisal

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Rights for Aviall Stockholders beginning on page 63 of the attached proxy statement.

By Order of the Board of Directors,

Jeffrey J. Murphy

Senior Vice President, Law & Human Resources,  
Secretary and General Counsel

Dallas, Texas

, 2006

**Table of Contents**

AVIALL, INC.

SPECIAL MEETING OF STOCKHOLDERS

TABLE OF CONTENTS

<b><u>SUMMARY</u></b>	<b>1</b>
<u>The Companies</u>	1
<u>Merger Consideration</u>	2
<u>Treatment of Stock Based Awards</u>	2
<u>Market Prices and Dividend Data</u>	3
<u>Material United States Federal Income Tax Consequences of the Merger</u>	3
<u>Reasons for the Merger and Recommendation of Aviall’s Board of Directors</u>	3
<u>Opinion of Our Financial Advisor</u>	5
<u>The Special Meeting of Aviall’s Stockholders</u>	5
<u>Interests of Aviall’s Executive Officers and Directors in the Merger</u>	6
<u>Conditions to the Closing of the Merger</u>	13
<u>Limitation on Considering Other Acquisition Proposals</u>	14
<u>Termination of the Merger Agreement</u>	15
<u>Termination Fees and Expenses</u>	16
<u>Regulatory Matters</u>	17
<u>Appraisal Rights For Aviall Stockholders</u>	17
<b><u>QUESTIONS AND ANSWERS ABOUT THE MERGER</u></b>	<b>19</b>
<b><u>FORWARD-LOOKING INFORMATION</u></b>	<b>24</b>
<b><u>MARKET PRICES AND DIVIDEND DATA</u></b>	<b>25</b>
<b><u>THE SPECIAL MEETING</u></b>	<b>26</b>
<u>Date, Time and Place</u>	26
<u>Purpose of the Special Meeting</u>	26
<u>Record Date; Shares Entitled to Vote; Quorum</u>	26
<u>Vote Required</u>	26
<u>Voting of Proxies</u>	27
<u>Revocability of Proxies</u>	27
<u>Board of Directors’ Recommendations</u>	28
<u>Voting by Aviall Directors and Executive Officers</u>	28
<u>Abstentions and Broker Non-Votes</u>	28
<u>Solicitation of Proxies</u>	28
<u>Multiple Stockholders Sharing One Address</u>	28
<u>Postponement or Adjournment of Meeting</u>	29
<u>Stockholder List</u>	29
<b><u>THE COMPANIES</u></b>	<b>30</b>
<u>Aviall, Inc.</u>	30
<u>The Boeing Company</u>	30
<u>Boeing-Avenger, Inc.</u>	31
<b><u>THE MERGER</u></b>	<b>32</b>
<u>Background to the Merger</u>	32
<u>Reasons for the Merger and Recommendation of the Aviall Board of Directors</u>	36
<u>Opinion of Our Financial Advisor</u>	38
<u>Interests of Aviall’s Executive Officers and Directors in the Merger</u>	42
<u>Form of the Merger</u>	59
<u>Merger Consideration</u>	59
<u>Effect on Awards Outstanding Under Aviall’s Stock Plans</u>	60
<u>Effective Time of the Merger</u>	60

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<u>Delisting and Deregistration of Aviall Common Stock</u>	60
<u>Material United States Federal Income Tax Consequences of the Merger</u>	61
<u>Regulatory Matters</u>	62

**Table of Contents**

<b><u>APPRAISAL RIGHTS FOR AVIALL STOCKHOLDERS</u></b>	<b>63</b>
<b><u>THE MERGER AGREEMENT</u></b>	<b>66</b>
<u>Closing and Effective Time of the Merger</u>	66
<u>Conversion of Shares; Procedures for Exchange of Certificates</u>	66
<u>Treatment of Stock Based Awards</u>	67
<u>Representations and Warranties</u>	67
<u>Material Adverse Effect</u>	68
<u>Conduct of Business Pending the Merger</u>	69
<u>Limitation on Considering Other Acquisition Proposals</u>	71
<u>Notes Tender Offer</u>	72
<u>Conditions to the Closing of the Merger</u>	73
<u>Termination of the Merger Agreement</u>	74
<u>Termination Fees and Expenses</u>	75
<u>Indemnification and Insurance for Aviall's Directors and Officers</u>	77
<u>Extension, Waiver and Amendment of the Merger Agreement</u>	77
<b><u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS</u></b>	<b>78</b>
<b><u>SECURITY OWNERSHIP OF EXECUTIVE OFFICERS AND DIRECTORS</u></b>	<b>80</b>
<b><u>FUTURE STOCKHOLDER PROPOSALS</u></b>	<b>82</b>
<b><u>OTHER MATTERS</u></b>	<b>82</b>
<b><u>WHERE YOU CAN FIND MORE INFORMATION</u></b>	<b>83</b>
<b><u>INCORPORATION OF INFORMATION BY REFERENCE</u></b>	<b>83</b>
<b><u>MISCELLANEOUS</u></b>	<b>84</b>
<b><u>CERTAIN INFORMATION REGARDING AVIALL AND BOEING</u></b>	<b>84</b>
<b>Annexes</b>	
<b>Annex A Agreement and Plan of Merger</b>	
<b>Annex B Opinion of Credit Suisse Securities (USA) LLC</b>	
<b>Annex C Appraisal Rights</b>	



**Table of Contents**

**SUMMARY**

*This summary highlights selected information from this proxy statement and may not contain all of the information that is important to you. To understand the merger fully and for a more complete description of the merger agreement and the merger, you should read carefully this entire proxy statement, the annexes to this proxy statement and the documents we refer to in this proxy statement. In addition, we encourage you to read the documents incorporated by reference by Aviall into this proxy statement, which have been filed with the SEC and include important business and financial information about Aviall. You may obtain the information incorporated by reference into this proxy statement without charge by following the instructions in the section entitled "Where You Can Find More Information" on page 83. We encourage you to read the merger agreement, the legal document that governs the merger, which is attached as Annex A to this proxy statement.*

**The Companies (page 30)**

**Aviall, Inc.**

**2750 Regent Boulevard**

**DFW Airport, Texas 75261-9048**

**Telephone: (972) 586-1000**

Aviall, Inc., a Delaware corporation formed in 1993, is the largest independent global provider to the aerospace aftermarket of new aviation parts, supply-chain management and other related value-added services. We serve this market through our two wholly owned subsidiaries, Aviall Services, Inc., or Aviall Services, and Inventory Locator Service, LLC, or ILS. Aviall Services provides new aerospace parts and related supply-chain management services to the global aviation industry, and ILS operates electronic marketplaces for buying and selling parts, equipment and services for the global aviation, defense and marine industries.

**The Boeing Company**

**100 N. Riverside**

**Chicago, Illinois 60606-1596**

**Telephone: (312) 544-2000**

The Boeing Company, a Delaware corporation formed in 1916, together with its subsidiaries, is one of the world's major aerospace firms. Boeing is organized based on the products and services it offers. Boeing operates in five principal segments:

Commercial Airplanes

Integrated Defense Systems, consisting of the following three segments:

Precision Engagement and Mobility Systems

Network Systems

Support Systems

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Boeing Capital Corporation

Boeing's other segment classifications principally include the activities of Connexion by Boeing<sup>SM</sup>, a two-way data communications service for global travelers; and Boeing Technology, an advanced research and development organization focused on innovative technologies, improved processes and the creation of new products.

**Boeing-Avenger, Inc.**

**100 N. Riverside**

**Chicago, Illinois 60606-1596**

**Telephone: (312) 544-2000**

## **Table of Contents**

Boeing-Avenger, Inc., a Delaware corporation and a wholly owned subsidiary of Boeing, was organized solely for the purpose of entering into the merger agreement with Aviall and completing the merger. Boeing-Avenger, Inc. has not conducted any business operations. If the merger is completed, Boeing-Avenger, Inc. will cease to exist following its merger with and into Aviall.

### **Merger Consideration (page 59)**

If the merger is completed, you will receive \$48.00 in cash, without interest, in exchange for each share of Aviall common stock that you own and for which you have not properly exercised appraisal rights. After the merger is completed, you will have the right to receive the merger consideration, but you will no longer have any rights as an Aviall stockholder and will have no rights as a Boeing stockholder as a result of the merger. Aviall stockholders will receive the merger consideration after exchanging their Aviall certificates in accordance with the instructions contained in the letter of transmittal to be sent to all Aviall stockholders shortly after the closing of the merger.

### **Treatment of Stock Based Awards (page 67)**

*Aviall Stock Options.* Prior to the effective time of the merger, we will take all action necessary to cause each then-outstanding Aviall stock option to be cancelled immediately prior to the effective time of the merger. In consideration for such cancellation, each holder of our stock options will receive, as soon as reasonably practicable at or after the effective time of the merger, a cash payment from Boeing or Aviall equal to the product of the total number of shares that were subject to such stock option immediately prior to the effective time of the merger, and the excess of the \$48.00 per share merger consideration over the per share exercise price subject to such option, such cash payment to be reduced by any required deductions and withholding of taxes.

*Aviall Warrants.* Prior to the effective time of the merger, we will take all action necessary to cause each then-outstanding warrant to purchase Aviall common stock to be either fully-exercised or cancelled immediately prior to the effective time of the merger. In consideration for such cancellation of any warrants, each holder of warrants to purchase our common stock will receive, as soon as reasonably practicable at or after the effective time of the merger, a cash payment from Boeing or Aviall equal to the product of the number of shares of Aviall common stock issuable upon exercise of such warrants, and the excess of the \$48.00 per share merger consideration over the per share exercise price in effect for such warrant.

*Aviall Restricted Stock.* At the effective time of the merger, all of our then-unvested restricted stock will vest, and except for those who properly exercise appraisal rights, each holder of our restricted stock will receive, as soon as reasonably practicable after the effective time of the merger, a cash payment from Boeing or Aviall equal to the product of the total number of shares that were subject to such restrictions immediately prior to the effective time of the merger and the \$48.00 per share merger consideration, such cash payment to be reduced by any required deductions and withholding of taxes.

*Aviall Stock Appreciation Rights.* Except as otherwise provided in the amended and restated severance agreements, by and among Boeing, merger sub, Aviall and our executive officers, which are described in the section entitled "The Merger Interests of Aviall's Executive Officers and Directors in the Merger" beginning on page 42, immediately prior to the effective time of the merger, all of our stock appreciation rights will vest. Each holder of our stock appreciation rights will receive, as soon as reasonably practicable at or after the effective time of the merger, a cash payment equal to the product of the total number of vested Aviall stock appreciation rights and the excess of the \$48.00 per share merger consideration over the grant price of such Aviall stock appreciation rights, such cash payment to be reduced by any required deductions and withholding of taxes.

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**Table of Contents**

**Market Prices and Dividend Data (page 25)**

Our common stock is quoted on the New York Stock Exchange under the symbol AVL. On April 28, 2006, the last full trading day before the public announcement of the merger, the closing price for our common stock was \$37.70 per share and on \_\_\_\_\_, 2006, the latest practicable trading day before the printing of this proxy statement, the closing price for our common stock was \$[PRICE] per share.

**Material United States Federal Income Tax Consequences of the Merger (page 61)**

The receipt of cash pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes, and may also be a taxable transaction under applicable state, local or foreign income or other tax laws. For U.S. federal income tax purposes, a stockholder will recognize gain or loss equal to the difference between the amount of cash received by the stockholder in the merger and the stockholder's adjusted tax basis in the shares of Aviall common stock converted into the right to receive cash in the merger. For U.S. federal income tax purposes, if the shares of Aviall common stock are held by a stockholder as capital assets, gain or loss recognized by such stockholder will be capital gain or loss, which will be long-term capital gain or loss if the stockholder's holding period for the shares of Aviall common stock exceeds one year. Capital gains recognized by an individual upon a disposition of a share of Aviall common stock that has been held for more than one year will be subject to a maximum U.S. federal income tax rate of 15% or, in the case of a share that has been held for one year or less, will be subject to U.S. federal income tax at ordinary income tax rates. In addition, for U.S. federal income tax purposes, there are limits on the deductibility of capital losses. **Because individual circumstances may differ, stockholders should consult their own tax advisors to determine the particular tax consequences to them (including the application and effect of any federal, state, local or foreign income and other tax laws) of the merger.**

**Reasons for the Merger and Recommendation of Aviall's Board of Directors (page 36)**

At a special meeting of our board of directors on April 30, 2006, after careful consideration, including consultation with financial and legal advisors, our board of directors unanimously determined that the merger agreement and the terms and conditions of the merger are in the best interests of Aviall and its stockholders. Our board of directors unanimously approved the merger agreement and recommends that you vote FOR the adoption of the merger agreement.

In the course of reaching its decision to approve the merger agreement and to recommend that Aviall stockholders vote to adopt the merger agreement, our board of directors consulted our senior management, its financial advisors and legal counsel, reviewed a significant amount of information and considered a number of factors, including, among others, the following:

the business, competitive position, strategy and prospects of Aviall, the position of current and likely competitors and current industry, economic and market conditions;

the timing of the merger and the potential for Boeing or another party to be interested in pursuing a transaction with Aviall in the future;

the \$48.00 per share in cash to be paid as merger consideration in relation to the then-current market price of Aviall common stock and the fact that the \$48.00 per share in cash to be paid as merger consideration represented a significant premium to historical trading prices of Aviall common stock, including a premium of approximately 27% over the closing price of Aviall common stock on April 28, 2006, the last full day of trading prior to public announcement of the merger, and a premium of approximately 21% to the 52-week high trading price of Aviall's common stock, which is also the all-time high trading price;

**Table of Contents**

the financial analysis presented by representatives of Credit Suisse Securities (USA) LLC (which we refer to as Credit Suisse ), as well as the opinion of Credit Suisse to the effect that, as of April 30, 2006, and based upon and subject to the factors, assumptions and limitations set forth in the opinion, the \$48.00 per share merger consideration was fair, from a financial point of view, to the holders of Aviall common stock (other than Boeing and its affiliates);

the value of the consideration to be received by Aviall stockholders and the fact that the consideration would be paid in cash, which provides certainty and immediate value to our stockholders;

the fact that the merger is not subject to any financing condition;

the possible alternatives to the merger (including the possibility of continuing to operate Aviall as an independent entity and the desirability and perceived risks of that alternative), the range of potential benefits to our stockholders of the possible alternatives and the timing and the likelihood of accomplishing the goals of such alternatives, and our board of directors' assessment that none of such alternatives were reasonably likely to present superior opportunities for Aviall or to create greater value for our stockholders, taking into account risks of execution as well as business, competitive, industry and market risks, than the merger;

that under the terms of the merger agreement, we can furnish information to, and negotiate with, a third party in response to an unsolicited bona fide acquisition proposal that our board of directors concludes in good faith is, or is reasonably likely to become, a superior offer and accept a superior offer should one be made and not matched by Boeing, upon payment to Boeing of a termination fee of \$44.4 million and reimbursement of expenses of up to \$2.5 million; and

the likelihood that the proposed acquisition would be completed in light of the conditions to closing in the merger agreement and financial capabilities and reputation of Boeing.

In the course of its deliberations, our board of directors also considered a variety of risks and other potentially negative factors, including the following:

Aviall will no longer exist as an independent public company and Aviall stockholders will forgo any future increase in our value that might result from our possible growth;

the risks and contingencies related to the announcement and pendency of the merger, including the impact of the merger on our employees, customers and our relationships with third parties;

after consulting with Credit Suisse regarding its conversation with Boeing management and considering other relevant factors, the assessment of management that further discussion was unlikely to cause Boeing to increase its valuation for Aviall;

the assessment of management and its legal counsel that, based on negotiations with Boeing, it was unlikely that additional discussions with Boeing would yield significantly more favorable contractual terms in the near term;

the conditions to Boeing's obligation to complete the merger and the right of Boeing to terminate the merger agreement in certain circumstances described under "The Merger Agreement Termination of the Merger Agreement" on page 74;

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the risk that we might not receive necessary regulatory approvals and clearances to complete the merger;

that under the terms of the merger agreement, Aviall cannot solicit other acquisition proposals and must pay to Boeing a termination fee of \$44.4 million plus up to \$2.5 million of expenses if the merger agreement is terminated under certain circumstances;

that the income realized by stockholders as a result of the merger will be taxable to our stockholders;

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**Table of Contents**

the interests that the directors and the executive officers of Aviall have in the merger, in addition to their interests as stockholders of Aviall generally, as described in The Merger Interests of Aviall s Executive Officers and Directors in the Merger beginning on page 42; and

that, pursuant to the merger agreement, we must generally conduct our business in the ordinary course and we are subject to a variety of other restrictions on the conduct of our business prior to closing of the merger or termination of the merger agreement, which may delay or prevent us from pursuing business opportunities that may arise or preclude actions that would be advisable if we were to remain an independent company.

Our board of directors did not assign any particular weight or rank to any of the positive or potentially negative factors or risks discussed in this section, and our board of directors carefully considered all of these factors as a whole in reaching its determination and recommendation.

**Opinion of Our Financial Advisor (page 38)**

In connection with the merger, Credit Suisse delivered a written opinion to Aviall s board of directors to the effect that, as of April 30, 2006, and based upon and subject to the factors, assumptions and limitations set forth in its opinion, the merger consideration to be received by the holders of the outstanding shares of Aviall common stock other than Boeing and its affiliates pursuant to the merger agreement is fair, from a financial point of view, to those holders.

The full text of the written opinion of Credit Suisse, which is dated April 30, 2006 and sets forth the assumptions made, procedures followed, matters considered, and limitations on the review undertaken in connection with such opinion, is attached as Annex B to this proxy statement. We encourage you to read this opinion carefully in its entirety. Credit Suisse s opinion was provided to the Aviall board of directors in connection with its evaluation of the merger consideration, does not address any other aspect of the proposed merger and does not constitute a recommendation as to how any holder of Aviall common stock should vote with respect to the merger.

**The Special Meeting of Aviall s Stockholders (page 26)**

*Date, Time and Place.* A special meeting of our stockholders will be held on September 19, 2006, at 11:30 a.m., Dallas, Texas Time, at the Four Seasons Resort and Club, 4150 N. MacArthur Boulevard, Irving, Texas 75038, to:

consider and vote upon the proposal to adopt the merger agreement,

adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of adoption of the merger agreement at the time of the special meeting, and

transact such other business as may properly come before the special meeting or any adjournment or postponement of the special meeting.

*Record Date and Voting Power.* You are entitled to vote at the special meeting if you owned shares of our common stock at the close of business on August 15, 2006, the record date for the special meeting. You will have one vote at the special meeting for each share of Aviall common stock you owned at the close of business on the record date. There are \_\_\_\_\_ shares of our common stock entitled to be voted at the special meeting.

*Vote Required.* The adoption of the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of our common stock entitled to vote at the special meeting. Approval of any proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies

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**Table of Contents**

requires the affirmative vote of at least a majority of the votes cast by holders of our common stock present, in person or represented by proxy, at the special meeting, provided a quorum is present, in person or represented by proxy, at the special meeting.

**Interests of Aviall's Executive Officers and Directors in the Merger (page 42)**

When considering the recommendation of Aviall's board of directors, you should be aware that the members of our board of directors and our executive officers have interests in the merger other than their interests as Aviall stockholders generally, including those described below and in the section entitled "The Merger Interests of Aviall's Executive Officers and Directors in the Merger." These interests may be different from, or in conflict with, your interests as an Aviall stockholder. The members of our board of directors were aware of these additional interests, and considered them, when they approved the merger agreement.

Mr. Fulchino, the current Chairman, President and Chief Executive Officer of Aviall, has entered into an amended and restated employment agreement with Boeing, merger sub and Aviall that will take effect upon the consummation of the merger. In addition, Mr. Fulchino will continue to serve as a member of the board of directors of Aviall after the effective time of the merger. If the merger agreement is terminated, the amended and restated employment agreement will be void and the existing employment agreement and severance agreement with Mr. Fulchino will be reinstated. The following is a summary of the key terms of the amended and restated employment agreement:

*Term.* Mr. Fulchino will remain employed until December 31, 2009.

*Base Salary and Benefits.* Mr. Fulchino is entitled to an annual base salary of not less than \$650,000, which may be increased, but may not be decreased. In addition to his annual base salary, Mr. Fulchino will be eligible to participate in the current and any future management incentive program of Aviall on terms commensurate with Mr. Fulchino's position and level of responsibility; but his annual incentive opportunity will be not less than 100% of his annual base salary. In addition, he will receive three weeks vacation each year, \$1.3 million of term life insurance coverage (to the extent commercially available) and supplemental disability coverage equal to 60% of base salary.

*Termination Payments.* If Mr. Fulchino is terminated by Aviall for cause or by himself for other than for good reason, or if he dies or becomes disabled, he will be entitled to receive the balance of his unpaid annual base salary earned through the date of termination and the value of any accrued and unused vacation days earned through that date. Additionally, upon permanent disability, Mr. Fulchino may receive other benefits pursuant to certain other benefit plans or programs as then in effect. If Mr. Fulchino's employment is terminated without cause or by himself for good reason, he is entitled to receive his unpaid base salary and accrued and unused vacation days, and a severance payment in an amount equal to the greater of his base salary for the remaining of the then-current amended and restated employment agreement term or three times his base salary, and three times his annual incentive payment, as defined in the amended and restated employment agreement. In addition, Mr. Fulchino will be entitled to receive, for the one year period after such termination of employment, health and life insurance benefits substantially identical to those benefits to which Mr. Fulchino, his dependents, and beneficiaries were receiving immediately prior to such termination of employment (or, if greater in the aggregate, the benefits to which Mr. Fulchino, his dependents and beneficiaries were receiving immediately prior to the effective time of the merger). Also, should Mr. Fulchino's employment terminate other than for cause or voluntary resignation without good reason, he shall be entitled to credit for years of service under the Aviall, Inc. Supplemental Executive Retirement Income Plan as if he had served through the end of the term of the amended and restated employment agreement.

*Non-Compete and Non-Solicitation.* During his term of employment and for a period of two years following the termination of his employment, Mr. Fulchino will be subject to a restrictive covenant that



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**Table of Contents**

generally prohibits him from engaging in any business competitive directly with the business conducted by Aviall or any of its subsidiaries in any geographic area where such business of Aviall or any of its subsidiaries or affiliates is conducted. Mr. Fulchino will also be subject to another restrictive covenant that prohibits his solicitation of any employee of Aviall or any of its subsidiaries to give up employment with Aviall or any of its subsidiaries.

*Confidentiality.* During the term of his employment with Aviall or at all times thereafter, Mr. Fulchino is prohibited from intentionally and wrongfully disclosing certain confidential or proprietary information of Aviall to any person not employed by, representing, or engaged by, Aviall or any of its subsidiaries, or to any director of Aviall or any of its subsidiaries, or using such information in connection with engaging in competition with Aviall.

Each of our other executive officers entered into amended and restated severance agreements with Boeing, merger sub and Aviall that will take effect upon consummation of the merger pursuant to which they will each continue as an employee of Aviall following the effective time of the merger and have the right to receive certain severance amounts if they are terminated within three years following consummation of the merger without cause or if they voluntarily terminate their employment for good reason. If the merger agreement is terminated, each of the amended and restated severance agreements will be void and the existing severance agreements will be reinstated. The following is a summary of the key terms of the amended and restated severance agreements with Mr. Cohen, Ms. Collier, Mr. Kienzle, Mr. Koch, Mr. Komnenovich, Mr. Lacik, Mr. Langsen, Mr. Murphy and Mr. Quinn:

*Base Salary and Benefits.* The base salaries for our executive officers will be as follows: Mr. Cohen \$286,229; Ms. Collier \$191,800; Mr. Kienzle \$211,197; Mr. Koch \$150,000; Mr. Komnenovich \$350,926; Mr. Lacik \$194,429; Mr. Langsen \$236,085; Mr. Murphy \$218,210; and Mr. Quinn \$218,076. Each of these executive officers also will be eligible for incentive bonuses, in addition to their base salaries, consistent with Aviall's existing incentive plans and the performance metrics related to those existing incentive plans, based upon Aviall's business plans for 2006, 2007 and 2008. For 2006, Aviall's board of directors has approved a target incentive bonus of 80% of base salary for each of these executive officers.

*Termination Payments.* If the executive officer's employment is terminated without cause or if the executive officer's employment is terminated by the executive officer with good reason within the three-year term of the agreement, such executive officer will be entitled to receive certain payments and benefits including a cash payment (after applicable taxes and withholdings) in an amount equal to three times (two times in the case of Mr. Koch) the sum of the executive officer's annual base salary as of the date of the termination of employment (or, if higher, the rate in effect immediately prior to the effective time of the merger) and the executive officer's annual incentive payment, as defined in the amended and restated severance agreement. In addition, the executive officer will be entitled to receive, for the one-year period after such termination of employment, health and life insurance benefits substantially identical to those benefits to which the executive officer, his or her dependents, and beneficiaries were receiving immediately prior to such termination of employment (or, if greater in the aggregate, the benefits to which the executive officer, his or her dependents and beneficiaries were receiving immediately prior to the effective time of the merger).

*Restricted Stock Units.* As of the effective time of the merger, each such executive officer is to be issued a number of Boeing restricted stock units equal in value to two times such executive officer's 2006 annual base salary. If the executive officer is still employed by Aviall at the end of the term of the amended and restated severance agreement, or if the executive officer's employment is terminated without cause, by death, for disability or is terminated by the executive officer with good reason during the term of the amended and restated severance agreement, he or she will receive the shares of Boeing stock attributable to the restricted stock units.

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**Table of Contents**

*Non-Compete and Non-Solicitation.* Each of these executive officers has also executed a non-competition agreement which provides that for a period beginning at the effective time of the merger and continuing until two years after such executive officer's employment is terminated, he or she will be subject to a restrictive covenant that generally prohibits him or her from engaging in any business that competes with the distribution, marketing and sale of new or used aviation parts, components or supplies from original equipment manufacturers and selling or reselling them to government/military, general aviation/corporate and commercial airline customers (other than retail business with general aviation/corporate customers), including the following aviation and marine related value-added services provided to customers and suppliers: repair, supply-chain management, or information-gathering and delivery services, throughout the United States, on the Internet and in those foreign countries in which Aviall operates prior to the merger. In addition, during that same period of time, the non-competition agreement subjects each of these executive officers to a restrictive covenant that prohibits their solicitation for employment of any employee or any person who had, during the prior three-month period, been an employee of Boeing, Aviall or its subsidiaries or solicitation of any of Aviall's customers or contacts for any reason relating to Aviall's business.

In addition to the foregoing, the following is a summary of certain additional key terms of the amended and restated employment agreement with Mr. Fulchino and the amended and restated severance agreements with each of our other executive officers:

*Common Stock.* At the effective time of the merger, each share of Aviall common stock, including, but not limited to shares of restricted stock, held by each executive officer immediately prior to the effective time of the merger will be automatically converted into the right to receive \$48.00 in cash without interest in accordance with the terms of the merger agreement, such cash payment to be reduced by any required deductions and withholding of taxes.

*Stock Options.* Immediately prior to the effective time of the merger, all then-outstanding stock options to purchase our common stock held by our executive officers will be cancelled, and each executive officer will receive a cash payment from Boeing or Aviall equal to the product of the total number of shares that were subject to such stock option immediately prior to the effective time of the merger, and the excess of the \$48.00 per share merger consideration over the per share exercise price subject to such option, such cash payment to be reduced by any required deductions and withholding of taxes.

*Stock Appreciation Rights.* Immediately prior to the effective time of the merger, all stock appreciation rights held by our executive officers will be cancelled, and in substitution for such cancelled stock appreciation rights, each executive officer will receive a number of Boeing stock appreciation rights, payable in the common stock of Boeing, equal to the product of the number of cancelled Aviall stock appreciation rights and the quotient obtained by dividing \$48.00 by the closing price of a share of Boeing common stock listed on the New York Stock Exchange for the last trading day that precedes the effective time of the merger. The Boeing stock appreciation rights will be granted on the fifth business day after the effective time of the merger. The Boeing stock appreciation rights will have a base price equal to the base price of the cancelled Aviall stock appreciation rights divided by the quotient obtained by dividing \$48.00 by the closing price of a share of Boeing common stock listed on the New York Stock Exchange for the last trading day that precedes the effective time of the merger. The Boeing stock appreciation rights will be subject to the same vesting schedule as the cancelled Aviall stock appreciation rights and will accelerate and become exercisable in full upon the applicable executive officer's death, permanent and total disability, or in the event of his or her voluntary retirement under a retirement plan of Aviall, Boeing or one of their subsidiaries at or after the earliest retirement age provided for in such retirement plan or retirement at any earlier age with the consent of Aviall's board of directors.

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**Table of Contents**

*Accelerated Taxes.* Should the executive officers incur taxes as a result of the waiver of the vesting of their cancelled Aviall stock appreciation rights, each executive officer is provided with payment to compensate him or her (on an after-tax basis) for the cost of paying such taxes prior to the exercise date of the substituted Boeing stock appreciation rights and an additional payment to reimburse such executive officer (on an after-tax basis) if the accelerated taxes due as a result of the waiver of the vesting of his or her cancelled stock appreciation rights exceed the taxes that would have been due if the substituted Boeing stock appreciation rights had been exercised immediately following the vesting thereof and no accelerated tax had been due as a result of the waiver.

*Benefit Restoration Plan.* Under Aviall's Benefit Restoration Plan, upon consummation of the merger each executive officer will be treated as fully vested in the executive officer's benefit under that plan. All of the executive officers are fully vested in the plan, except Mr. Cohen, who will not become vested before consummation of the merger. Consequently, each executive officer will be entitled to an immediate cash payment equal to the actuarial value of his or her monthly benefits determined as if the executive officer's employment had terminated as of the effective time of the merger, together with an additional payment such that, after application of federal income taxes, the executive officer will retain an amount equal to the underlying payment. In addition, in the event an executive officer terminates employment with Aviall within two years following the merger, he or she will be entitled to an additional immediate lump sum payment equal to the value of the benefit owing under the plan as of such executive officer's actual date of employment termination, reduced by the amount previously paid (plus the additional payment to cover federal income taxes). For a period of two years following the effective time of the merger, the Benefit Restoration Plan may not be terminated, the provisions regarding the entitlements upon a change of control may not be amended, and the plan may not otherwise be amended in any manner that would adversely affect an executive officer's existing or future benefit under the plan without his or her written consent. Payments owing to each executive officer will be determined in accordance with the terms of the plan, but the offset for benefits payable under the Aviall Inc. Retirement Plan will take into account the additional benefits provided by a recent amendment to the Retirement Plan, which provides additional benefits to certain named individuals including the executive officers, but which is not scheduled to take effect until the Internal Revenue Service approves the amendment. If the Retirement Plan amendment is not approved, Aviall will make an additional payment to each such executive officer (together with interest) in an amount equal to the amount that originally would have been paid had such amendment not been taken into account, less the amounts previously paid from the Retirement Plan (plus the additional payment to cover federal income taxes).

*Supplemental Executive Retirement Income Plan.* Under Aviall's Supplemental Executive Retirement Income Plan, upon consummation of the merger each executive officer will be treated as fully vested in the executive officer's benefit under that plan (and in any benefits accruing after consummation of the merger) if the executive officer's employment terminates in qualifying circumstances within three years after consummation of the merger. All of the executive officers are fully vested in the plan, other than Mr. Cohen, who will not become vested before consummation of the merger. If an executive officer terminates employment under qualifying circumstances within three years after consummation of the merger, such executive officer will be credited under the plan with an extra two years of age (but only if doing so will make the executive officer eligible for early retirement benefits), two years of continuing service, and an additional two years of credited service (four years in the case of Mr. Fulchino) subject to a cap of 25 years of service (16.6667 years of service in the case of Mr. Fulchino). The plan may not be adversely amended for two years following consummation of the merger without the consent of the executive officers. Moreover, the plan provides that, upon consummation of an event such as the merger, either the ultimate surviving entity, which in the case of the merger will be Boeing, must guarantee the payment of benefits under the plan or there must be established and funded an irrevocable grantor trust with the full amount of expected plan benefits; in this case, Boeing has agreed to guarantee

**Table of Contents**

the payment of the plan benefits if all affected participants waive the funding requirements under a trust adopted by our board of directors on March 23, 2006.

*Benefit Plan Payments.* In exchange for Boeing's promise to provide a written guarantee of payment of the benefits owing under the Aviall, Inc. Supplemental Executive Retirement Income Plan and the Aviall, Inc. Benefit Restoration Plan upon the waiver of the funding requirement by all affected participants, each of our executive officers has waived any provisions under the plans and under the trust to fund benefits under the plans adopted by the Aviall board of directors on March 23, 2006, that provide for Aviall to fund as of the effective time of the merger the then-present value of the benefits payable under the plans to the participants.

*Tax Gross-Up and Attorneys' Fees.* In the event that it is determined that any payment or distribution by Boeing or Aviall or any of their affiliates to or for the benefit of an executive officer whether pursuant to the terms of the amended and restated employment agreement or amended and restated severance agreement, as applicable, or otherwise would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, then the applicable executive officer will be entitled to receive an additional payment which will leave him or her, after payment of all taxes on the additional payment (including any excise taxes imposed on the additional payment), with the amount necessary to pay the excise taxes imposed on the amount the executive officer received prior to the additional payment. Each such executive officer also is entitled to payment of any and all attorneys' and related fees and expenses incurred by him or her if he or she retains an attorney or attorneys to advise and represent him or her in connection with any interpretation, enforcement or defense of rights under the amended and restated employment agreement or amended and restated severance agreement, as applicable, so long as the executive officer has not acted in bad faith or with no colorable claim of success.

The following table summarizes certain of the payments and benefits described above for each of our executive officers, including:

the expected annual base salary each executive officer initially will receive from Aviall after the effective time of the merger;

the aggregate target bonus each executive officer is eligible to receive for Aviall's fiscal years 2006, 2007 and 2008;

the aggregate amount of cash payable at closing in exchange for cancelled Aviall stock options;

the aggregate amount of cash payable at closing in exchange for shares of Aviall common stock;

the aggregate dollar value of Boeing restricted stock units granted at closing;

the lump sum cash amount payable to each executive from the Benefit Restoration Plan (along with the estimated amounts necessary to cover all federal income taxes owing on the benefits and these amounts) immediately upon the effective time of the merger; and

the dollar value of Boeing stock appreciation rights granted after closing.

**Table of Contents**

Name of Executive Officer	Initial Annual Base Salary	Aggregate Target Bonuses for Aviall's Fiscal Years 2006, 2007 & 2008	Aggregate Amount of Cash Payable at Closing in Exchange for Cancelled Options (3)	Aggregate Amount of Cash Payable at Closing in Exchange for Shares of Common Stock (4)	Dollar Value of Boeing Restricted Stock Units Granted at Closing (5)	Lump Sum Cash Amount Payable from the Benefit Restoration Plan Upon the Effective Time of the Merger (6) (7)	Dollar Value of Boeing Stock Appreciation Rights Granted After Closing (8)
Paul E. Fulchino	\$ 650,000	\$ 1,950,000(1)	\$ 17,033,033	\$ 10,705,152			\$ 4,515,300
Colin M. Cohen	\$ 286,229	\$ 686,950(2)	\$ 3,054,820	\$ 822,192(9)	\$ 572,458	\$ 181,000	\$ 252,234
Jacqueline K. Collier	\$ 191,800	\$ 460,320(2)	\$ 4,347,441	\$ 1,251,840	\$ 383,600		\$ 252,234
Charles M. Kienzle	\$ 211,197	\$ 506,873(2)	\$ 1,983,700	\$ 2,435,760(10)	\$ 422,394		\$ 278,703
Louis F. Koch	\$ 150,000	\$ 360,000(2)	\$ 2,318,047	\$ 445,248	\$ 300,000	\$ 18,100	\$ 252,234
Dan P. Komnenovich	\$ 350,926	\$ 842,222(2)	\$ 2,802,544	\$ 2,506,608	\$ 701,852		\$ 635,256
Joseph Y. Lacik, Jr.	\$ 194,429	\$ 466,630(2)	\$ 1,210,088	\$ 607,344	\$ 388,858	\$ 63,300	\$ 278,703
Bruce Langsen	\$ 236,085	\$ 566,604(2)	\$ 4,531,391	\$ 3,289,680	\$ 472,170	\$ 42,600	\$ 370,566
Jeffrey J. Murphy	\$ 218,210	\$ 523,704(2)	\$ 7,963,184	\$ 2,225,328(11)	\$ 436,420		\$ 252,234
James T. Quinn	\$ 218,076	\$ 523,382(2)	\$ 4,053,794	\$ 1,793,568(12)	\$ 436,152		\$ 278,703

- (1) The amended and restated employment agreement entered into by Mr. Fulchino provides that his bonus is based on annual incentive opportunities of not less than 100% of his current annual base salary. The table assumes that Mr. Fulchino's annual base salary for these three years equals his initial base salary. The table only shows the minimum bonus opportunity, in the aggregate, for these years and does not reflect any required deductions or withholding of taxes. Pursuant to the terms of Mr. Fulchino's amended and restated employment agreement, the minimum bonus opportunity available to Mr. Fulchino for the fiscal year ending December 31, 2009 is 100% of his base salary. Assuming Mr. Fulchino's annual base salary for the fiscal year ending December 31, 2009 equals his initial base salary, the minimum bonus opportunity available to Mr. Fulchino for the fiscal year ending December 31, 2009 is \$650,000, which does not reflect any required deductions or withholding of taxes.
- (2) The board of directors has established a target bonus award opportunity for each executive officer equal to 80% of his or her annual base salary. The table assumes that each executive officer's target bonus opportunity for 2006, 2007 and 2008 will equal 80% of his or her current annual base salary, which is consistent with Aviall's bonus plans and target bonus opportunities for prior years, but assumes no increase in the initial base salary set forth in the table. The table also only shows the target bonus opportunity, in the aggregate, for these years and does not reflect any required deductions or withholdings of taxes.
- (3) The table assumes, in accordance with the merger agreement, that each stock option will be cancelled in exchange for the excess of the \$48.00 per share merger consideration over the per share exercise price for such option. These amounts do not reflect any required deductions or withholdings of taxes.
- (4) Amounts in this column assume that each share of common stock, including shares of restricted stock, will be exchanged and/or cancelled for the \$48.00 per share merger consideration, in accordance with the merger agreement. Amounts shown do not reflect any required deductions or withholdings of taxes.
- (5) Amounts in this column assume that each executive officer (other than Mr. Fulchino) will be issued a number of Boeing restricted stock units equal in value to two times such executive officer's 2006 annual base salary. Amounts shown do not reflect any required deductions or withholdings of taxes.
- (6) Amounts in this column give effect to an amendment to the Retirement Plan, which provides for the transfer to the Retirement Plan of certain benefit obligations otherwise payable pursuant to the terms of the Benefit Restoration Plan to the Retirement Plan. The effectiveness of this amendment to the Retirement Plan is conditioned upon the receipt of a favorable letter ruling from the Internal Revenue Service, which has not been received as of the date of this proxy statement. Aviall submitted an application for a determination letter to the Internal Revenue Service on May 8, 2006. If such favorable letter ruling is not received for any reason, the executive officers will be entitled to an additional lump sum payment (plus interest) equal to the additional benefits payable from the Benefit Restoration Plan without giving effect to the amendment, less any amounts actually paid since the effective time of the merger.

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**Table of Contents**

- (7) Amounts in this column include associated tax payments.
  - (8) The table assumes, in accordance with the merger agreement, that all stock appreciation rights held by our executive officers will be cancelled, and in substitution for such cancelled stock appreciation rights, each executive officer will receive Boeing stock appreciation rights after the effective time of the merger with an aggregate in-the-money value equal to the excess of the \$48.00 per share merger consideration over the \$32.43 base price applicable to such Aviall stock appreciation rights. Amounts shown do not reflect any required deductions or withholdings of taxes.
  - (9) Includes 750 shares of common stock held by Mr. Cohen as custodian for his daughter under the Uniform Gift to Minors Act.
  - (10) Includes 160 shares of common stock held by Mr. Kienzle's son.
  - (11) Includes 10,782 shares of common stock held for the account of Mr. Murphy under Aviall's 401(k) plan.
  - (12) Includes 651 shares of common stock held for the account of Mr. Quinn under Aviall's 401(k) plan.
- The following summarizes the interests of our non-employee directors in the merger:

*Common Stock.* Each non-employee director holding common stock will receive, as soon as reasonably practicable at or after the effective time of the merger, a cash payment equal to the product of the total number of shares held by such non-employee director immediately prior to the effective time of the merger and the \$48.00 per share merger consideration, such cash payment to be reduced by any required withholding of taxes. In addition, pursuant to the terms of the Aviall, Inc. 1998 Directors Stock Plan, restricted stock granted to non-employee directors of Aviall vested upon filing of the Form 8-K announcing the signing of the merger agreement.

*Stock Options.* In accordance with the merger agreement, immediately prior to the effective time of the merger, all then-outstanding stock options to purchase Aviall common stock held by members of Aviall's board of directors will be cancelled. In consideration for such cancellation, each non-employee director will receive a cash payment from Boeing or Aviall equal to the product of the total number of shares that were subject to such stock option immediately prior to the effective time of the merger, and the excess of the \$48.00 per share merger consideration over the exercise price per share subject to such option, such cash payment to be reduced by any required deductions and applicable withholdings.

*Warrants.* Carlyle High Yield Partners, L.P., which has representatives serving as members of our board of directors, holds warrants to purchase 262,500 shares of Aviall common stock that will be either fully-exercised or cancelled immediately prior to the effective time of the merger. As a result, Carlyle High Yield Partners, L.P., will receive, upon completion of the merger, a cash payment from Boeing or Aviall equal to \$12,597,375, resulting from the product of the total number of shares of Aviall common stock issuable upon exercise of such warrants and the excess of the \$48.00 per share merger consideration over the \$0.01 exercise price per share in effect for such warrants.

*Insurance.* Boeing has agreed to, or will cause the surviving corporation to, obtain and maintain a six year tail policy on terms and conditions no less advantageous than our existing directors' and officers' liability insurance for the benefit of our current directors. The following table summarizes certain of the payments described above for each of the directors of Aviall, including:

the aggregate amount of cash payable at closing in exchange for cancelled Aviall stock options; and

the aggregate amount of cash payable at closing in exchange for shares of Aviall common stock.

**Table of Contents**

<b>Directors Name</b>	<b>Aggregate Amount of Cash Payable at Closing in Exchange for Cancelled Options (1)</b>	<b>Aggregate Amount of Cash Payable at Closing in Exchange for Common Stock</b>
Peter J. Clare	\$ 450,735	\$ 211,584
Chris A. Davis	\$ 78,750	\$ 66,960
Alberto F. Fernandez	\$ 450,735	\$ 333,120
Allan M. Holt	\$ 450,735	\$ 211,584
Donald R. Muzyka	\$ 177,450	\$ 943,248
Richard J. Schnieders	\$ 792,476	\$ 1,285,056
Jonathan M. Schofield	\$ 663,570	\$ 923,952
Arthur E. Wegner	\$ 177,450	\$ 574,320
Bruce N. Whitman	\$ 792,476	\$ 3,003,024

(1) Amounts shown do not reflect any required deductions or withholdings of taxes.

**Conditions to the Closing of the Merger (page 73)**

The merger is subject to the satisfaction or waiver of various conditions, which include the following:

Boeing and we are not obligated to effect the merger unless the following conditions are satisfied or waived:

the merger agreement is adopted by our stockholders at the special meeting;

no governmental entity has obtained, enacted, or enforced any statute, rule, decree, judgment, injunction, arbitration award, or other order (whether temporary, preliminary or permanent), in any case that is in effect and prevents or prohibits consummation of the merger; and

any applicable waiting periods, together with any extensions thereof, under the HSR Act and other applicable antitrust laws required to consummate the merger shall have expired or been terminated.

Boeing and merger sub are not obligated to effect the merger unless the following conditions are satisfied or waived:

the representations and warranties we made in the merger agreement related to our organization, capitalization, authority to enter into the merger agreement, necessary consents and governmental approvals are true and correct in all material respects as of the date of the merger agreement and as of the effective time of the merger (except that those representations and warranties that address matters only as of a particular date need only be true and correct as of such date);

our remaining representations and warranties in the merger agreement and in any certificate or other writing delivered by us pursuant to the merger agreement, in each case disregarding all qualifications and exceptions contained therein relating to materiality or material adverse effect, are true and correct as of the date of the merger agreement and as of the effective time of the merger (except that those representations and warranties that address matters only as of a particular date need only be true and correct as of such date), except where the failure of such representations and warranties to be so true and correct has not had and would not, individually or in the aggregate, have a material adverse effect on Aviall;

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we have performed or complied in all material respects with all agreements and covenants required by the merger agreement to be performed or complied with on or prior to the effective time of the merger;

there has not occurred any material adverse effect with respect to Aviall;



**Table of Contents**

there is no pending or threatened action, suit or proceeding in which any governmental entity is a party wherein an unfavorable injunction, judgment or ruling would prevent, restrain or interfere with the consummation of the merger, adversely affect the right or powers of Boeing to own, operate or control us or any portion of the business or assets of us or Boeing, and no such injunction, judgment or ruling is in effect;

our principal executive officer and principal financial officer have not failed to provide the certifications required under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002; and

we have delivered to Boeing a certificate, signed by our chief executive officer and dated as of the closing date, to the effect that the conditions set forth in the merger agreement have been satisfied.

We are not obligated to effect the merger unless the following conditions are satisfied or waived:

Boeing's and merger sub's representations and warranties in the merger agreement related to Boeing's and merger sub's organization, authority to enter into the merger agreement and complete the merger, necessary consents and governmental approvals are true and correct in all material respects as of the date of the merger agreement and as of the effective time of the merger (except that those representations and warranties that address matters only as of a particular date need only be true and correct as of such date);

Boeing's and merger sub's remaining representations and warranties in the merger agreement and in any certificate or other writing delivered by Boeing or merger sub pursuant to the merger agreement, in each case disregarding all qualifications and exceptions contained therein relating to materiality or material adverse effect on Boeing, are true and correct as of the date of the merger agreement and as of the effective time of the merger (except that those representations and warranties that address matters only as of a particular date need only be true and correct as of such date), except where the failure of such representations and warranties to be so true and correct has not had and would not, individually or in the aggregate, have a material adverse effect on Boeing;

Boeing has performed or complied with, in all material respects, all agreements and covenants required by the merger agreement to be performed or complied with by Boeing on or prior to the effective time of the merger; and

Boeing has delivered to us a certificate, signed by an authorized officer of Boeing and dated as of the closing date, to the effect that the conditions set forth in the merger agreement have been satisfied.

**Limitation on Considering Other Acquisition Proposals (page 71)**

We have agreed that we will not, and will not permit any of our subsidiaries to, and will use all reasonable efforts to ensure that our or our subsidiaries' representatives do not, directly or indirectly:

solicit, initiate, entertain or induce any acquisition proposal or the making of any inquiry or proposal that could reasonably be expected to lead to an acquisition proposal;

enter into, continue, maintain or otherwise participate in any communications or negotiations regarding, or furnish to any person any non-public information in response to or in connection with, any acquisition proposal;

agree to, accept, approve or recommend any acquisition proposal;

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enter into any letter of intent or any other contract relating to any acquisition proposal;

submit any acquisition proposal to the vote of our stockholders;

withhold or modify, in a manner adverse to Boeing, the approval of our board of directors of the merger agreement; or

## **Table of Contents**

take any action or position that is inconsistent with, or withdraw or modify, in a manner adverse to Boeing, the unanimous recommendation of our board of directors that our stockholders vote in favor of the adoption of the merger agreement.

At any time prior to obtaining stockholder approval, subject to certain restrictions, our board of directors may nevertheless in response to an acquisition proposal that our board of directors concludes in good faith (after consultation with outside legal and financial advisors) is, or is reasonably likely to become, a superior offer:

enter into discussions with the person making the acquisition proposal; and

furnish to the person making the acquisition proposal information with respect to us and our subsidiaries pursuant to a confidentiality agreement.

Provided:

our board of directors concludes in good faith that such action is reasonably required for our board to comply with its fiduciary obligations to our stockholders; and

we first notify Boeing in writing of the identity of the person making the acquisition proposal and the material terms and conditions of the acquisition proposal.

Subject to the satisfaction of certain conditions, our board may withdraw or modify its recommendation to our stockholders for adoption of the merger agreement or terminate the merger agreement. In the event that our board of directors withdraws or modifies its recommendation in a manner adverse to Boeing and the merger agreement is terminated, we may be required to pay a termination fee of \$44.4 million to Boeing and to reimburse Boeing for up to \$2.5 million of its fees and expenses incurred in connection with the transactions contemplated by the merger agreement.

### **Termination of the Merger Agreement (page 74)**

Boeing and we can terminate the merger agreement under certain circumstances, including:

by mutual written consent of Boeing and us;

by either Boeing or us, if the merger has not been completed before November 30, 2006, provided that such date may be extended by Boeing or us up to and including February 28, 2007 if all conditions to effect the merger other than one or more of certain regulatory conditions have been or are capable of being satisfied at the time of such extension, and the regulatory conditions have been or are reasonably capable of being satisfied on or prior to February 28, 2007. However, the right to terminate the merger agreement under this circumstance will not be available to any party whose failure to fulfill any of its obligations under the merger agreement has been the cause of, or resulted in, the failure of the merger to be consummated on or before such date;

by either Boeing or us, if any governmental entity has issued any statute, rule, decree, judgment, injunction, arbitration award, or other order (whether temporary, preliminary or permanent) that is in effect and that prevents or prohibits consummation of the merger;

by either Boeing or us, if our stockholders do not adopt the merger agreement at the special meeting and, in the case of a termination by us, the failure to obtain stockholder approval is not the result of our violation of the merger agreement. We must pay to Boeing a termination fee of \$44.4 million and reimburse Boeing for up to \$2.5 million for its fees and expenses incurred in connection with the merger if the merger agreement is terminated because our stockholders do not adopt the merger agreement and, at the time of such

termination, Boeing was entitled to terminate for the reasons set forth in the following bullet;

**Table of Contents**

by Boeing, if prior to the receipt of our stockholder approval, we or our board of directors, as applicable:

withdraw or modify in a manner adverse to Boeing our board of director's recommendation to our stockholders in favor of adoption of the merger agreement;

fail to include that recommendation in this proxy statement;

approve or recommend any other acquisition proposal;

enter into any letter of intent or other contract for any other acquisition proposal;

materially breach any of our covenants relating to our obligation to hold the stockholder meeting, our board of directors obligation to recommend the adoption of the merger agreement or our obligation not to solicit other acquisition proposals; or

fail to make a statement recommending the rejection of a tender or exchange offer for our common stock within 10 business days after such offer is first made;

by Boeing, if there is a material adverse effect with respect to Aviall or if any of our covenants, agreements, representations or warranties are materially breached and not cured within 20 business days and, as a result of our breach or misrepresentation, the conditions to closing would not be satisfied;

by us, if any of the covenants, agreements, representations or warranties of Boeing or merger sub is materially breached and not cured within 20 business days and, as a result, the conditions to closing would not be satisfied; and

by us, if prior to the receipt of our stockholder approval:

we have not violated any of the covenants with respect to considering other acquisition proposals,

a superior offer is made to us and is not withdrawn,

we have promptly provided written notice to Boeing advising them that we have received a superior offer and our board of directors intends to change its recommendation or to terminate the merger agreement,

Boeing has not, within four days of their receipt of the notice of superior offer, made an offer that our board determines in good faith to be at least as favorable to our stockholders as such superior offer, and

our board of directors concludes in good faith that it is required to withdraw or modify its recommendation, or to terminate the merger agreement to comply with its fiduciary obligations and pay to Boeing a termination fee of \$44.4 million plus up to \$2.5

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million for fees and expenses incurred by Boeing in connection with the transactions contemplated by the merger agreement.

### **Termination Fees and Expenses (page 75)**

The merger agreement provides that we will pay Boeing the sum of the fees and expenses Boeing incurred in connection with the transactions contemplated by the merger agreement, in an amount up to \$2.5 million, if the merger agreement is terminated under certain circumstances.

In addition to payment of Boeing's fees and expenses, we must pay Boeing a termination fee of \$44.4 million if the merger agreement is terminated:

by Boeing, if prior to the receipt of our stockholder approval, we or our board of directors, as applicable:

withdraw or modify in a manner adverse to Boeing our board's recommendation to our stockholders in favor of adoption of the merger agreement;

fail to include that recommendation in this proxy statement;

**Table of Contents**

approve or recommend any other acquisition proposal;

enter into any letter of intent or other contract for any other acquisition proposal;

materially breach any of our covenants relating to our obligation to hold the stockholder meeting, our board of directors obligation to recommend the adoption of the merger agreement or our obligation not to solicit other acquisition proposals; or

fail to make a statement recommending the rejection of a tender or exchange offer for our common stock within 10 business days after such offer is first made;

by us, if our stockholders do not adopt the merger agreement at the special meeting, and if at such time Boeing was entitled to terminate for any of the reasons listed in the immediately preceding bullet points;

by us, if prior to the receipt of our stockholder approval:

we have not violated any of the covenants with respect to considering other acquisition proposals,

a superior offer is made to us and is not withdrawn,

we have promptly provided written notice to Boeing advising them that we have received a superior offer and our board of directors intends to change its recommendation or to terminate the merger agreement,

Boeing has not, within four days of their receipt of the notice of superior offer, made an offer that our board determines in good faith to be at least as favorable to our stockholders as such superior offer, and

our board of directors concludes in good faith that it is required to withdraw or modify its recommendation, or to terminate the merger agreement to comply with its fiduciary obligations and pay to Boeing a termination fee of \$44.4 million plus up to \$2.5 million for fees and expenses incurred by Boeing in connection with the transaction contemplated by the merger agreement; or

by Boeing or us, if our stockholders do not adopt the merger agreement, and an alternative acquisition proposal has been publicly announced before the vote on the merger agreement at the special meeting, and we enter into an alternative acquisition transaction involving at least 50% of our stock or assets within twelve months after the termination of the merger agreement.

**Regulatory Matters (page 62)**

The HSR Act prohibits us from completing the merger until we have furnished certain information and materials to the Antitrust Division of the Department of Justice and the Federal Trade Commission and the required waiting period has expired or been terminated. The waiting period under the HSR Act expired on June 16, 2006 without a request for additional information having been made. The merger is also subject to review by the governmental authorities of various foreign jurisdictions under the antitrust laws of those jurisdictions. In the European Union, the transaction has been referred to the European Commission and the European Commission has sole jurisdiction over the transaction to the extent relating to the member states of the European Union. In addition, we have made filings in Brazil, China and the Ukraine in accordance with the antitrust laws of these jurisdictions, and we will pursue any required approval of the merger in these and any other jurisdictions, to the extent that such approval is required to consummate the merger.

**Appraisal Rights For Aviall Stockholders (page 63)**

Under Delaware law, you are entitled to appraisal rights in connection with the merger.

You will have the right under Delaware law to have the fair value of your shares of Aviall common stock determined by the Delaware Chancery Court. This value could be more than, less than or the same as the merger



**Table of Contents**

consideration for the Aviall common stock. This right to appraisal is subject to a number of restrictions and technical requirements. In order to exercise your appraisal rights you must:

send a written demand to Aviall for appraisal in compliance with Delaware law before the vote on the merger;

not vote in favor of the merger; and

continuously hold your Aviall common stock, from the date you make the demand for appraisal through the closing of the merger. Merely voting against the merger will not protect your rights to an appraisal, which requires compliance with all the steps provided under Delaware law. Requirements under Delaware law for exercising appraisal rights are described in further detail in the section entitled **Appraisal Rights for Aviall Stockholders** beginning on page 63 of this proxy statement. In addition, the relevant section of Delaware law regarding appraisal rights is reproduced and attached as **Annex C** to this proxy statement. We encourage you to read these provisions carefully and in their entirety. Failure to follow the steps required by law for perfecting appraisal rights may lead to the loss of those rights, in which case the dissenting stockholder will be treated in the same manner as a non-dissenting stockholder. Because of the complexity of the law relating to appraisal rights, stockholders who are considering objecting to the merger are encouraged to read these provisions carefully and consult their own legal advisors.

**IF YOU VOTE FOR THE MERGER, YOU WILL WAIVE YOUR RIGHTS TO SEEK APPRAISAL OF YOUR SHARES OF AVIALL COMMON STOCK UNDER DELAWARE LAW.**

**Table of Contents**

**QUESTIONS AND ANSWERS ABOUT THE MERGER**

The following Q&A is intended to address some commonly asked questions regarding the merger. These questions and answers may not address all questions that may be important to you as an Aviall stockholder. We urge you to read carefully the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents we refer to in this proxy statement.

Except as otherwise specifically noted in this proxy statement, we, our, us and similar words in this proxy statement refer to Aviall, Inc. and its consolidated subsidiaries as a whole. In addition, we refer to Aviall, Inc. as Aviall and to The Boeing Company as Boeing.

**Q: Why am I receiving this proxy statement?**

**A:** Aviall and Boeing have agreed to the acquisition of Aviall by Boeing under the terms of the merger agreement that is described in this proxy statement. A copy of the merger agreement is attached to this proxy statement as Annex A. In order to complete the merger, Aviall stockholders must vote to adopt the merger agreement. Aviall will hold a special meeting of its stockholders to obtain this adoption. You are receiving this proxy statement in connection with the solicitation of proxies to be voted at the special meeting, or at any adjournments, postponements or continuations of the special meeting.

You should carefully read this proxy statement, including its annexes and the other documents we refer to in this proxy statement, because they contain important information about the merger, the merger agreement and the special meeting of the stockholders of Aviall. The enclosed voting materials allow you to vote your shares without attending the special meeting.

Your vote is very important. We encourage you to vote as soon as possible.

**Q: What am I being asked to vote on?**

**A:** You are being asked to vote to adopt the merger agreement that provides for the acquisition of Aviall by Boeing. The proposed acquisition would be accomplished through a merger of Boeing-Avenger, Inc., a wholly owned subsidiary of Boeing (which we refer to as merger sub ), with and into Aviall. As a result of the merger, Aviall will become a wholly owned subsidiary of Boeing, and Aviall common stock will cease to be listed on the New York Stock Exchange, will not be publicly traded and will be deregistered under the Securities Exchange Act of 1934, as amended.

In addition, you are being asked to grant Aviall management discretionary authority to adjourn or postpone the special meeting. If, for example, we do not receive proxies from stockholders holding a sufficient number of shares to adopt the merger agreement, we could adjourn or postpone the special meeting and use the additional time to solicit additional proxies in favor of adoption of the merger agreement.

**Q: What will I receive in the merger?**

**A:** As a result of the merger, our stockholders will receive \$48.00 in cash, without interest, for each share of Aviall common stock they own as of the date of the merger, except for stockholders who properly exercise appraisal rights. For example, if you own 100 shares of Aviall common stock, you will receive \$4,800.00 in cash, without interest, in exchange for your 100 shares.

**Q: When do Aviall and Boeing expect the merger to be completed?**

**A:**

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Aviall and Boeing are working to complete the merger as quickly as practicable. However, we cannot predict the exact timing of the completion of the merger because it is subject to regulatory approvals and other conditions. See [The Merger Agreement](#) [Conditions to the Closing of the Merger](#) beginning on page 73 and [The Merger](#) [Regulatory Matters](#) beginning on page 62. We hope to complete the merger by September 30, 2006.

**Table of Contents**

**Q: What do I need to do now?**

**A:** We urge you to carefully read this proxy statement, including its annexes and the other documents we refer to in this proxy statement, and consider how the merger affects you. Then mail your completed, dated and signed proxy card in the enclosed return envelope as soon as possible, or vote via the Internet or telephone, so that your shares can be voted at the special meeting of our stockholders. **Please do not send your stock certificates with your proxy card.**

**Q: How does Aviall's board of directors recommend that I vote?**

**A:** At a meeting held on April 30, 2006, Aviall's board of directors unanimously approved and declared advisable the merger agreement and the terms and conditions of the merger and determined that the merger agreement and the terms and conditions of the merger are fair to, advisable and in the best interests of Aviall and its stockholders. **Our board of directors unanimously recommends that you vote FOR the adoption of the merger agreement and FOR the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies in the event there are not sufficient votes in favor of the adoption of the merger agreement at the time of the special meeting. For a more complete description of the recommendation of our board of directors, see the section entitled The Merger Reasons for the Merger and Recommendation of the Aviall Board of Directors beginning on page 36.**

**Q: What vote is required to adopt the merger agreement?**

**A:** Adoption of the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of our common stock entitled to vote at the special meeting. As of August 15, 2006, the record date for determining who is entitled to vote at the special meeting, there were \_\_\_\_\_ shares of Aviall common stock issued and outstanding.

**Q: Where and when is the special meeting of stockholders?**

**A:** The special meeting of stockholders of Aviall will be held on September 19, 2006, at 11:30 a.m., Dallas, Texas Time, at the Four Seasons Resort and Club, 4150 N. MacArthur Boulevard, Irving, Texas 75038.

**Q: Who is entitled to vote at the special meeting?**

**A:** Only stockholders of record as of the close of business on August 15, 2006 are entitled to receive notice of the special meeting and to vote the shares of our common stock that they held at that time at the special meeting, or at any adjournments or postponements of the special meeting.

**Q: May I vote in person?**

**A:** Yes. If your shares are not held in street name through a broker or bank you may attend the special meeting and vote your shares in person, rather than signing and returning your proxy card or voting via the Internet or telephone. If your shares are held in street name, you must get a proxy from your broker or bank in order to attend the special meeting and vote in person. Even if you plan to attend the special meeting in person, we urge you to complete, sign, date and return the enclosed proxy or vote via the Internet or telephone to ensure that your shares will be represented at the special meeting.

**Q: May I vote via the Internet or telephone?**

**A:** If your shares are registered in your name, you may vote your shares via the Internet at <http://www.epoxy.com/avl/> or by telephone by calling 1-800-560-1965. Proxies submitted via the Internet or telephone must be received by 11:59 p.m. Dallas, Texas Time on , 2006.

## **Table of Contents**

In order to submit a proxy via the Internet or telephone, you must have the enclosed proxy card available and follow the instructions on the proxy card.

If your shares are held in street name through a broker or bank, you may vote via the Internet or telephone if your broker or bank provides such a service. To vote via the Internet or telephone through your broker or bank, you should follow the instructions on the voting form provided by your broker or bank.

**Q: What happens if I do not return my proxy card, vote via the Internet or telephone or attend the special meeting and vote in person?**

**A:** The adoption of the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of our common stock entitled to vote at the special meeting. Therefore, if you do not return your proxy card, vote via the Internet or telephone or attend the special meeting and vote in person, it will have the same effect as if you voted AGAINST adoption of the merger agreement. The proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies, requires the affirmative vote of at least a majority of the votes cast by holders of our common stock present, in person or represented by proxy, at the special meeting, provided a quorum is present, in person or represented by proxy, at the special meeting.

**Q: May I change my vote after I have voted?**

**A:** Yes. You may change your vote at any time before your proxy card is voted at the special meeting. If your shares are registered in your name, you may revoke your proxy in one of the three following ways:

First, you can deliver to the Secretary of Aviall a written notice bearing a date later than the proxy you delivered to Aviall stating that you would like to revoke your proxy, provided the notice is received by 11:59 p.m. Dallas, Texas Time on \_\_\_\_\_, 2006.

Second, you can complete, execute and deliver to the Secretary of Aviall a new, later-dated proxy card for the same shares. If you submitted the proxy you are seeking to revoke via the Internet or telephone, you may submit this later-dated new proxy using the same method of transmission (Internet or telephone) as the proxy being revoked, provided the new proxy is received by 11:59 p.m. Dallas, Texas Time on \_\_\_\_\_, 2006.

Third, you can attend the special meeting and vote in person. Your attendance at the special meeting alone will not revoke your proxy. Any written notice of revocation or subsequent proxy should be delivered to Aviall, Inc., 2750 Regent Boulevard, DFW Airport, Texas, 75261-9048, Attention: Secretary, or hand-delivered to our Secretary at or before the taking of the vote at the special meeting.

If you have instructed a broker or bank to vote your shares, you must follow directions received from your broker or bank to change your vote.

**Q: If my broker or bank holds my shares in street name, will my broker or bank vote my shares for me?**

**A:** Your broker or bank will not be able to vote your shares without instructions from you. You should instruct your broker or bank to vote your shares following the procedure provided by your bank or broker. Without instructions, your shares will not be voted, which will have the same effect as if you voted AGAINST adoption of the merger agreement.

**Q: What should I do if I receive more than one set of voting materials?**

**A:** You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. If you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold

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**Table of Contents**

shares. If you are a stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return (or vote via the Internet or telephone with respect to) each proxy card and voting instruction card that you receive.

**Q: What happens if I sell my shares of Aviall common stock before the special meeting?**

**A:** The record date for the special meeting is earlier than the date of the special meeting and the date the merger is expected to be completed. If you transfer your shares of Aviall common stock after the record date but before the special meeting, you will retain your right to vote at the special meeting, but will transfer the right to receive the merger consideration.

**Q: Will the merger be taxable to me?**

**A:** Yes. The receipt of cash pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes, and may also be a taxable transaction under applicable state, local or foreign income or other tax laws. For U.S. federal income tax purposes, a stockholder will recognize gain or loss equal to the difference between the amount of cash received by the stockholder in the merger and the stockholder's adjusted tax basis in the shares of Aviall common stock converted into the right to receive cash in the merger. For U.S. federal income tax purposes, if the shares of Aviall common stock are held by a stockholder as capital assets, gain or loss recognized by such stockholder will be capital gain or loss, which will be long-term capital gain or loss if the stockholder's holding period for the shares of Aviall common stock exceeds one year. Capital gains recognized by an individual upon a disposition of a share of Aviall common stock that has been held for more than one year will be subject to a maximum U.S. federal income tax rate of 15% or, in the case of a share that has been held for one year or less, will be subject to U.S. federal income tax at ordinary income tax rates. In addition, for U.S. federal income tax purposes, there are limits on the deductibility of capital losses. Because individual circumstances may differ, you should consult your own tax advisor to determine the particular tax consequences to you. See the section entitled "The Merger Material United States Federal Income Tax Consequences of the Merger" beginning on page 61.

**Q: Will I have appraisal rights as a result of the merger?**

**A:** Yes. Under Delaware law, stockholders are entitled to appraisal rights in connection with the merger, subject to the conditions discussed more fully elsewhere in this proxy statement. If a stockholder properly exercises appraisal rights, then the stockholder has the right to litigate a proceeding in the Court of Chancery of the State of Delaware, at the conclusion of which the stockholder will receive the judicially determined fair value of their shares of Aviall common stock. The fair value of the Aviall common stock may be more than, equal to or less than the merger consideration to be paid to non-dissenting stockholders in the merger. To preserve your appraisal rights, if you wish to exercise them, you must not vote in favor of the adoption of the merger agreement and you must follow specific procedures. Failure to follow the steps required by law for perfecting appraisal rights may lead to the loss of those rights, in which case the dissenting stockholder will be treated in the same manner as a non-dissenting stockholder. For a more complete description of your appraisal rights and related procedures, see the section entitled "Appraisal Rights for Aviall Stockholders" beginning on page 63 and Annex C for a reproduction of Section 262 of the Delaware General Corporation Law, which relates to the appraisal rights of dissenting stockholders. Because of the complexity of the law relating to appraisal rights, stockholders who are considering objecting to the merger are encouraged to read these provisions carefully and consult their own legal advisors.

**Q: Should I send in my stock certificates now?**

**A:** No. After the merger is completed, you will receive written instructions for exchanging your shares of Aviall common stock for the merger consideration of \$48.00 in cash, without interest.





**Table of Contents**

**Q: Who can help answer my questi**