

AVIALL INC
Form DEF 14A
April 27, 2006

SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 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)

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(1) Amount Previously Paid:

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

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(4) Date Filed:

Aviall, Inc.

Notice of 2006 Annual Meeting

and Proxy Statement

May 1, 2006

Dear Aviall, Inc. Stockholders:

You are cordially invited to attend our Annual Meeting of Stockholders to be held at 11:00 a.m. (local time) on Thursday, June 22, 2006, at the Four Seasons Resort and Club, 4150 N. MacArthur Boulevard, Irving, Texas 75038. All stockholders of record as of April 25, 2006 are entitled to vote at the Annual Meeting.

The proposals to be acted upon at the meeting are the following:

the election of directors;

the approval of the 2006 Aviall, Inc. Stock Incentive Plan; and

the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2006.

I hope you will carefully read the information regarding these proposals, which is included in the accompanying Proxy Statement, and vote your shares for each proposal.

It is important that your shares be represented at the meeting. Accordingly, even if you plan to attend the Annual Meeting in person, please complete, sign, date and promptly return the enclosed proxy card in the postage-prepaid envelope or use the telephone or Internet voting procedures prior to the Annual Meeting. If you attend the meeting and wish to vote in person, you may withdraw your proxy and vote in person. Your prompt consideration is greatly appreciated.

Sincerely,

Paul E. Fulchino

Chairman, President and Chief Executive Officer

AVIALL, INC.

2750 Regent Boulevard

DFW Airport, Texas 75261

(972) 586-1000

NOTICE OF 2006 ANNUAL MEETING OF STOCKHOLDERS

To Be Held June 22, 2006

To the Stockholders of Aviall, Inc.:

The 2006 Annual Meeting of Stockholders (the Annual Meeting) of Aviall, Inc. (the Company) will be held at 11:00 a.m. (local time) on Thursday, June 22, 2006, at the Four Seasons Resort and Club, 4150 N. MacArthur Boulevard, Irving, Texas 75038, for the following purposes:

- (i) To elect three directors to serve until the 2009 Annual Meeting of Stockholders and until their successors are duly elected and qualified;
- (ii) To approve the Aviall, Inc. 2006 Stock Incentive Plan;
- (iii) To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2006; and
- (iv) To transact such other business as may properly come before the Annual Meeting or any adjournment(s) or postponement(s) thereof.

The Board of Directors has fixed the close of business on April 25, 2006 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting or any adjournment(s) or postponement(s) thereof. Only stockholders of record on April 25, 2006 are entitled to notice of, and to vote at, the Annual Meeting or any adjournment(s) or postponement(s) thereof. A complete list of stockholders entitled to vote at the Annual Meeting will be available for examination at the Company's principal offices located at 2750 Regent Boulevard, DFW Airport, Texas 75261, for a period of ten days prior to the Annual Meeting. This list of stockholders will also be available for inspection at the Annual Meeting and may be inspected by any stockholder for any purpose germane to the Annual Meeting.

By Order of the Board of Directors,

Jeffrey J. Murphy

Senior Vice President, Law & Human Resources,

Secretary and General Counsel

Dallas, Texas

May 1, 2006

YOUR VOTE IS IMPORTANT. WE ENCOURAGE YOU TO COMPLETE, SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY CARD, OR USE THE TELEPHONE OR INTERNET VOTING PROCEDURES PRIOR TO THE ANNUAL MEETING TO ENSURE THAT YOUR SHARES WILL BE REPRESENTED AND VOTED AT THE ANNUAL MEETING EVEN IF YOU CANNOT ATTEND. IF YOU ATTEND THE ANNUAL MEETING AND WISH TO VOTE IN PERSON, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON. YOUR PROMPT COOPERATION IS GREATLY APPRECIATED.

AVIALL, INC.

2750 Regent Boulevard

DFW Airport, Texas 75261

PROXY STATEMENT

SOLICITATION AND VOTING OF PROXIES

This Proxy Statement is being provided to you in connection with the solicitation of proxies to be voted at the 2006 Annual Meeting of Stockholders (the Annual Meeting) of Aviall, Inc. (the Company) to be held at 11:00 a.m. (local time) on Thursday, June 22, 2006, at the Four Seasons Resort and Club, 4150 N. MacArthur Boulevard, Irving, Texas 75038. Proxies are being solicited on behalf of the Board of Directors of the Company. This Proxy Statement and the enclosed proxy card are first being mailed on or about May 17, 2006 to holders of the Company's capital stock entitled to vote at the Annual Meeting.

A Proxy Committee will vote the shares represented by each proxy card returned to the Company. The members of the Proxy Committee are Colin M. Cohen, Jacqueline K. Collier and Jeffrey J. Murphy. Where a stockholder's proxy specifies a choice with respect to a matter, the Proxy Committee will vote such stockholder's shares in accordance with the instructions contained therein. **If no specification is made, the shares will be voted FOR the election of the director nominees identified herein, FOR the approval of the 2006 Aviall, Inc. Stock Incentive Plan (the Plan) and FOR the ratification of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2006 (the PwC Ratification).**

Any stockholder who executes and returns a proxy may revoke such proxy at any time before it is voted by (i) notifying the Secretary of the Company in writing at P.O. Box 619048, DFW Airport, Texas 75261, (ii) granting a subsequent proxy or (iii) appearing in person and voting at the Annual Meeting. Attendance at the Annual Meeting will not in and of itself constitute revocation of a proxy.

Stockholders of record may vote on the matters to be considered at the Annual Meeting by any one of the following means:

Vote by Mail. To vote by mail, complete, sign and date the enclosed proxy card and return it in the enclosed envelope.

Vote by Telephone. To vote by telephone, (i) call the following telephone number toll-free on a touch-tone telephone: 1-800-560-1965 and (ii) follow the instructions given to you over the telephone.

Vote over the Internet. To vote over the Internet, (i) visit <http://www.eproxy.com/avl/> and (ii) follow the instructions given to you over the Internet.

Vote in Person. To vote in person, (i) attend the Annual Meeting in person and (ii) follow the instructions given to you at the Annual Meeting.

Stockholders who hold their shares through a bank, broker or other nominee holder should receive a request from that firm for voting instructions along with this Proxy Statement. Stockholders may direct their nominee holder on how to vote on their behalf by following the procedures outlined in the material received from the nominee holder. Alternatively, if a stockholder wants to vote shares in person at the Annual Meeting, the stockholder must contact their nominee holder to obtain a proxy that will allow them to do so.

The Company has retained Morrow & Co., Inc. to aid in the solicitation of proxies. It is estimated that the cost of these services will be approximately \$8,500 plus expenses. The Company will bear the entire cost of soliciting proxies. In addition to the solicitation of proxies by mail, proxies may also be solicited by telephone, telegram or personal communication by officers and regular employees of Morrow & Co., Inc. and the Company.

PROCEDURES FOR THE ANNUAL MEETING

The presence, in person or by proxy, of the holders of a majority of the votes entitled to vote at the Annual Meeting will constitute a quorum for the transaction of business at the Annual Meeting. If a quorum is not present in person or represented by proxies at the Annual Meeting, the stockholders entitled to vote who are present in person or represented by proxies will have the power to adjourn the Annual Meeting from time to time, without notice (other than by announcement at the Annual Meeting) until a quorum is present in person or represented by proxies. At any such adjourned meeting at which a quorum is present in person or represented by proxies, any business may be transacted that might have been transacted at the original Annual Meeting. If, and when, a quorum is present in person or represented by proxies at the Annual Meeting or any adjournment thereof, the stockholders present in person and represented by proxies at the Annual Meeting may continue to transact business until adjournment, notwithstanding the withdrawal of stockholders from the Annual Meeting who were counted in determining the existence of a quorum.

Business at the Annual Meeting will be conducted in accordance with the procedures determined by the Chairman of the Annual Meeting and will be limited to matters properly brought before the Annual Meeting pursuant to the procedures set forth in the Company's Amended and Restated By-Laws. Those procedures include the requirement that any stockholder who desires either to bring a stockholder proposal before the Annual Meeting or to nominate a person for election as a director at the Annual Meeting must give written notice to the Company with respect to the proposal or nominee prior to the Annual Meeting. The Chairman of the Annual Meeting may decline to acknowledge any stockholder proposal or any nomination for director not made in accordance with these procedures.

The Board of Directors does not anticipate that any matter other than those described in this Proxy Statement will be brought before the Annual Meeting. If, however, other matters are properly brought before the Annual Meeting, proxies will be voted by the Proxy Committee in accordance with their judgment.

RECORD DATE AND VOTING STOCK

April 25, 2006 has been set as the record date for the purpose of determining the stockholders entitled to notice of, and to vote at, the Annual Meeting. Only holders of the Company's common stock, par value \$0.01 per share (Common Stock), at the close of business on the record date are entitled to notice of, and to vote at, the Annual Meeting or any adjournment(s) or postponement(s) of the Annual Meeting.

As of the record date, there were 34,206,454 shares of Common Stock outstanding. Each outstanding share of Common Stock is entitled to one vote for each director to be elected and upon any other matter to be brought before the stockholders at the Annual Meeting.

The presence in person or by proxy of the holders of a majority of the shares of Common Stock entitled to vote at the Annual Meeting is necessary to constitute a quorum. Abstentions and broker non-votes will be included in determining the number of votes present in person or represented by proxy at the Annual Meeting for purposes of determining whether a quorum exists.

With respect to the election of directors, the affirmative vote of a majority of the votes cast at the Annual Meeting and entitled to vote for the election of directors is required to approve the election of each of the director nominees, assuming a quorum is present in person or represented by proxy. Votes may be cast in favor of each of the nominees or withheld for any nominee. Votes that are withheld for any nominee will have the same effect as a vote AGAINST such nominee. Abstentions and broker non-votes will not be counted as votes cast and will not have an effect on the outcome of the election. Approval of the Plan and the PwC Ratification each require the affirmative vote of a majority of the votes cast at the Annual Meeting and entitled to vote on each matter, assuming a quorum is present in person or represented by proxy. Abstentions and broker non-votes will not be counted either in favor of or against these proposals. Under the rules of the New York Stock Exchange, brokers holding stock for the accounts of their clients who have not given them specific voting instructions are not allowed to vote client proxies on Proposal No. 2 (relating to the approval of the Plan).

PARTICIPANTS IN THE AVIALL, INC. EMPLOYEES SAVINGS PLAN

If a stockholder is a participant in the Aviall, Inc. Employees Savings Plan and holds shares of Common Stock in the savings plan, the proxy card represents the number of whole shares of Common Stock held for the benefit of the participant in the savings plan as well as any shares of Common Stock registered in the participant's name. Thus, a proxy card for such a participant grants a proxy for shares of Common Stock registered in the participant's name and serves as a voting instruction for the trustees of the savings plan or the account in the participant's name to the extent it represents whole shares in the savings plan. Information as to the voting instructions given by individuals who are participants in the savings plan will not be disclosed to the Company.

ELECTION OF DIRECTORS

(Proposal No. 1)

The Board of Directors currently has ten members, consisting of three classes each serving staggered three-year terms. Two of the classes consist of three directors, and one of the classes consists of four directors. Alberto F. Fernández, Paul E. Fulchino, and Arthur E. Wegner are currently serving terms that expire at the Annual Meeting. The Board of Directors has nominated Messrs. Fernández, Fulchino and Wegner to continue to serve as directors until the Company's 2009 Annual Meeting of Stockholders and until their successors are duly elected and qualified.

The following table presents information concerning persons nominated for election as directors of the Company and for those directors whose terms of office continue after the Annual Meeting.

The persons named in the proxy will vote FOR the nominees listed below except where authority has been withheld.

NOMINEES FOR DIRECTOR

FOR A TERM EXPIRING AT THE ANNUAL MEETING IN 2009

ALBERTO F. FERNÁNDEZ

Retired Chairman and Chief Executive Officer of Construcciones Aeronauticas, S.A.

Member Audit Committee

Mr. Fernández, age 57, has been a director of the Company since August 2002. Prior to his retirement in May 2002, Mr. Fernández served as Chairman and Chief Executive Officer of Construcciones Aeronauticas, S.A. (CASA), the premiere aerospace producer in Spain. From 2000 to 2002, Mr. Fernández also served as head of the military transport aircraft division of the European Aeronautic, Defense and Space Company (EADS). He was also a member of the Executive Committee at EADS and a director of Airbus Industrie. From 2001 to 2002, Mr. Fernández also served as President of Airbus Military Company. Prior to his appointment as Chief Executive Officer of CASA, Mr. Fernández served as Senior Vice President of Administration, Finance and Purchasing of Airbus Industrie and before that he held several other executive positions with CASA.

PAUL E. FULCHINO

Chairman, President and Chief Executive Officer of Aviall, Inc.

Mr. Fulchino, age 59, has been a director of the Company since 2000. He has served as Chairman of the Board of Directors, President and Chief Executive Officer of the Company since January 2000. From 1996 to 1999, Mr. Fulchino was President and Chief Operating Officer of B/E Aerospace, Inc., a leading supplier of aircraft cabin interior products and services. From 1990 to 1996, Mr. Fulchino served in the capacities of President and Vice Chairman of Mercer Management Consulting, Inc., an international general management consulting firm. Mr. Fulchino

is a member of the President's Advisory Board of Embry-Riddle Aeronautical University, and a director of several privately-held companies.

ARTHUR E. WEGNER

Retired Executive Vice President of Raytheon Company

Mr. Wegner, age 68, has been a director of the Company since 2000. He served as Executive Vice President of Raytheon Company, a U.S. aerospace and defense contractor, and Chairman of Raytheon Aircraft Company, a subsidiary of Raytheon Company, from January 2000 until his retirement in August 2000. Prior to assuming that position, Mr. Wegner was an Executive Vice President of Raytheon Company and Chairman and Chief Executive Officer of Raytheon Aircraft Company.

Chairman Audit Committee

The Board of Directors recommends a vote FOR the election of each of the nominees for director named above.

DIRECTORS WHOSE TERMS EXPIRE AT THE ANNUAL MEETING IN 2008

CHRIS A. DAVIS

General Partner, Forstmann Little & Co.

Member Audit Committee

Ms. Davis, age 55, has been a director of the Company since March 2005. She is currently a General Partner at Forstmann Little & Co., a private equity firm where her primary focus is on its major investments: IMG Worldwide, the world's premier sports and lifestyle management marketing firm; 24 Hour Fitness Worldwide, Inc., the world's largest fitness center company; and Citadel Broadcasting, a leading radio broadcaster in mid-sized markets. Ms. Davis served as Chief Executive Officer for McLeodUSA, Incorporated, an independent telecommunications services provider, from April 2002 to August 2005, and as Chairman of the Board of McLeodUSA from April 2002 to January 2006. Ms. Davis joined McLeodUSA in August 2001 as Chief Operating and Financial Officer. In October 2005, McLeodUSA filed a petition for voluntary reorganization under Chapter 11 of the United States Bankruptcy Code. Prior to joining McLeodUSA, Ms. Davis served as Executive Vice President and Chief Financial and Administrative Officer of ONI Systems, a leading manufacturer of optical networking equipment (subsequently acquired by Ciena Corporation). From 1993 through 2000, Ms. Davis served as Executive Vice President, Chief Financial Officer and Administrative Officer and was a member of the Office of the Chief Executive and Board of Directors of Gulfstream Aerospace Corporation. Before that Ms. Davis spent 17 years at General Electric Company. Ms. Davis is a director of Cytec Industries, Inc. and Rockwell Collins, Inc.

RICHARD J. SCHNIEDERS

Chairman and Chief Executive Officer of

SYSCO Corporation

Mr. Schnieders, age 58, has been a director of the Company since 1997. He currently serves as Chairman, President and Chief Executive Officer of SYSCO Corporation, a food service distributor. Mr. Schnieders has served as Chairman and Chief Executive Officer of SYSCO Corporation since January 2003 and as President since July 2000. He served as Chief Operating Officer from July 2000 to January 2003 and as an Executive Vice President from January 1999 to July 2000. Mr. Schnieders is a director of SYSCO Corporation, where he has been employed since 1982.

Member Compensation Committee

BRUCE N. WHITMAN

President and Chief Executive Officer of FlightSafety International, Inc.

Chairman Nominating and Governance Committee

Member Compensation Committee

Mr. Whitman, age 72, has been a director of the Company since 1998. Mr. Whitman is the President, Chief Executive Officer and a director of FlightSafety International, Inc., an aviation and marine training company, and has held various other posts with FlightSafety International, including Executive Vice President, since 1961. He is also a director of Megadata Corporation, The General Aviation Manufacturers Association, The Congressional Medal of Honor Foundation and The Smithsonian National Air and Space Museum. Mr. Whitman is a member of the Board of Governors of the Civil Air Patrol, The Aerospace Industries Association and a trustee of Kent School and America's National World War II Museum.

ALLAN M. HOLT

Managing Director of The Carlyle Group

Member Nominating and Governance Committee

Mr. Holt, age 54, has been a director of the Company since December 2001. He currently serves as a Managing Director of The Carlyle Group, a private equity firm. Mr. Holt joined The Carlyle Group in 1991. Mr. Holt was previously with Avenir Group, a private investment and advisory group. From 1984 to 1987, Mr. Holt was Director of Planning and Budgets at MCI Communications Corporation. Mr. Holt is a director of several privately-held companies.

DIRECTORS WHOSE TERMS EXPIRE AT THE ANNUAL MEETING IN 2007

DONALD R. MUZYKA

Retired President and Chief

Executive Officer of Special Metals Corporation

Member Audit Committee

Dr. Muzyka, age 67, has been a director of the Company since 1994. He served as President and Chief Executive Officer of Special Metals Corporation, a producer of components for the aerospace industry, from October 1996 until his retirement in August 2000. He served as President and Chief Operating Officer of Special Metals Corporation from January 1990 to October 1996. In March 2002, Special Metals Corporation filed a petition for voluntary reorganization under Chapter 11 of the United States Bankruptcy Code.

JONATHAN M. SCHOFIELD

Retired Chairman of Airbus North

America Holdings, Inc.

Member Nominating and Governance Committee

Mr. Schofield, age 65, has been a director of the Company since 2001. From December 1992 until his retirement in March 2001, Mr. Schofield served as Chairman of the Board of Airbus North America Holdings, Inc., a subsidiary of Airbus Industrie, a manufacturer of large civil aircraft. From December 1992 until March 2000, he also served as Chief Executive Officer of Airbus North America Holdings, Inc. Mr. Schofield is a director of B/E Aerospace, Inc. and a trustee of LIFT Trust. Mr. Schofield also serves as a director of TurboCombustor Technology, Inc. and Douglas Machine, Inc., which are both private companies.

PETER J. CLARE

Managing Director of The Carlyle Group

Chairman Compensation Committee

Mr. Clare, age 41, has been a director of the Company since December 2001. He currently serves as a Managing Director of The Carlyle Group, a private equity firm. From 1997 to 1999, Mr. Clare served as a Principal of The Carlyle Group, and from 1995 to 1997 as a Vice President of The Carlyle Group. Mr. Clare was previously with First City Capital, a private investment group, and also worked at Prudential-Bache. Mr. Clare is a director of several privately-held companies.

BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD OF DIRECTORS

Board of Directors

Membership. The number of directors comprising the Board of Directors is ten. The current members of the Board of Directors are Messrs. Clare, Holt, Fernández, Fulchino, Schnieders, Wegner, Whitman and Schofield, Ms. Davis and Dr. Muzyka. On June 12, 2003, affiliates of The Carlyle Group (the Carlyle Investors) converted all of the Company's outstanding shares of Series D Senior Convertible Participating Preferred Stock, par value \$0.01 per share (the Series D Redeemable Preferred Stock), into 11,100,878 shares of Common Stock. Contemporaneous with this conversion, the Board of Directors increased the size of the Board of Directors by two members and appointed Mr. Clare to the class of directors with terms expiring at the 2007 Annual Meeting of Stockholders and Mr. Holt to the class of directors with terms expiring at the 2008 Annual Meeting. Pursuant to the terms of an Investor Rights Agreement between the Company and the Carlyle Investors dated June 12, 2003 (the Investor Rights Agreement), the Company has agreed, subject to certain conditions, to nominate, elect or appoint two designees of the Carlyle Investors to the Board of Directors as long as the Carlyle Investors beneficially own at least 10% of our Common Stock. Mr. Holt and Mr. Clare currently serve as the designees of the Carlyle Investors under the Investor Rights Agreement. Additional detail regarding the Investor Rights Agreement is set forth in a Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission (the SEC) on June 13, 2003.

Independence. New York Stock Exchange corporate governance rules require that a majority of the Board of Directors be independent. No director qualifies as independent unless the Board of Directors determines that the director has no direct or indirect material relationship with the Company. In assessing the independence of its members, the Board of Directors examined the commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships of each member. The Board's inquiry extended to both direct and indirect relationships with the Company, including the relationship between the Company, the Carlyle Investors, and the status of Messrs. Clare and Holt as Managing Directors of The Carlyle Group. Based upon discussions regarding the facts and circumstances pertaining to each member considered in the context of applicable New York Stock Exchange corporate governance rules, the rules and regulations of the SEC and the Company's Corporate Governance Guidelines, the Board of Directors has determined that all of the directors are independent, other than Mr. Fulchino.

Self-Assessment. Each year, the Board of Directors and the committees of the Board of Directors each conduct a self-assessment of the performance and execution of their duties.

Meetings. During 2005, the Board of Directors held seven meetings. During 2005, each director attended at least 75% of the meetings held by the Board of Directors and the respective committees of the Board of Directors of which such director was a member.

The Company's directors are encouraged to attend our annual meetings of stockholders. Nine members of the Board of Directors attended the 2005 Annual Meeting of Stockholders.

Committees of the Board of Directors

General. During 2005, the committees of the Board of Directors consisted, and currently consist, of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. All committees of the Board of Directors are composed exclusively of directors of the Company.

Each committee operates under a formal charter and in accordance with the Company's Corporate Governance Guidelines. During 2005, the Board of Directors reviewed its Corporate Governance Guidelines as well as its Audit Committee Charter, Compensation Committee Charter and Nominating and Governance Committee Charter. Each charter and the Corporate Governance Guidelines are available on the Company's website at <http://www.aviall.com> under Investor Relations, and are also available in print to any stockholder by written request made to Aviall, Inc., Attention: Investor Relations, P.O. Box 619048, DFW Airport, Texas 75261.

The Board of Directors has determined that all voting members of the committees of the Board of Directors meet the independence requirements of the New York Stock Exchange, the rules and regulations of the SEC, the Company's Corporate Governance Guidelines and the relevant committee charter.

Audit Committee. The Company has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act). During 2005, the voting members of the Audit Committee were, and currently are, Messrs. Wegner (Chairman) and Fernández, Ms. Davis and Dr. Muzyka. Ms. Davis serves as our audit committee financial expert as defined in applicable SEC rules and regulations. The Audit Committee met fifteen times in 2005.

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities relating to the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the independent registered public accounting firm's qualifications and independence and the performance of the Company's internal audit function and independent registered public accounting firm. Accordingly, the Audit Committee is responsible for:

the appointment, compensation, retention and oversight of the work of the independent registered public accounting firm;

approving or pre-approving audit and non-audit engagements of the Company's independent registered public accounting firm;

reviewing the independence of the independent registered public accounting firm;

reviewing the conduct and results of the annual audit of the Company;

reviewing the Company's annual and interim financial statements;

resolving disagreements with management and the independent registered public accounting firm regarding financial reporting;

reviewing the Company's policies with respect to risk assessment and risk management;

reviewing the internal audit plans and internal audit reports;

reviewing systems of internal accounting controls;

reviewing compliance with the Company's Code of Business Conduct and Ethics as well as compliance with major regulatory requirements; and

establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters.

Compensation Committee. During 2005, the members of the Compensation Committee were, and currently are, Messrs. Clare (Chairman), Whitman and Schnieders. The Compensation Committee met five times during 2005.

The Compensation Committee assists the Board of Directors in setting the compensation of the Company's executive officers, including cash and stock compensation programs, benefits and other programs. Accordingly, the Compensation Committee is responsible for:

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approving and reviewing with the Board of Directors executive compensation philosophy and objectives;

evaluating the performance of the Chief Executive Officer in light of approved goals and objectives;

determining and approving the compensation of the Chief Executive Officer;

evaluating the top four paid senior officers' performances, not including the Chief Executive Officer, in light of approved goals and objectives;

reviewing and recommending changes to existing incentive compensation and equity-based plans and recommending any new plans;

recommending appointments, salary changes, incentive plan payouts, stock grants and employment agreements for senior executives and evaluating performance;

approving appointments, salary changes, incentive plan payouts, stock grants and employment agreements for all other officers and evaluating performance;

approving the executive severance policy for the Company;

developing and overseeing an assessment of management and making recommendations to the Board regarding the assessment; and

preparing on an annual basis a report relating to succession planning for management.

Nominating and Governance Committee. During 2005, the Nominating and Governance Committee was, and currently is, comprised of Messrs. Whitman (Chairman), Schofield and Holt. The Nominating and Governance Committee met four times in 2005. The Nominating and Governance Committee acted unanimously in recommending the nomination of the directors in Proposal One, subject to stockholder approval.

The Nominating and Governance Committee identifies individuals qualified to become members of the Board of Directors, recommends to the Board of Directors the nominees for director in connection with the Company's Annual Meeting of Stockholders, and reviews and recommends modifications to the Corporate Governance Guidelines. Accordingly, the Nominating and Governance Committee is responsible for:

reviewing and recommending candidates to serve on the Board of Directors;

evaluating the qualifications of each candidate for election to the Board of Directors against the independence requirements set forth in the Corporate Governance Guidelines and the criteria for Board of Director membership as established by the Nominating and Governance Committee;

reviewing and recommending the slate of directors to be nominated for election at the Company's Annual Meeting of Stockholders;

reviewing qualifications for membership on all committees of the Board of Directors;

advising the full Board of Directors on all matters concerning directorship practices;

maintaining, and recommending to the full Board of Directors modifications or amendments to, the Company's Corporate Governance Guidelines;

overseeing the establishment, review and maintenance of an orientation program for the Company's new directors;

developing and overseeing an annual self-assessment of the full Board of Directors;

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reviewing the compensation paid to non-management directors and recommending any appropriate changes to such compensation to the full Board of Directors; and

reassessing, on at least an annual basis, the adequacy of the Nominating and Governance Committee's charter, the Company's Corporate Governance Guidelines and the Company's Code of Business Conduct and Ethics.

Process of Identifying and Evaluating Director Nominees

The Nominating and Governance Committee regularly assesses the appropriate size of the Board of Directors and whether any vacancies on the Board of Directors are expected due to retirement, new SEC or New York Stock Exchange regulations or otherwise. In the event that vacancies are anticipated or otherwise arise, the committee considers various potential candidates for director that come to the attention of the committee through the current Board of Director members, stockholders (as described below) or other persons.

The Nominating and Governance Committee has the sole authority to retain a search firm to help the committee fulfill its responsibility of identifying candidates for board membership. The Nominating and Governance Committee also has the authority to approve any such firm's reasonable fees and other terms of retention.

Candidates for the Board of Directors are evaluated at regular or special meetings of the Nominating and Governance Committee throughout the year, and each candidate (whether identified by the committee, by the Company's stockholders or otherwise) will be evaluated using the same standards and in the same manner by the Nominating and Governance Committee.

If, based on the Nominating and Governance Committee's initial evaluation, a candidate continues to be of interest to the Nominating and Governance Committee, the chairman of the Nominating and Governance Committee will interview the candidate and communicate the chairman's evaluation to the other members of the Nominating and Governance Committee and the Chairman of the Board of Directors, President and Chief Executive Officer. Later reviews may be conducted by other members of the Nominating and Governance Committee and senior management. Ultimately, background and reference checks will be conducted and the Nominating and Governance Committee will meet to finalize its list of recommended candidates for consideration by the Board of Directors.

The nomination process described above and the minimum criteria for nominating directors described below is intended to provide a flexible set of guidelines for the effective functioning of the Company's director nomination process. The Nominating and Governance Committee intends to review the nomination process and minimum criteria for nominating directors at least annually and anticipates that modifications will be necessary from time to time as the Company's needs and circumstances evolve, and as applicable legal or listing standards change. The Nominating and Governance Committee may amend the nomination process and minimum criteria for nominating directors at any time.

All directors standing for election at the 2006 Annual Meeting of Stockholders are directors currently serving on the Board of Directors, were recommended by the Nominating and Governance Committee and were approved by a majority of the independent directors on the Board of Directors.

Minimum Criteria for Nominating Directors

The Nominating and Governance Committee Charter sets forth certain specific, minimum qualifications that an individual must possess to be recommended by the Nominating and Governance Committee to the full Board of Directors. Candidates nominated for election or reelection to the Board of Directors by the committee must:

possess high personal and professional ethics, integrity and values, an independent mind and mature judgment;

have the depth of experience and the availability to perform as a member of the Board of Directors, along with a balance of business interests and experience comparable to, or exceeding, the Company's incumbent or other nominated directors;

possess any required expertise then needed on the Board of Directors or one of its committees; and

be prepared to participate fully in Board of Director activities, including active membership on one or more Board of Director committees and attendance at, and active participation in, meetings of the Board of Directors and any committee of which he or she is a member.

The above criteria are simply minimum qualifications and, ultimately, the Nominating and Governance Committee will recommend to the full Board of Directors individuals who the Nominating and Governance Committee believes will be effective, along with the other members of the Board of Directors, in serving the long-term interests of the Company's stockholders. Candidates are also evaluated based on their background and the need for any required expertise on the full Board of Directors or one of its committees at any particular time.

Stockholder Recommendations of Director Candidates to the Nominating and Governance Committee

As discussed above, the Nominating and Governance Committee will consider individuals recommended by the Company's stockholders to serve on the Board of Directors. Stockholders who wish to recommend individuals for consideration by the Nominating and Governance Committee may do so by submitting a written recommendation to: Director Nominations, c/o Corporate Secretary at P.O. Box 619048, DFW Airport, Texas 75261.

Submissions must include:

the name and address, as they appear in the Company's records, of the record stockholder recommending such individual and the name and address of the beneficial owner, if any, on whose behalf the recommendation is made;

the class and number of shares of the Company's capital stock that are owned of record and beneficially by such record stockholder and by the beneficial owner, if any, on whose behalf the recommendation is made; and

all information regarding the proposed nominee that would be required to be included in a proxy statement soliciting proxies for the proposed nominee.

The submission must be accompanied by a written consent of the individual recommended to stand for election if nominated by the Board of Directors and to serve if elected by the Company's stockholders. In accordance with the Company's Amended and Restated By-Laws, recommendations for nominations for our 2007 Annual Meeting of Stockholders must be received not more than 90 days nor less than 70 days before the first anniversary of the Annual Meeting, to assure time for meaningful consideration and evaluation of all potential nominees by the Nominating and Governance Committee. In the event that the date set for the Company's 2007 Annual Meeting of Stockholders is advanced by more than 20 days or delayed by more than 70 days from the anniversary date of the Annual Meeting, notice by a stockholder to be timely must be delivered not more than the 90 days prior to the Company's 2007 Annual Meeting of Stockholders and not later than (i) the close of business on the later of the 70th day prior to the Company's 2007 Annual Meeting of Stockholders or (ii) the 10th day following the day on which public announcement of the date of the Company's 2007 Annual Meeting of Stockholders is first made.

Stockholder Communications with Board of Directors and Committees

Any stockholder who desires to make his or her concerns known to an individual director, a committee of the Board of Directors, the non-management directors or the entire Board of Directors may do so by mail to: Board of Directors at P.O. Box 619048, DFW Airport, Texas 75261. The Company's Secretary will forward all stockholder communications, other than communications that are not properly directed or are deemed frivolous, to the director, specific committee, non-management directors or the entire Board of Directors, as requested in the communication.

Any communications to the Company from one of the Company's officers or directors will not be considered stockholder communications. Communications to the Company from one of the Company's employees or agents will only be considered stockholder communications if they are made solely in such employee's or agent's capacity as a stockholder. Any stockholder proposal submitted pursuant to Rule 14a-8 promulgated under the Exchange Act will not be viewed as stockholder communications.

Executive Sessions

Pursuant to the Company's Corporate Governance Guidelines, the non-management directors of the Company meet at regularly scheduled executive sessions outside the presence of Company management. The Chairman of such executive sessions is designated by vote of the non-management directors and functions as the presiding director at each executive session on an annual basis.

Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics for directors, officers (including the Company's principal executive officer, principal financial officer and controller) and employees. The Code of Business Conduct and Ethics is available on the Company's website at <http://www.aviall.com> under Investor Relations, and is available in print to any stockholder by written request made to Aviall, Inc., Attention: Investor Relations, P.O. Box 619048, DFW Airport, Texas 75261.

COMPENSATION OF DIRECTORS

Directors who are not employees of the Company (outside directors) are entitled to receive an annual retainer of \$36,563 effective March 2005 (the Annual Retainer). Prior to that date, the amount of the Annual Retainer was \$24,375. In addition, outside directors received \$750 for each Board of Directors or committee meeting they attended telephonically and \$1,500 for each Board of Directors or committee meeting they attended in person during 2005. Effective March 2005, outside directors who served as chairman of a standing committee received an additional \$7,500 per committee that they chaired (the Committee Chair Retainer). Prior to that date, the amount of the Committee Chair Retainer was \$5,000. Directors who are employees of the Company or any of its subsidiaries do not receive any fees for serving on the Board of Directors. Directors are also reimbursed for expenses incurred in attending meetings of the Board of Directors or any committees thereof.

Directors who are not employees of the Company are eligible to participate in the Company's Amended and Restated 1998 Directors Stock Plan (the Directors Stock Plan). Under the Directors Stock Plan, each eligible director may make an election to receive shares of restricted Common Stock in lieu of the Annual Retainer. All eligible directors, other than Dr. Muzyka, participated in the Directors Stock Plan during 2005 in connection with the payment of their respective Annual Retainers. For 2005, the number of shares of Common Stock granted to a participant in the Directors Stock Plan was the nearest number of whole shares of Common Stock which can be purchased for \$30,000 (the Share Value), based on the mean of the highest and lowest sale price for the Common Stock on the grant date as reported on the New York Stock Exchange. In the event that there is an increase or decrease in the Annual Retainer, the Share Value adjusts automatically so that the ratio between the Share Value and the Annual Retainer is maintained. Accordingly, since the Annual Retainer increased to \$36,563 in March 2005, the Share Value increased to \$45,000 for Directors Stock Plan grants made after that time. Shares of Common Stock granted under the Directors Stock Plan are granted automatically on January 26th of each year or the first New York Stock Exchange trading day thereafter.

A director who receives a grant of shares of Common Stock pursuant to the Directors Stock Plan is entitled to receive dividends on, and to vote, such shares. A director's ownership rights in such shares do not vest until eleven months after the date of grant and then only if the director has continuously served on the Board of Directors during such eleven-month period. However, a participating director who has completed a full term of service prior to the end of the eleven-month period following the date of grant, or whose service during such eleven-month period was interrupted due to death or disability, will be vested in a pro rata number of such shares. In the event of a Change of Control (as defined in the Directors Stock Plan), all shares previously granted to participating directors shall immediately vest.

Outside directors are eligible to receive options to purchase up to 5,000 shares of Common Stock under the Directors Stock Plan on January 26th of each year or the first New York Stock Exchange trading day thereafter. Each grant of options to purchase shares of Common Stock pursuant to the Directors Stock Plan becomes exercisable in full on a date or dates not less than eleven months nor more than five years from the date of grant, so long as the director has served continuously on the Board of Directors during such period. In the event of the death or disability of a director, all outstanding options shall become exercisable in full and may be exercised at any time within one year after such director's death or disability. Upon a director's retirement, all outstanding options granted on or after January 2006 shall become exercisable in full and will remain exercisable for the remainder of the stated term of the option grant. If a director's service terminates for a reason other than death,

disability or retirement, the outstanding options may be exercised to the extent that they would be exercisable on the date that is eleven months and one day after the date of such termination and shall expire eleven months and one day after such termination. However, in the event of a Change in Control or a director's retirement (both as defined in the Directors Stock Plan), all grants of options to purchase shares of Common Stock pursuant to the Directors Stock Plan shall become immediately exercisable. On February 1, 2005, each of Dr. Muzyka and Messrs. Schnieders, Schofield, Wegner, Whitman, Fernández, Clare and Holt were granted options to purchase 5,000 shares of Common Stock at an exercise price of \$28.26. The options have a 10-year term and vested on February 1, 2006.

On March 27, 2003, the Board of Directors adopted stock ownership guidelines for the outside directors. Under the guidelines, each outside director is expected to own shares of Common Stock with an aggregate value of three times the Annual Retainer within five years. Any outside directors appointed or elected in the future will be encouraged to meet these guidelines within five years of their appointment or election to the Board of Directors.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On June 12, 2003, the Carlyle Investors converted all of the Company's outstanding shares of Series D Redeemable Preferred Stock into 11,100,878 shares of Common Stock, following a reduction by the Board of Directors of the conversion price of the Series D Redeemable Preferred Stock from \$5.80 per share to approximately \$4.62 per share. The shares of Common Stock issued to the Carlyle Investors as a result of the conversion represented approximately 36% of the Company's outstanding Common Stock at the time of the conversion.

Pursuant to a Registration Rights Agreement, entered into in December 2001, the Company agreed to register certain securities owned by the Carlyle Investors and to indemnify the Carlyle Investors against certain liabilities related to the selling of Common Stock, including liabilities arising under the Securities Act of 1933, as amended (the Securities Act). Under the Registration Rights Agreement, the Company also agreed to pay the costs and fees of registering the shares of Common Stock (including the reimbursement of fees paid by the Carlyle Investors to counsel); however, the Carlyle Investors will pay any brokerage commissions, discounts or other expenses relating to the sale of the shares of Common Stock. In late 2003, the Carlyle Investors notified the Company of their election to exercise one of their demand registration rights under the Registration Rights Agreement.

On January 9, 2004, the Company filed a shelf registration statement on Form S-3, registering the offer and sale from time to time of (i) up to \$200,000,000 of the Company's securities described in the registration statement by the Company and (ii) up to 7,000,000 shares of the Common Stock by the Carlyle Investors. The Company filed an amendment to the registration statement on February 26, 2004 and, on March 8, 2004, the SEC declared the registration statement effective. On April 28, 2004, the Carlyle Investors sold 2,500,000 shares of Common Stock in an underwritten offering under this shelf registration statement. On February 8, 2005, the Carlyle Investors sold an additional 4,000,000 shares of Common Stock in a second underwritten offering under this shelf registration statement. In July 2005, the Company filed an additional shelf registration statement on Form S-3 to register the offer and sale from time to time of 3,862,115 shares of Common Stock issued to the Carlyle Investors in the June 2003 conversion.

In March 2002, the Company entered into a Registration Rights Agreement (the Mezzanine Registration Rights Agreement) with the holders of the Company's then outstanding mezzanine debt, including an affiliate of the Carlyle Investors (the Mezzanine Investors), pursuant to which the Company agreed to register the offer and sale of Common Stock acquirable by the Mezzanine Investors upon the exercise of warrants held by them and to indemnify the Mezzanine Investors against certain liabilities related to the selling of the Common Stock, including liabilities arising under the Securities Act. Under the Mezzanine Registration Rights Agreement, the Company also agreed to pay the costs and fees of registering the Common Stock (including the reimbursement of

fees paid by the Mezzanine Investors to counsel); however, the Mezzanine Investors will pay any brokerage commissions, discounts or other expenses relating to the sale of the shares of common stock.

On May 1, 2002, the Company filed a shelf registration statement on Form S-3 on behalf of the Mezzanine Investors, registering the offer and sale from time to time of 1,750,000 shares of Common Stock. The Company filed amendments to the registration statement on July 19, 2002 and August 7, 2002, and on August 16, 2002, the SEC declared the registration statement effective.

Under the terms of the Mezzanine Registration Rights Agreement, the Company is required to use its commercially reasonable efforts to cause the registration statement to remain effective until the earlier of the date that (i) all of the shares of Common Stock registered under the Mezzanine Registration Rights Agreement are sold or (ii) the shares of Common Stock acquired by the Mezzanine Investors are eligible for resale pursuant to Rule 144(k) under the Securities Act.

Pursuant to the terms of certain of the above agreements, the Company is obligated to reimburse the Carlyle Investors and to otherwise pay certain fees and expenses incurred in connection with the transactions described in those agreements. During 2005, the Company reimbursed the Carlyle Investors or otherwise paid approximately \$125,000 of such fees and expenses.

On November 15, 2005 (the Acceleration Date), the Company accelerated the vesting of a portion of the unvested stock options grants made in 2004 and 2005 to employees of the Company and its subsidiaries, including executive officers. Specifically, the vesting of approximately 479,867 employee stock options awarded in 2004 and 2005 that were scheduled to vest in the first quarter of 2007 and 2008 became fully exercisable as of the Acceleration Date. The acceleration of these stock options was duly approved by both the Compensation Committee and the entire Board of Directors. The primary reason for the acceleration of the employee stock options scheduled to vest in 2007 and 2008 was to reduce the amount of future compensation expense that the Company would otherwise be required to recognize in its consolidated statements of operation with respect to these options once the Statement of Financial Accounting Standards No. 123R becomes effective for annual reporting periods beginning after June 15, 2005. All of the accelerated stock options that were originally granted to the Company's executive officers as Incentive Stock Options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the Code), became Non-Qualified Stock Options, and will no longer be treated as Incentive Stock Options under the Code.

SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table presents information known to the Company about the beneficial ownership of Common Stock as of April 13, 2006 by (i) all persons and entities who the Company believes beneficially own 5% or more of the Company's outstanding Common Stock (ii) each of the named executive officers of the Company; (iii) each director and nominee director of the Company and (iv) all of the directors and executive officers as of April 13, 2006 as a group. For purposes of this Proxy Statement, Paul E. Fulchino, Colin M. Cohen, Dan P. Komnenovich, Bruce Langsen and James T. Quinn are referred to as the named executive officers of the Company.

The number and percentage of shares of Common Stock beneficially owned is determined under the rules of the SEC and is not necessarily indicative of beneficial ownership for any other purpose. Under these rules, beneficial ownership includes any shares of Common Stock for which a person has sole or shared voting power or investment power and also any shares of Common Stock underlying options, warrants or convertible securities that are exercisable or convertible by that person within 60 days of April 13, 2006.

The information regarding beneficial ownership of Common Stock by the entities who the Company believes beneficially own 5% or more of the outstanding Common Stock identified below is included in reliance

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on reports filed with the SEC by such entities, except that the percentage is based upon calculations made in reliance upon the number of shares of Common Stock reported to be beneficially owned by such entity in such report and the number of shares of Common Stock outstanding on April 13, 2006.

Unless otherwise indicated in the footnotes, each person or entity listed in the following table has sole voting power and investment power over the shares of Common Stock listed as beneficially owned by that person or entity. Percentage of beneficial ownership is based on 34,206,454 shares of Common Stock outstanding on April 13, 2006.

Unless otherwise indicated in the footnotes, the address for each executive officer and director is c/o Aviall, Inc., 2750 Regent Boulevard, DFW Airport, Texas 75261.

Name	Total Shares of Common Stock Beneficially Owned(1)	Percentage of Common Stock Beneficially Owned
Beneficial owners of 5% or more:		
TCG Holdings, L.L.C. (2)(3)	4,624,615	13.4%
Stichting Pensioenfonds ABP (4)	2,758,800	8.1%
Abrams Bison Investments, L.L.C. (5)	2,819,600	8.2%
Executive officers and directors:		
Paul E. Fulchino (6)	695,053	2.0%
Peter J. Clare (7)	17,408	*
Colin M. Cohen (8)	104,229	*
Chris A. Davis (9)	1,395	*
Alberto F. Fernández (10)	19,940	*
Allan M. Holt (11)	17,408	*
Bruce Langsen (12)	206,179	*
Dan P. Komnenovich (13)	145,821	*
Donald R. Muzyka (14)	24,651	*
James T. Quinn (15)	156,101	*
Richard J. Schnieders (16)	48,772	*
Jonathan M. Schofield (17)	38,249	*
Arthur E. Wegner (18)	16,965	*
Bruce N. Whitman (19)	103,772	*
All current directors and executive officers as a group (19 persons)	2,225,660	6.23%

* Less than one percent