

December 21, 2010

Cooperation and Non-Prosecution Agreement

1. This memorandum sets forth the terms and conditions of an agreement between the United States Attorney's Office for the District of Columbia ("USAO-DC") and PPG INDUSTRIES, Inc. ("PPG INDUSTRIES") concerning the USAO-DC's non-prosecution commitments and PPG INDUSTRIES' obligation to cooperate with respect to the USAO-DC's criminal investigation of the subject matter defined in paragraph 4 below (the "Cooperation and Non-Prosecution Agreement"). The USAO-DC enters into this Cooperation and Non-Prosecution Agreement based, in part, on the following factors: (a) PPG INDUSTRIES' discovery of many of the export violations at issue, and voluntary and complete disclosure of the facts related to those and other export related offenses that are the subject of the USAO-DC's investigation; (b) PPG INDUSTRIES' extensive, thorough and real-time cooperation with the USAO-DC to date; (c) PPG INDUSTRIES' commitment to continuing its cooperation with the USAO-DC's investigation and any prosecution(s) arising there from; (d) the lack of history of similar misconduct by PPG INDUSTRIES; and (e) the remedial efforts already undertaken and to be undertaken by PPG INDUSTRIES.

2. This Cooperation and Non-Prosecution Agreement is contingent on the United States District Court for the District of Columbia's acceptance of the USAO-DC's Plea Agreement ("PPG PAINTS TRADING Agreement") with PPG Paints Trading (Shanghai) Co., Ltd. ("PPG PAINTS TRADING"), a wholly-owned subsidiary of PPG INDUSTRIES, and on the Court's sentencing of PPG PAINTS TRADING to the recommended sentence in the PPG Paints Trading Plea Agreement. It is understood that PPG PAINTS TRADING will plea guilty to a Conspiracy in violation of 18 U.S.C. § 371 and three violations of the International Emergency Economic Powers Act ("IEEPA"), 50 U.S.C. § 1705, and will pay a criminal fine in the amount of \$2,000,000 to the United States Treasury and forfeit \$32,319 in criminal restitution to the United States Marshal's Service. This Cooperation and Non-Prosecution Agreement will not become effective unless and until PPG Paints Trading enters its plea of guilty pursuant to the PPG PAINTS TRADING Plea Agreement. Nothing in this Cooperation and Non-Prosecution Agreement shall be deemed an agreement by the USAO-DC that the \$2,000,000 criminal fine or \$32,319 in criminal forfeiture to be paid by PPG PAINTS TRADING is the maximum penalty or forfeiture that may be imposed in any future prosecution, and the USAO-DC is not precluded from arguing in any future prosecution that a court should impose a higher fine or forfeiture amount. PPG INDUSTRIES acknowledges that no tax deduction of any of the PPG PAINTS TRADING criminal fine or forfeiture amounts may be sought in connection with its payment under the PPG PAINTS TRADING Plea Agreement.

3. The USAO-DC and PPG INDUSTRIES hereby enter into this Non-Prosecution Agreement on the following terms and conditions:

Definitions

4. The “Chashma 2 Matter” is defined to include all matters relating to PPG INDUSTRIES’ export, and related sales activities, of certain epoxy coatings and thinner (collectively “Coatings” or “Level 1 Coatings”) for use inside the Pakistan Atomic Energy Commission’s (“PAEC”) Chashma 2 nuclear power plant being built in Islamabad, Pakistan (“Chashma 2”) including all conduct and events relating to (a) the November 2005 meeting between employees of PPG INDUSTRIES and PPG PAINTS TRADING and the Shanghai Nuclear Engineering Research and Design Institute (“SNERDI”); (b) PPG INDUSTRIES’ January 20, 2006 license application submitted to the United States Bureau of Industry and Security (“BIS”) for export of Coatings for use at Chashma 2 (the “January 20, 2006 License Application”); (c) the attempted export of Coatings by employees and/or agents of PPG INDUSTRIES and PPG PAINTS TRADING in or about January and February 2006 through Innovative Decoration International, Inc.; (d) PPG INDUSTRIES’ export of Coatings on or about February 20, 2006, purportedly for use at an “off-site mockup” located in Islamabad, Pakistan; (e) PPG’s Industries’ Supplemental Submission to BIS on or about March 16, 2006, in support of the January 20, 2006 License Application; (f) the discussions in or about April or May 2006 between employees and/or agents of PPG INDUSTRIES and PPG PAINTS TRADING concerning the export of Coatings to China for use on equipment destined for use in Chashma 2 and the export of Coatings for storage and staging in China for later use at Chashma 2; (g) the meeting between employees of PPG INDUSTRIES and SNERDI in or about April 2007; (h) PPG INDUSTRIES’ export of Coatings on or about September 18, 2006, to China for use on equipment destined for use in Chashma 2; and (i) the conduct described in the Factual Proffer in Support of Guilty Plea attached hereto as Attachment A.

5. The “Agreement Term” is defined to mean two years from the date that PPG PAINTS TRADING enters its plea of guilty pursuant to the PPG PAINTS TRADING Plea Agreement, except in the event that USAO-DC determines, in its sole discretion, that PPG INDUSTRIES has knowingly violated any provision of this Cooperation and Non-Prosecution Agreement, an extension of the Agreement Term may be imposed by USAO-DC for up to a total additional time period of one year. Any extension of the Agreement Term extends the parties’ agreements and obligations under this Non-Prosecution Agreement for an equivalent period. The Agreement Term is not applicable to PPG INDUSTRIES’ promise and obligation in subparagraph 6(c) of this Cooperation and Non-Prosecution Agreement to continue to cooperate with the USAO-DC, a promise and obligation which will expire only when the USAO-DC’s investigation and prosecution of the Chashma 2 Matter is complete.

PPG INDUSTRIES’ Promises and Obligations

6. In consideration for the USAO-DC’s promises and obligations set forth below, PPG INDUSTRIES knowingly, voluntarily, and with the advice of counsel:

(a) admits, accepts and acknowledges responsibility for the conduct of its subsidiary, PPG PAINTS TRADING, and PPG PAINTS TRADING’s employees and/or agents acting on PPG PAINTS TRADING’s behalf, as set forth in the Statement of Facts in Support of Guilty Plea in Attachment A, and agrees not to make any public statement contradicting those facts;

(b) agrees to pay, on behalf of PPG PAINTS TRADING, the \$2,000,000 criminal fine and the \$32,319 criminal forfeiture amount on behalf of PPG PAINTS TRADING on the date of PPG PAINTS TRADING's sentencing;

(c) agrees to cooperate with the USAO-DC, as described in paragraph 7 below;

(d) agrees to maintain an ethics program and export compliance program as described in paragraph 8 below;

(e) agrees that during the Agreement Term it will not commit any federal criminal offenses constituting a violation of IEEPA, 50 U.S.C. § 1705, or of the Export Administration Regulations, 15 C.F.R. , Part 730 et seq., (collectively, the "Defined Offenses");

(f) agrees that it shall notify the USAO-DC of any violations, or potential violations, of the Defined Offenses; and

(g) agrees that semi-annually during the Agreement Term, including between thirty and sixty days before the expiration of the Agreement Term, the Senior Vice-President/General Counsel of PPG INDUSTRIES shall execute, under penalty of perjury, and provide to the USAO-DC, a certification that, to the best of his or her knowledge after reasonable inquiry sufficient to assess compliance, PPG INDUSTRIES is in compliance with the terms of this Cooperation and Non-Prosecution Agreement.

7. PPG INDUSTRIES' obligation to cooperate fully and truthfully with the USAO-DC identified in subparagraph 6(c) above shall include, but not be limited to:

(a) responding fully and truthfully to the requests of the USAO-DC, BIS, or any other law enforcement agency designated by USAO-DC to investigate and prosecute the Chashma 2 Matter;

(b) upon request, identifying witnesses who, to PPG INDUSTRIES' knowledge, may have material non-privileged information regarding the investigation or prosecution of the Chashma 2 Matter;

(c) upon request, using its best efforts promptly to secure the attendance and truthful statements or testimony of any of its, or its subsidiaries', present or former officers, directors, employees, agents, consultants or independent contractors at any meeting or interview, or before the grand jury, at trial or in other court proceedings relating to the Chashma 2 Matter;

(d) upon request, assisting the USAO-DC, BIS, or any other law enforcement agency designated by the USAO-DC, by providing logistical and technical support for any meeting, interview, grand jury proceeding, or any trial or other court proceeding relating to the Chashma 2 Matter;

(e) upon request, producing to the USAO-DC all non-privileged documents, records, information, tangible evidence and other materials (with translations in English), wherever located, in the possession, custody, or control of PPG INDUSTRIES or its subsidiaries relating to the Chashma 2 Matter;

(f) upon request, providing a detailed privilege log for those documents, records, information, tangible evidence or other materials requested but withheld under a claim of privilege relating to the Chashma 2 Matter;

(g) upon request, providing testimony, certifications, qualified custodians of records, and other non-privileged information deemed necessary by the USAO-DC or a court to identify, establish the original location of, or authenticate and introduce into evidence in any criminal proceeding, documents, records, tangible evidence or other materials produced by PPG INDUSTRIES, its subsidiaries or its directors, officers, employees, agents, consultants, representatives, or distributors related to the Chashma 2 Matter; and

(h) upon request, receiving and destroying any Coatings presently in BIS's custody or control.

8. With respect to PPG INDUSTRIES' ethics program and export compliance program:

(a) The USAO-DC acknowledges that PPG INDUSTRIES has implemented significant changes to its ethics program and export compliance program, including its processes and procedures governing the handling of exports of Coatings.

(b) The USAO-DC acknowledges that contemporaneously with this Cooperation and Non-Prosecution Agreement PPG INDUSTRIES and PPG PAINTS TRADING will enter into Administrative Agreements with BIS ("Administrative Agreements") which include a comprehensive set of export compliance monitoring provisions. Copies of the executed Administrative Agreements are attached hereto as Attachment B. The Administrative Agreements, however, are not incorporated herein and the USAO-DC is not hereby made a signatory or party to those agreements. Among other things, the Administrative Agreements require that a third-party consultant with expertise in U.S. export controls laws and regulations conduct multiple external audits of PPG INDUSTRIES' and PPG PAINTS TRADING's compliance with U.S. export control laws and regulations ("Audit Reports").

(c) PPG INDUSTRIES agrees it will provide a complete copy of the Audit Reports to the USAO-DC at the same time those reports are provided to BIS under the Administrative Agreements. PPG INDUSTRIES agrees that the USAO-DC may disclose the Audit Reports to any other federal law enforcement or regulatory agency in furtherance of an investigation of any other matters discovered by, or brought to the attention of, the USAO-DC. PPG INDUSTRIES may identify any trade secret or proprietary information contained in the Audit Reports and request that the information be redacted prior to disclosure.

(d) During the Agreement Term, PPG INDUSTRIES agrees to maintain an

- i. Requiring all directors, officers, and employees of PPG INDUSTRIES, and its wholly owned or controlled subsidiaries (“subsidiaries”), to report to PPG INDUSTRIES’ Chief Compliance Officer any suspected or actual violations of any U.S. export control laws or regulations, of PPG INDUSTRIES’ export compliance policies, controls, or procedures, or of PPG INDUSTRIES’ ethics policy related to such export compliance policies, controls, or procedures, to the extent such suspected or actual violations involve PPG Industries or its subsidiaries, and where legally permissible.
- ii. Directing, to the extent that their respective business relationships with PPG INDUSTRIES can reasonably be expected to implicate export control issues, and as appropriate for their respective jobs or business functions, agents, consultants, representatives, distributors, joint venture partners, and business partners of PPG INDUSTRIES, and its subsidiaries, to report to PPG INDUSTRIES’ Chief Compliance Officer any suspected or actual violations of any U.S. export control laws or regulations, to the extent such suspected or actual violations involve items or employees of PPG Industries or its subsidiaries, and where legally permissible.
- iii. An effective system for internal reporting of suspected or actual violations of any U.S. export control laws or regulations, of PPG INDUSTRIES’ export compliance policies, controls or procedures, or of PPG INDUSTRIES’ ethics policy related to such export compliance policies, controls, or procedures, including, to the extent and where legally permissible, a confidential, anonymous “hotline” and e-mail address, of which directors, officers, employees, agents and business partners of PPG INDUSTRIES, and its subsidiaries, are informed and can use to notify PPG INDUSTRIES of any suspected or actual violations of any U.S. export control laws or regulations, of PPG INDUSTRIES’ export compliance policies, controls, or procedures, or of PPG INDUSTRIES’ ethics policy related to such export compliance policies, controls, or procedures. The hotline and e-mail shall be reviewed by PPG INDUSTRIES’ Chief Compliance Officer. PPG INDUSTRIES shall post information about this hotline and e-mail address on its website and shall inform all those who avail themselves of the hotline and e-mail of PPG INDUSTRIES’ commitment to non-retaliation and to maintaining the confidentiality and anonymity of such reports.
- iv. Mandatory annual corporate ethics and export control training of all directors, officers and, as appropriate for job function, employees of PPG INDUSTRIES and its subsidiaries. Such training shall cover, at a

minimum, (A) all relevant U.S. export control laws and regulations; (B) PPG INDUSTRIES' ethics policy; (C) PPG INDUSTRIES' export compliance policies, controls, and procedures, including recordkeeping requirements; (D) the obligations assumed by, and responses expected of directors, officers, and employees of PPG INDUSTRIES and its subsidiaries, upon learning of any suspected or actual violations of any U.S. export control laws and regulations, of PPG INDUSTRIES' export compliance policies, controls, or procedures, or of PPG INDUSTRIES' ethics policy related to such export compliance policies, controls, or procedures. PPG INDUSTRIES' CEO shall communicate to the training participants, in writing or by video, his or her review and endorsement of the export training and education programs. To the extent that it has not already done so, PPG INDUSTRIES shall commence providing this training within ninety (90) calendar days after the execution of this Cooperation and Non-Prosecution Agreement.

- v. Informing, to the extent that their respective business relationships with PPG INDUSTRIES can reasonably be expected to implicate export control issues and as appropriate for their respective jobs or business functions, agents, consultants, representatives, distributors, joint venture partners, and business partners of PPG INDUSTRIES, and its subsidiaries, of their obligation to comply with U.S. export control laws and regulations and of their obligations under PPG INDUSTRIES' export compliance policies, controls, or procedures, as related to their respective business relationships with PPG INDUSTRIES. To the extent that it has not already done so, PPG INDUSTRIES shall commence providing such individuals and entities with this information within one-hundred eighty (180) calendar days after the execution of this Cooperation and Non-Prosecution Agreement.
- vi. An effective written system of discipline for all directors, officers, employees, agents and business partners of PPG INDUSTRIES, and its subsidiaries, who are found to have violated any U.S. export control laws or regulations, PPG INDUSTRIES' export compliance policies, controls or procedures, or PPG INDUSTRIES' ethics policy related to such export compliance policies, controls, or procedures.
- vii. Prompt written notification by PPG INDUSTRIES to the USAO-DC and BIS of any known criminal investigations of any type of PPG INDUSTRIES, of any of its officers or directors, or of its subsidiaries or its subsidiaries' officers or directors, that becomes known to PPG INDUSTRIES during the Agreement Term. In addition, PPG INDUSTRIES shall promptly notify the USAO-DC and BIS in writing of any credible evidence of possible criminal conduct relating to any suspected or actual violations or attempted violations of any U.S. export control laws or regulations by any officer, director, employee, agent or

business partner of PPG INDUSTRIES or its subsidiaries. At the request of the USAO-DC, PPG INDUSTRIES shall provide the USAO-DC and BIS with all relevant non-privileged documents and information concerning such allegations, including but not limited to internal audit reports, “whistleblower” complaints, civil complaints, and documents produced in civil litigation. In addition, to the extent PPG INDUSTRIES has an obligation to notify the USAO-DC and BIS pursuant to this subsection, PPG INDUSTRIES shall report to the USAO-DC and BIS its planned investigative measures and any resulting remedial measures, internal and external, as a result of any suspected or actual violations of any U.S. export control laws or regulations..

USAO-DC’s Promises and Obligations

9. In exchange for PPG INDUSTRIES’ good faith performance of its promises and obligations as set forth in this Cooperation and Non-Prosecution Agreement, the USAO-DC agrees not to seek any federal criminal charges against PPG INDUSTRIES or its subsidiaries relating to the Chashma 2 Matter with the exception of the following entity: PPG PAINTS TRADING with regard to the conduct alleged in Attachment A.

Breach

10. Should the USAO-DC determine in good faith that PPG INDUSTRIES has failed to provide full and truthful cooperation, as described in paragraph 7 above, or has otherwise violated any provision of this Cooperation and Non-Prosecution Agreement, the USAO-DC will notify counsel for PPG INDUSTRIES of its intention to void any of its obligations under this agreement (except its obligations under this paragraph), and PPG INDUSTRIES shall be subject to prosecution for any federal crime of which the USAO-DC has knowledge, including but not limited to false statements, perjury, obstruction of justice and crimes related to the Chashma 2 Matter. PPG INDUSTRIES agrees, in the event of such breach of this agreement, that the USAO-DC may bring a prosecution within six months of its notification of breach of this agreement of any criminal charge the statute of limitations for which had not expired as of the signing of this Cooperation and Non-Prosecution Agreement, including criminal charges related to the Chashma 2 Matter. Thus, by signing this Cooperation and Non-Prosecution Agreement, PPG INDUSTRIES agrees that the statute of limitations of all potential criminal charges related to the Chashma 2 Matter not expired on the date of this agreement would be deemed tolled, if this agreement is breached, until six months following the USAO-DC's notification of said breach. In the event of such a breach, PPG INDUSTRIES agrees it waives any claim or defense based on the statute of limitations, any claim of pre-indictment delay, or any speedy trial claim with respect to any prosecution relating to the Chashma 2 Matter except to the extent that such claims or defenses existed on the date PPG INDUSTRIES signed this Cooperation and Non-Prosecution Agreement.

11. PPG INDUSTRIES understands and agrees that in any further prosecution of it resulting from a breach of this agreement, (a) any and all statements made by PPG INDUSTRIES, its subsidiaries, employees, and/or agents to the USAO-DC or other designated

law enforcement agents, whether prior to or after the signing of this agreement, including Attachment A hereto, and any testimony given by PPG INDUSTRIES, its subsidiaries, employees, and/or agents before a grand jury or other tribunal, whether prior or after the signing of this agreement, and any leads from such statements or testimony, shall be admissible in evidence in any criminal proceedings brought against PPG INDUSTRIES, its subsidiaries, employees, and/or agents; and (b) PPG INDUSTRIES shall assert no claim under the United States Constitution, any statute, rule-based privilege, Rule 410 of the Federal Rules of Evidence, Rule 11(f) of the Federal Rules of Criminal Procedure, or any other federal rule that such statements or any leads therefrom should be suppressed. By signing this Cooperation and Non-Prosecution Agreement, PPG INDUSTRIES waives all rights in the foregoing respects.

Miscellaneous Provisions

12. PPG INDUSTRIES warrants and represents that its undersigned Chief Executive Officer is authorized to execute and deliver this Cooperation and Non-Prosecution Agreement and has the authority, granted by PPG INDUSTRIES' Board of Directors, to bind PPG INDUSTRIES to its terms. The USAO-DC warrants and represents that its undersigned representatives are authorized to execute and deliver this Cooperation and Non-Prosecution Agreement and bind the USAO-DC to its terms.

13. PPG INDUSTRIES agrees that if it sells or merges all or substantially all of its business operations as they exist as of the date of this Cooperation and Non-Prosecution Agreement to or into a single purchaser or group of affiliated purchasers during the term of this Cooperation and Non-Prosecution Agreement, it shall include in any contract for sale or merger a provision binding the purchaser/successor to the obligations described in this Cooperation and Non-Prosecution Agreement and this Cooperation and Non-Prosecution Agreement shall remain in effect.

14. All notices or reports to the USAO-DC required or permitted by this Cooperation and Non-Prosecution Agreement shall be in writing and shall be given by overnight mail and by facsimile or electronic transmission, addressed as follows:

United States Attorney's Office for
the District of Columbia
Attn: G. Michael Harvey
555 Fourth Street, N.W.
Washington, D.C. 20530
Facsimile: 202-307-6059
E-mail: michael.harvey2@usdoj.gov

15. All notices or reports to BIS required or permitted by this Cooperation and Non-Prosecution Agreement shall be in writing and shall be given by overnight mail and by facsimile or electronic transmission, addressed as follows:

Chief Counsel Joseph Jest
Office of the Director of Export Enforcement HCHB

1401 Constitution Avenue, N.W., Room 3839
Washington, D.C. 20230
Facsimile: 202-482-0085

16. All notices or reports to PPG INDUSTRIES required or permitted by this Cooperation and Non-Prosecution Agreement shall be in writing and shall be given by overnight mail and by facsimile or electronic transmission, addressed as follows:

Robert N. Driscoll, Esq.
Kenneth G. Weigel, Esq.
Alston & Bird
The Atlantic Building
950 F Street, N.W.
Washington, D.C. 20004-1404
Facsimile: 202-654-4970
E-mail: bob.driscoll@alston.com

17. This Cooperation and Non-Prosecution Agreement and Appendices A and B hereto constitute the entire agreement. Except as set forth herein, there are no promises, understandings or agreements between the USAO-DC and PPG INDUSTRIES or PPG INDUSTRIES' counsel. No additional agreement, understanding or condition may be entered into unless in a writing signed by duly authorized representatives of the USAO-DC and PPG INDUSTRIES.


18. This Cooperation and Non-Prosecution Agreement is covered by the laws of the United States. The parties agree that exclusive jurisdiction and venue for any dispute arising under this Cooperation and Non-Prosecution Agreement is in the United States District Court for the District of Columbia.

19. It is further understood that PPG INDUSTRIES and the USAO-DC may disclose this Cooperation and Non-Prosecution Agreement to the public.


20. This Cooperation and Non-Prosecution Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same agreement. Facsimile or electronically submitted signatures are acceptable, binding signatures for purposes of this Cooperation and Non-Prosecution Agreement.

AGREED AND CONSENTED TO:

FOR THE USAO-DC:

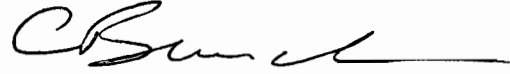
By: 
RONALD C. MACHEN JR.
United States Attorney for
the District of Columbia

12/21/10
Date

By: 
G. MICHAEL HARVEY
JOHN BORCHERT
Assistant United States Attorneys
District of Columbia


12/21/10
Date

FOR PPG INDUSTRIES:

By: 
CHARLES E. BUNCH
Chief Executive Officer, PPG Industries, Inc.

12/20/2010
Date

REVIEWED AND APPROVED:

By: 
ROBERT N. DRISCOLL, Esq.
Attorney for PPG INDUSTRIES, Inc.

12/21/2010
Date

**ATTACHMENT A to the Cooperation and Non-Prosecution Agreement between the
United States Attorney's Office for the District of Columbia and PPG Industries, Inc.**

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

UNITED STATES OF AMERICA)	
)	
v.)	CRIMINAL NO.
)	
PPG PAINTS TRADING (SHANGHAI) CO., LTD.)	
)	
Defendant.)	

FACTUAL PROFFER IN SUPPORT OF GUILTY PLEA

Had this case gone to trial, the United States would have proven beyond a reasonable doubt that:

Beginning in or about June 2006, and continuing through in or about March 2007, within the District of Columbia and elsewhere, defendant **PPG PAINTS TRADING (SHANGHAI) CO., LTD.** (“**PPG PAINTS TRADING**”), did willfully conspire, confederate, and agree with others known and unknown, to violate the International Emergency Economic Powers Act (“**IEEPA**”) and the Export Administration Regulations (“**EAR**”) by causing the export, reexport and transshipment of certain PPG Industries, Inc. (“**PPG Industries**”), high performance coatings from the United States to the Chashma Nuclear Power Plant 2 (“**Chashma 2**”) in Pakistan via the People’s Republic of China, without obtaining the necessary license from the Department of Commerce, located in the District of Columbia.

The coatings at issue were manufactured and exported by PPG Industries in 2006. In 2006, PPG Industries was a multinational, publicly-held United States corporation with its principal place of business and headquarters in Pittsburgh, Pennsylvania. It was a major global manufacturer and supplier of chemicals, glass, fiberglass, and architectural, industrial and

performance coatings. It had approximately 125 manufacturing facilities and equity affiliates in more than 20 countries and employed approximately 32,000 people worldwide. PPG Industries' exports in 2006 were approximately \$1 billion. In 2006, PPG Industries' worldwide net sales totaled approximately \$11 billion, of which in excess of \$6 billion were for sales of coatings.

One part of PPG Industries' coatings line of products were its Keeler & Long ("K&L") brand of high performance coatings, manufactured at a PPG Industries' factory in Watertown, Connecticut, and produced for use on applications associated with the power industry and other industrial applications. One type of K&L brand high performance coating was an epoxy-based paint system designed to withstand the severe environmental conditions within the primary containment area of a nuclear reactor, an area commonly referred to as the reactor's "Level 1 area." In the United States, ASTM International ("ASTM") develops and publishes standards for Level 1 coatings. The K&L Level 1 paint system has been tested and certified as meeting the ASTM Level 1 standard. To reflect the fact that the paint system satisfies these ASTM standards, a unique Level 1 product code was assigned for each of the coatings, and each batch of the Level 1 coatings is accompanied by a Certificate of Assurance ("COA") that certifies that the coatings were made using the same procedure and formula as the coatings that satisfied the ASTM tests. The Level 1 product codes for the Level 1 coatings at issue ("the Coatings") are as follows: a two-part epoxy base coat (product codes KL65487107A and KL65487107B), a two-part epoxy top coat (product code KLD19140 and KLD1B), and a thinner, or solvent (product code KL4092).

The Coatings were exported from the United States in 2006 at the request of defendant **PPG PAINTS TRADING**. Defendant **PPG PAINTS TRADING** was a wholly-owned

subsidiary of PPG Industries. It was a Chinese corporation with its principal place of business in Shanghai, China. Defendant **PPG PAINTS TRADING** was engaged in the business of importing and exporting architectural, refinish, industrial and packaging coatings on behalf various PPG Industries business units.

Relevant Legal Authorities

The parties agree that for purpose of this plea and factual proffer that the relevant law is set forth accurately in the Information. To summarize, the United States Department of Commerce (“DOC”), located in the District of Columbia, was responsible for reviewing and controlling the export of certain goods and technologies from the United States to foreign countries and entities. The DOC implemented that authority through the Export Administration Regulations (“EAR”), 15 C.F.R. Parts 730–774, which were in effect pursuant to provisions of the International Emergency Economic Powers Act (“IEEPA”), 50 U.S.C. §§ 1701–1706, by virtue of Presidential Executive Order 13222 and successive Presidential notices and orders.

Through the EAR, the DOC authorized the exportation of goods and technology to restricted countries and foreign end-users through the issuance of a license. Any export or reexport of goods from the United States to a restricted country or foreign end-user without such a license was a violation of the EAR. DOC’s Bureau of Industry and Security (“BIS”) published a list of prohibited individuals or entities (the “Entity List”) found in Supplement No. 4 to Part 744 of the EAR. Individuals or entities were placed on the Entity List by BIS because they had engaged in activities that could result in an increased risk of diversion of exported, reexported and transferred items to weapons of mass destruction programs, to activities sanctioned by the State Department, or to activities contrary to United States national security and/or foreign policy interests.

The Pakistan Atomic Energy Commission (“PAEC”) was the science and technology organization in Pakistan responsible for, among other things, Pakistan’s nuclear program, including the development and operation of nuclear power plants in Pakistan. In or about November 1998, following Pakistan’s first successful detonation of a nuclear device, BIS added the PAEC, as well as the PAEC’s subordinate nuclear reactors and power plants, to the Entity List. As a restricted end-user, a United States manufacturer seeking to export, reexport or transship any items subject to the EAR to the PAEC or its nuclear power plants or reactors would need first to obtain a license from DOC in the District of Columbia.

In, 2006, the Chashma Nuclear Power Plant 2 (“Chashma 2”) was a PAEC nuclear power plant under construction near Kundian, Punjab province, Pakistan. Because it is a PAEC nuclear power plant, export, reexport or transshipment of any items subject to the EAR to Chashma 2 would require a license from the DOC. The Coatings at issue were items subject to the EAR and fell within the jurisdiction of the DOC.

Relevant Entities

Company A was a Chinese construction company specializing in overseas nuclear and civil engineering project management. Company A was the general contractor responsible for the construction of Chashma 2 for the PAEC.

Company B was a Chinese construction company specializing in nuclear engineering, municipal engineering, fire engineering, road engineering, and steel structure engineering. Company B was a subcontractor working for Company A on the construction of Chashma 2. Company B was responsible for applying coatings at Chashma 2.

Company C was a Chinese distributor of coatings located in Shanghai, China.

PPG PAINTS TRADING's Chashma 2 Contract

In or about December 2005, defendant **PPG PAINTS TRADING** entered a contract with Company B for defendant **PPG PAINTS TRADING** to supply the Coatings for application by Company B at Chashma 2 ("Chashma 2 Contract"). The contract contained a liquidated damages clause if there were any delayed shipments under the contract. Because Chashma 2 was a PAEC facility, on or about January 20, 2006, PPG Industries submitted a license application to DOC in the District of Columbia for authorization to export the Coatings for application at Chashma 2.

On or about June 8, 2006, PPG Industries was informed that its license application would be denied by DOC. On or about June 9, 2006, PPG Industries notified defendant **PPG PAINTS TRADING** that it must abide by the ruling of the DOC to deny the license and instructed defendant **PPG PAINTS TRADING** to advise Company B that it could not provide the Coatings to Company B. In response, on or about June 9, 2006, defendant **PPG PAINTS TRADING** informed PPG Industries that it had informed Company B that it could not provide the Coatings.

The Conspiracy

In fact, on or about June 15, 2006, defendant **PPG PAINTS TRADING** met with representatives of Company A and Company B and agreed upon an arrangement whereby **PPG PAINTS TRADING** could satisfy its obligations under the Chashma 2 Contract by selling the Coatings to Company C, a third-party distributor in China, which, in turn, would sell the Coatings to Company A or Company B for application at Chashma 2 in Pakistan. The goal of involving the third-party Chinese distributor was to structure the transaction so as to conceal the true end-user of the Coatings from the United States, thereby evading the prohibitions and

licensing requirements of the IEEPA and the EAR, and avoiding breach of the Chashma 2 Contract.

These facts were reported to counsel for PPG Industries (who, in turn, reported them to the United States at PPG Industries' direction) by an individual who worked at the high performance coating business unit at **PPG PAINTS TRADING** responsible for the sale of the Coatings and who was involved in the conspiracy ("Employee A"). Employee A explained that the **PPG PAINTS TRADING** employees involved in the conspiracy were aware of the need for the DOC license for the Coatings shipments and of the denial of the license application by DOC in June 2006. Further, Employee A identified Company C as the third-party Chinese distributor used by **PPG PAINTS TRADING** to facilitate delivery of the Coatings under the Chashma 2 Contract after the denial of the license in June 2006. Employee A did not indicate that PPG Industries' employees were aware of the arrangement, and suggested that **PPG PAINTS TRADING** employees involved in the post-license shipments sought to conceal the true nature of the post-license shipments to Chashma 2 from PPG Industries.

Employee A's statements concerning post-license shipments to Chashma 2 were corroborated by PPG Industries and **PPG PAINTS TRADING** records provided by PPG Industries during the investigation, which included the following:

a. On or about June 20, 2006, Company C sent a purchase order to defendant **PPG PAINTS TRADING** for two shipments of same type of coatings called for in **PPG PAINTS TRADING**'s Chashma 2 Contract, namely 160 gallons of KL65487107A, 40 gallons of KL65487107B, and 40 gallons of KL4093 in the first shipment to be delivered by air freight ("the First Shipment of Coatings"), and 80 gallons of KL65487107A, 20 gallons of KL65487107B, and 20 gallons of KL4093 in the second shipment to be delivered by sea freight

(“the Second Shipment of Coatings”). The purchase order falsely stated that the Coatings were to be used at “Dalian Shi Zi Kou Nuclear Power Station,” a nuclear power plant purportedly under construction in China the export of goods to which would not require a DOC license. Publicly available information indicates that in June 2006, there was no nuclear power plant at Dalian Shi Zi Kou that would require Level 1 coatings.

b. On or about June 21, 2006, defendant **PPG PAINTS TRADING** sent a purchase order to PPG Industries requesting the production of the First Shipment of Coatings and their delivery by airfreight to defendant **PPG PAINTS TRADING**.

c. On or about July 13, 2006, defendant **PPG PAINTS TRADING** responded to an email from PPG Industries requesting the end user for the First Shipment of Coatings. Defendant **PPG PAINTS TRADING** falsely stated that the end user was “Da Lian Shi Zi Kou Nuclear Power Station.”

e. At defendant **PPG PAINTS TRADING**’s request and direction, in or about July 2006, PPG Industries exported the First Shipment of Coatings from the United States to defendant **PPG PAINTS TRADING** in Shanghai, China. This First Shipment of Coatings forms the basis for Count II of the Information charging **PPG PAINTS TRADING** with an Unlawful Export or Attempted Export in violation of IEEPA and the EAR.

f. On or about July 28, 2006, after the First Shipment of Coatings had arrived in China, defendant **PPG PAINTS TRADING** sent an e-mail to PPG Industries requesting certain shipping documents to facilitate getting “the goods ready for exporting. Once the documents are received, the goods will be good to go.”

g. On or about July 31, 2006, defendant **PPG PAINTS TRADING** issued a “Sales Order Acknowledgement [sic]” to facilitate transfer of the First Shipment of Coatings to Company C.

h. On or about July 31, 2006, defendant **PPG PAINTS TRADING** issued a document entitled “Delivery Docket” to facilitate transfer of the First Shipment of Coatings to Company C .

i. On or about July 31, 2006, Company C provided delivery instructions to defendant **PPG PAINTS TRADING** requesting the delivery of the First Shipment of Coatings to Company C by 5:00 p.m. on the same day and falsely stating that the goods were for use at the Dalian nuclear power plant.

j. On or about July 31, 2006, defendant **PPG PAINTS TRADING** billed Company C 146,240.01 Chinese Yuan for the First Shipment of Coatings.

k. On or about August 2, 2006, defendant **PPG PAINTS TRADING** received and deposited 146,240 Chinese Yuan from Company C in payment for the First Shipment of Coatings. This payment was .01 Chinese Yuan less than the amount billed by defendant **PPG PAINTS TRADING** to Company C for the First Shipment of Coatings.

l. On or about August 2, 2006, defendant **PPG PAINTS TRADING** billed Company C .01 Chinese Yuan for the arrearage in the amount of money Company C owed defendant **PPG PAINTS TRADING** for the First Shipment of Coatings.

m. On or about August 7, 2006, defendant **PPG PAINTS TRADING** sent a purchase order to PPG Industries requesting the production of the Second Shipment of Coatings.

n. On or about August 15, 2006, defendant **PPG PAINTS TRADING** responded to an email from PPG Industries requesting the end user for the Second Shipment of

Coatings. Defendant **PPG PAINTS TRADING** falsely stated that the end user was “Da Lian Shi Zi Kou Nuclear Power Station.”

o. At defendant **PPG PAINTS TRADING**’s request and direction, in or about September 2006, PPG Industries exported the Second Shipment of Coatings from the United States to defendant **PPG PAINTS TRADING** in Shanghai, China. This Second Shipment of Coatings forms the basis for Count III of the Information charging **PPG PAINTS TRADING** with an Unlawful Export or Attempted Export in violation of IEEPA and the EAR.

p. On or about October 24, 2006, defendant **PPG PAINTS TRADING** issued a sales order acknowledgment to facilitate transfer of the Second Shipment of Coatings to Company C.

q. On or about October 31, 2006, defendant **PPG PAINTS TRADING** billed Company C 69,019.99 Chinese Yuan for the Second Shipment of Coatings.

r. On or about November 1, 2006, Company C provided delivery instructions to defendant **PPG PAINTS TRADING** for the Second Shipment of Coatings.

s. On or about November 2, 2006, defendant **PPG PAINTS TRADING** issued a document entitled “Delivery Docket” to facilitate transfer of the Second Shipment of Coatings to Company C.

t. On or about October 16, 2009, defendant **PPG PAINTS TRADING** received and deposited 69,020 Chinese Yuan from Company C in payment for the Second Shipment of Coatings.

u. On or about October 23, 2006, defendant **PPG PAINTS TRADING** sent a purchase order to PPG Industries requesting the production and shipment to defendant **PPG PAINTS TRADING** of same type of coatings called for in **PPG PAINTS TRADING**’s

Chashma 2 Contract, namely 80 gallons of KL65487107, 20 gallons of KL65487107B, 75 gallons of KLD19140, 50 gallons of KLDB9140, and 40 gallons of KL4093 (“the Third Shipment of Coatings”). In an e-mail accompanying that purchase order, defendant **PPG PAINTS TRADING** falsely stated that the end user for the Third Shipment of Coatings was “Da Lian Shi Zi Kou Nuclear Power Station.”

v. At defendant **PPG PAINTS TRADING**’s request and direction, in or about December 2006, PPG Industries exported the Third Shipment of Coatings from the United States to defendant **PPG PAINTS TRADING** in Shanghai, China. This Third Shipment of Coatings forms the basis for Count IV of the Information charging **PPG PAINTS TRADING** with an Unlawful Export or Attempted Export in violation of IEEPA and the EAR.

w. On or about January 26, 2007, defendant **PPG PAINTS TRADING** issued a sales order acknowledgment to facilitate transfer of the Third Shipment of Coatings to Company C.

x. On or about December 18, 2006, defendant **PPG PAINTS TRADING** wired funds to PPG Industries which included a payment of \$12,455.13 for the First Shipment of Coatings, and \$1965.74 for the Second Shipment of Coatings.

In January 2007, following the statements of Employee A to PPG Industries, PPG Industries ordered **PPG PAINTS TRADING** not to sell or transfer the Third Shipment of Coatings. The Third Shipment of Coatings were then returned to the United States before reaching Pakistan, and turned over to BIS custody.

In or about March 2007, following PPG Industries halt of the Third Shipment of Coatings, Company B sent notification to **PPG PAINTS TRADING** claiming **PPG PAINTS TRADING**’s unilateral breach of the Chashma 2 Contract.

At no time did the defendant **PPG PAINTS TRADING** receive or possess a license or authorization from the DOC to export, reexport or transship the Coatings from the United States to Chashma 2. At all relevant times hereto, **PPG PAINTS TRADING** knew that the Coatings exported from the United States were destined for Chashma 2.

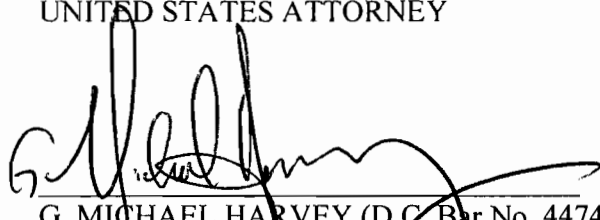
The proceeds obtained, directly or indirectly, as the result of the offenses alleged in Count One through Count Three of the Information were \$32,319.

Limited Nature of Factual Proffer in Support of Guilty Plea

This factual proffer is not intended to constitute a complete statement of all facts known by the United States, but is intended to provide the necessary factual predicate for defendant **PPG PAINTS TRADING**'s plea of guilty to Counts I through IV of the Information.

Respectfully submitted,

RONALD C. MACHEN JR.
UNITED STATES ATTORNEY



G. MICHAEL HARVEY (D.C. Bar No. 447465)
JOHN BORCHERT (D.C. Bar No. 472-824)
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(202) 252-7811 (Borchert)
Michael.Harvey2@usdoj.gov
John.Borchert@usdoj.gov

December 21, 2010

Defendant's Stipulation and Signature

I am authorized to act on behalf of defendant PPG Paints Trading (Shanghai) Co., Ltd., in this matter.

On behalf of defendant PPG Paints Trading (Shanghai) Co., Ltd., after consulting with its attorneys and pursuant to the plea agreement entered into this day with the United States, I hereby stipulate that the above proffer of facts is true and accurate. I further stipulate that had the matter proceeded to trial, the United States would have proved the same beyond a reasonable doubt.

PPG Paints Trading (Shanghai) Co., Ltd.

Date:



VIKTORAS RIMAS SEKMAKAS

Attorney's Acknowledgment

I am counsel for defendant PPG Paints Trading (Shanghai) Co., Ltd., I have carefully reviewed the above proffer of facts with my client. To my knowledge, the decision to stipulate to these facts is an informed and voluntary one.

Date:



ROBERT N. DRISCOLL, ESQ.
Attorney for PPG Paints Trading (Shanghai) Co., Ltd.

**ATTACHMENT B to the Cooperation and Non-Prosecution Agreement between the
United States Attorney's Office for the District of Columbia and PPG Industries, Inc.**

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

In the Matter of:)
)
PPG Industries, Inc.)
One PPG Place)
Pittsburgh, Pennsylvania 15272)
)
Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between PPG Industries, Inc. (“PPG”) and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively, the “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (the “Regulations”),¹ issued pursuant to the Export Administration Act of 1979, as amended (the “Act”).²

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

WHEREAS, BIS has issued a Proposed Charging Letter to PPG that alleged that PPG committed three violations of the Regulations, specifically:

Charges 1-2 15 C.F.R. § 764.2(a) – Engaging in Conduct Prohibited by the Regulations by Exporting Items to an Entity on the Entity List without the Required Department of Commerce Licenses

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2010). The violations alleged occurred in 2006. The Regulations governing the violations at issue are found in the 2006 version of the Code of Federal Regulations. 15 C.F.R. Parts 730-774 (2006). The 2010 Regulations govern the procedural aspects of this case.

² 50 U.S.C. app. §§ 2401-2420 (2000). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 12, 2010 (75 Fed. Reg. 50,681 (Aug. 16, 2010)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701 *et seq.*).

On or about July 7, 2006, and on or about September 5, 2006, PPG engaged in conduct prohibited by the Regulations by exporting from the United States epoxy paint and epoxy paint thinner, items subject to the Regulations and designated as EAR99,³ for use in a nuclear power plant that was under construction in Islamabad, Pakistan and under the ownership and control of the Pakistan Atomic Energy Commission (“PAEC”), without the required Department of Commerce licenses. PAEC is an entity that is listed on the Entity List set forth in Supplement No. 4 to Part 744 of the Regulations, and a license was required for any export or reexport of items to PAEC or any PAEC nuclear power plant. The items were transshipped to the PAEC facility through PPG Paints Trading (Shanghai) Co., Ltd. (“PPG Paints Trading”) in China.

The items fulfilled, in part, a January 2006 contract entered into by PPG Paints Trading and China Nuclear Engineering Huaxing Construction Co. Ltd. (“Huaxing”), a subcontractor to another Chinese company on the construction of the PAEC nuclear facility. Under this contract, PPG Paints Trading was to supply PPG epoxy paint and thinner to Huaxing for use at the PAEC facility. Because PAEC was on the Entity List and a license was required for exports of these items to the PAEC facility, PPG applied for a license for the shipments. On June 8, 2006, PPG learned that BIS had denied the license application. PPG then informed PPG Paints Trading of the denial and that PPG could not fulfill the orders under the contract. In response to this information, on or about June 9, 2006, a PPG Paints Trading employee informed PPG management that, “At this point, we probably have minimal chance of winning any future Chinese nuclear plant projects since it is the same customer that is dealing with Pakistan.”

Less than one month later, PPG exported the same type of epoxy paint and thinner that was the subject of the PPG Paints Trading-Huaxing contract to PPG Paints Trading, and PPG failed to detect and resolve certain red flags that indicated that PPG Paints Trading was supplying the items for use at the PAEC facility in fulfillment of the contract that had ostensibly been abandoned. PPG Paints Trading informed PPG that it was supplying the epoxy paint and thinner to a customer in China for use at Da Lian Shi Zi Kou Nuclear Power Station (“Da Lian Station”) in China. PPG knew, however, that the epoxy paint and thinner had not been certified by the relevant Chinese Government authority for use in Chinese nuclear facilities and thus could not be applied in any Chinese nuclear plant. Furthermore, at the time of its exports, PPG should have known Da Lian Station would not have needed the paint because construction of the Level 1 areas of Da Lian Station had not begun. For example, public source materials available at the time stated that as of June 2006, excavation had begun for the Da Lian Station reactors, but that concrete pouring would not start until approximately September 2007. PPG also knew that the epoxy paint and thinner was certified as meeting industry standards for “Level 1” use in a nuclear reactor and core and that the shelf-life of such nuclear certified epoxy paint is only one year, making an advance purchase highly unlikely.

³ EAR99 is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2006).

In addition, contrary to its own policies and procedures, PPG shipped the epoxy paint and thinner directly to PPG Paints Trading's facilities, rather than shipping them directly to Da Lian Station, the stated end-user. PPG's policies and procedures provided that such nuclear certified paint and thinner were to be shipped directly to the end user in accordance with industry standards.

PPG engaged in these exports without the Department of Commerce licenses required by Section 744.1 and Supplement No. 4 to Part 744 of the Regulations. In so doing, PPG committed two violations of Section 764.2(a) of the Regulations.

Charge 3 15 C.F.R. § 764.2(c) – Attempted Export to an Entity on the Entity List without the Required Department of Commerce License

On or about December 14, 2006, PPG attempted to export from the United States epoxy paint and epoxy paint thinner, items subject to the Regulations and designated as EAR99, to Pakistan for use in a nuclear power plant that was under construction in Pakistan and under the ownership and control of PAEC, without the required Department of Commerce license. PAEC is an entity that is listed on the Entity List set forth in Supplement No. 4 to Part 744 of the Regulations, and a license was required for any export or reexport of items to PAEC or any PAEC nuclear power plant. The items were intended to be transshipped to the PAEC facility through PPG Paints Trading in China.

The items were intended to fulfill, in part, a January 2006 contract entered into by PPG Paints Trading and Huaxing, a subcontractor to another Chinese company on the construction of the PAEC nuclear facility. Under this contract, PPG Paints Trading was to supply PPG epoxy paint and thinner to Huaxing for use at the PAEC facility. Because PAEC was on the Entity List and a license was required for exports of these items to the PAEC facility, PPG applied for a license for the shipments. On June 8, 2006, PPG learned that BIS had denied the license application. PPG then informed PPG Paints Trading of the denial and that PPG could not fulfill the orders under the contract. In response to this information, on or about June 9, 2006, a PPG Paints Trading employee informed PPG management that, "At this point, we probably have minimal chance of winning any future Chinese nuclear plant projects since it is the same customer that is dealing with Pakistan."

On or about December 14, 2006, PPG exported the same type of epoxy paint and thinner that was the subject of the PPG Paints Trading-Huaxing contract to PPG Paints Trading, and PPG failed to detect and resolve certain red flags that indicated that PPG Paints Trading was supplying the items for use at the PAEC facility in fulfillment of the contract that had ostensibly been abandoned. PPG Paints Trading informed PPG that it was supplying the epoxy paint and thinner to a customer in China for use at Da Lian Station in China. PPG knew, however, that the epoxy paint and thinner had not been certified by the relevant Chinese Government authority for use in Chinese nuclear facilities and thus could not be applied in any Chinese nuclear plant. Furthermore, at the time of its exports, PPG should have known Da Lian Station would not have needed the paint because

construction of the Level 1 areas of Da Lian Station had not begun. For example, public source materials available at the time stated that as of June 2006, excavation had begun for the Da Lian Station reactors, but that the concrete pouring would not start until approximately September 2007. PPG also knew that the epoxy paint and thinner was certified as meeting industry standards for "Level 1" use in a nuclear reactor and core and that the shelf-life of such nuclear certified epoxy paint is only one year, making an advance purchase highly unlikely.

In addition, contrary to its own policies and procedures, PPG shipped the epoxy paint and thinner directly to PPG Paints Trading's facilities, rather than shipping them directly to Da Lian Station, the stated end-user. PPG's policies and procedures provided that such nuclear certified paint and thinner were to be shipped directly to the end user in accordance with industry standards.

After learning of the Department of Commerce's investigation into the unlicensed exports to the PAEC facility, PPG stopped the December 14, 2006 export while the epoxy paint and thinner was in PPG Paints Trading's custody in China and before transshipment to the PAEC facility had been completed.

PPG engaged in this attempted export to the PAEC facility in Pakistan without the Department of Commerce license required by Section 744.1 and Supplement No. 4 to Part 744 of the Regulations. In so doing, PPG committed one violation of Section 764.2(c) of the Regulations.

WHEREAS, PPG has reviewed the Proposed Charging Letter and is aware of the allegations made against it and the administrative sanctions which could be imposed against PPG if the allegations are found to be true;

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

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

WHEREAS, the Parties enter into this Agreement having taken into consideration a plea agreement that PPG's wholly-owned subsidiary PPG Paints Trading (Shanghai)

LLC (“PPG Paints Trading”) have agreed to enter into with the United States Attorney’s Office for the District of Columbia;

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

WHEREAS, PPG neither admits nor denies the allegations contained in the Proposed Charging Letter;

WHEREAS, PPG wishes to settle and dispose of all matters alleged in the Proposed Charging Letter by entering into this Agreement; and

WHEREAS, PPG agrees to be bound by the Order, if issued;

NOW THEREFORE, the Parties hereby agree, for purposes of this Settlement Agreement, as follows:

1. BIS has jurisdiction over PPG, under the Regulations, in connection with the matters alleged in the Proposed Charging Letter.

2. The following sanction shall be imposed against PPG in complete settlement of the alleged violations of the Regulations relating to the transactions specifically detailed in the Proposed Charging Letter:

a. PPG shall be assessed a civil penalty in the amount of \$750,000, which shall be paid to the U.S. Department of Commerce within 30 days of the date of the Order.

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

Failure to make timely payment of the civil penalty set forth above may result in

the denial of all of PPG's export privileges for a period of one year from the date of imposition of the penalty.

c. PPG shall complete two external export compliance audits as set forth in this Paragraph. The results of both audits, including any relevant supporting materials, shall be submitted to the Department of Commerce, Bureau of Industry and Security, Special Agent in Charge, New York Field Office, 1200 South Avenue, Suite 104, Staten Island, NY 10314 ("SAC New York"). PPG shall hire an unaffiliated third-party consultant with expertise in U.S. export control laws and sanctions regulations to conduct these audits, as described below, of PPG and PPG Paints Trading's compliance with U.S. export control laws and sanctions regulations (including recordkeeping requirements). The audits shall cover the following:

- (i) Exports and reexports made by the PPG's Architectural Coatings, Automotive Refinishes, and Protective and Marine Coatings business units located in both China and the United States ("Coatings & Refinishings Units") and the effectiveness of each business unit's export controls compliance procedures and compliance with the Regulations;
- (ii) Exports and reexports made by the Coatings & Refinishings Units to China, Hong Kong and D:2 countries (as set forth in Supplement No. 1 to 15 C.F.R. 740 (2010), as well as any countries that may be added to this list during the audit period) of commodities, software, and technology and related services that are controlled for nuclear nonproliferation reasons or subject to

Section 744.2 of the Regulations and the effectiveness of PPG's and the Coatings & Refinishings Units' export controls compliance procedures and compliance with the Regulations;

- (iii) All exports, reexports and in-country transfers by PPG and its subsidiaries involving an entity on the Entity List (as set forth in Supplement No. 4 to Part 744 (2010)) that are subject to the Regulations; and
- (iv) All exports, reexports and in-country transfers by PPG and its subsidiaries involving nuclear end uses or nuclear end users that are subject to the Regulations.

The first external audit shall cover the time period of January 1, 2011 through December 31, 2011, and the related report shall be due to SAC New York by March 30, 2012. The second external audit shall cover the time period of January 1, 2012 through December 31, 2012, and the related report shall be due to SAC New York by March 30, 2013. Said audits shall be in substantial compliance with the requirements set out in the Export Management and Compliance Program audit module, which is available from the BIS website at http://www.bis.doc.gov/complianceand enforcement/emcp_audit.pdf, and shall include an assessment of PPG's and PPG Paints Trading's compliance with the Regulations. In addition, where said audit identifies actual or potential violations of the Regulations regarding transactions outlined in this paragraph, PPG must promptly provide copies of the pertinent export control documents to SAC New York. PPG and PPG Paints Trading shall cooperate in providing additional information related to the audits as requested by BIS.

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

4. BIS agrees that, upon issuance of the Order, it will not initiate any further administrative proceeding against PPG in connection with any violation of the Act or the Regulations arising out of the transactions specifically detailed in the Proposed Charging Letter.

5. BIS will make the Proposed Charging Letter, this Agreement, and the Order, if issued, available to the public.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

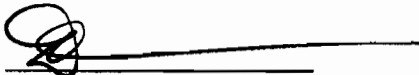
7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if issued; nor shall this Agreement serve to bind, constrain, or

otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

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

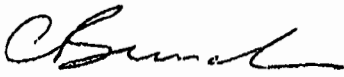
9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind its respective party to the terms and conditions set forth herein.

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



Douglas Hassebrock
Director
Office of Export Enforcement

Date: 12/20, 2010



Charles E. Bunch
Chairman & CEO
PPG Industries, Inc.

Date: 12/20, 2010

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

In the Matter of:)
)
PPG Paints Trading (Shanghai) Co., Ltd.)
489 Huai Yin Road)
Shanghai, People's Republic of China)
200336)
)
)
)
Respondent)

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between PPG Paints Trading (Shanghai) Co., Ltd. (“PPG Paints Trading”) and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively, the “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (the “Regulations”),¹ issued pursuant to the Export Administration Act of 1979, as amended (the “Act”).²

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

WHEREAS, BIS has issued a Proposed Charging Letter to PPG Paints Trading that alleged that PPG Paints Trading committed four violations of the Regulations, specifically:

¹ The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2010). The violations alleged occurred in 2006 and 2007. The Regulations governing the violations at issue are found in the 2006 and 2007 versions of the Code of Federal Regulations. 15 C.F.R. Parts 730-774 (2006-2007). The 2010 Regulations govern the procedural aspects of this case.

² 50 U.S.C. app. §§ 2401-2420 (2000). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 12, 2010 (75 Fed. Reg. 50,681 (Aug. 16, 2010)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701 *et seq.*).

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

Beginning on or about June 2006 and continuing through on or about March 2007, PPG Paints Trading conspired and acted in concert with others, known and unknown, to bring about an act that constitutes a violation of the Regulations. The purpose of the conspiracy was to bring about exports of epoxy paint and epoxy paint thinner, items subject to the Regulations, by PPG Paints Trading's U.S. parent company, PPG Industries, Inc. ("PPG") to Pakistan, through China, for use in a nuclear power plant that was under construction in Islamabad, Pakistan and under the ownership and control of the Pakistan Atomic Energy Commission ("PAEC"), an entity that is listed on the Entity List set forth in Supplement No. 4 to Part 744 of the Regulations. The nuclear plant was being constructed for PAEC by China Zhongyuan Engineering Corporation ("Zhongyuan") with the assistance of subcontractor China Nuclear Engineering Huaxing Construction Co. Ltd. ("Huaxing"). The epoxy paint and thinner are designated as EAR99 items³ and are certified as meeting industry standards for "Level 1" use in a nuclear reactor and core. Pursuant to Section 744.1 and Supplement No. 4 to Part 744 of the Regulations, a Department of Commerce license was required before these items could be exported or reexported to the PAEC or any PAEC nuclear power plant.

In January 2006, PPG Paints Trading entered into a sales agreement with Huaxing, under which PPG Paints Trading agreed to provide three shipments of PPG epoxy paint and thinner for use in the PAEC nuclear facility in Pakistan. On or about June 8, 2006, PPG informed PPG Paints Trading that the license application submitted to the Department of Commerce for the export of these items had been denied, and PPG instructed PPG Paints Trading to notify Huaxing of this fact. In response to this information, on or about June 9, 2006, a PPG Paints Trading employee informed PPG management that, "At this point, we probably have minimal chance of winning any future Chinese nuclear plant projects since it is the same customer that is dealing with Pakistan."

On or about June 15, 2006, PPG Paints Trading and Huaxing met to discuss the licensing decision and PPG Paints Trading's inability to fulfill the contract. During this meeting, PPG Paints Trading and Huaxing developed and agreed upon a scheme under which PPG Paints Trading would continue to supply PPG epoxy paint and thinner despite the lack of a Department of Commerce license. Under this scheme, PPG Paints Trading would obtain the items from PPG, and a third-party Chinese distributor would be added to facilitate the shipment to Pakistan. After the items arrived in China, they would be transshipped to Pakistan. This approach avoided PPG or PPG Paints Trading shipping the items directly to the PAEC facility in Pakistan. Thereafter, PPG Paints Trading took actions in furtherance of the conspiracy, including, inter alia, ordering three shipments of epoxy paint and thinner from PPG; informing PPG that the end-user was the Da Lian Shi Zi Kou Nuclear Power Station in China, even though PPG Paints Trading knew that the PAEC facility was the actual end user; and then shipping the items to the intermediate Chinese distributor after their arrival in China from the United States.

³ EAR99 is a designation for items subject to the Regulations but not listed on the Commerce Control List. 15 C.F.R. § 734.3(c) (2006).

In so doing, PPG Paints Trading committed one violation of Section 764.2(d) of the Regulations.

Charges 2-3 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation

On two occasions between June 21, 2006 through on or about December 18, 2006, PPG Paints Trading ordered, bought, stored, sold, or transported items exported from the United States with knowledge that a violation of the Regulations was about to occur or was intended to occur in connection with the items. Specifically, PPG Paints Trading ordered or bought from PPG, its parent company in the United States, epoxy paint and epoxy paint thinner, items subject to the Regulations and designated as EAR99, for export from the United States for use in a nuclear power plant that was under construction in Pakistan and under the ownership and control of PAEC, an entity that is listed on BIS's Entity List set forth in Supplement No. 4 to Part 744 of the Regulations. Pursuant to Section 744.1 and Supplement No. 4 to Part 744 of the Regulations, Department of Commerce licenses were required before these items could be exported or reexported to the PAEC nuclear facility. After receiving the items, PPG Paints Trading stored, sold, or transported them to a distributor in China to be shipped to Pakistan for use in the PAEC facility.

In January 2006, PPG Paints Trading and Huaxing entered into a sales agreement under which PPG Paints Trading agreed to supply three shipments of PPG epoxy paint and thinner for use at the PAEC nuclear facility in Pakistan. At all times relevant hereto, PPG Paints Trading knew that the items were destined for the PAEC facility.

PPG Paints Trading also knew at all relevant times hereto that a violation of the Regulations was about to occur or was intended to occur in connection with the items because, inter alia, on or about January 22, 2006, before the violations occurred, PPG Paints Trading was informed by Huaxing that a license was required for shipment from the United States to the PAEC nuclear facility, and that Huaxing had "tried to apply for a license 5 times and had failed each time." In addition, PPG Paints Trading also knew that in January 2006, PPG had filed a license application with the Department of Commerce seeking authorization for the export of the items to Pakistan for use at the PAEC facility, and in fact had been involved with the preparation of that application. On or about June 8, 2006, PPG Paints Trading was informed by PPG that the license application had been denied and that PPG Paints Trading should inform Huaxing that it could not fulfill its January 2006 contractual agreement with Huaxing to provide shipments of PPG epoxy paint and thinner.

In so doing, PPG Paints Trading committed two violations of Section 764.2(e) of the Regulations.

Charge 4 15 C.F.R. § 764.2(e) – Acting with Knowledge of a Violation

On one occasion between on or about October 23, 2006 and March 20, 2007, PPG Paints Trading ordered, bought or stored items exported from the United States with knowledge that a violation of the Regulations was about to occur or was intended to occur in connection with the items. Specifically, PPG Paints Trading ordered or bought from PPG, its parent company in the United States, epoxy paint and epoxy paint thinner, items subject to the Regulations and designated as EAR99, for export from the United States for use in a nuclear power plant in Pakistan that was under construction and under the ownership and control of PAEC, an entity that is listed on BIS's Entity List set forth in Supplement No. 4 to Part 744 of the Regulations. Pursuant to Section 744.1 and Supplement No. 4 to Part 744 of the Regulations, a Department of Commerce license was required before these items could be exported or reexported to the PAEC or any PAEC nuclear power plant. After receiving the items, PPG Paints Trading stored the items for sale, transfer or transport to a distributor in China, which had in the past transferred the items to Huaxing for construction of the PAEC facility.

In January 2006, PPG Paints Trading and Huaxing entered into a sales agreement under which PPG Paints Trading agreed to supply three shipments of PPG epoxy paint and thinner to Huaxing for use at the PAEC nuclear facility in Pakistan. At all times relevant hereto, PPG Paints Trading knew that the items were destined for the PAEC facility.

PPG Paints Trading also knew at all relevant times hereto that a violation of the Regulations was about to occur or was intended to occur in connection with the items because, inter alia, on or about January 22, 2006, before the violations occurred, PPG Paints Trading was informed by Huaxing that a license was required for shipment from the United States to the PAEC nuclear facility, and that Huaxing had "tried to apply for a license 5 times and had failed each time." In addition, PPG Paints Trading also knew that in January 2006, PPG had filed a license application with the Department of Commerce seeking authorization for the export of the items to Pakistan for use at the PAEC facility, and in fact had been involved with the preparation of that application. On or about June 8, 2006, PPG Paints Trading was informed by PPG that that license application had been denied and that PPG Paints Trading should inform Huaxing that it could not fulfill its January 2006 contractual agreement with Huaxing to provide shipments of PPG epoxy paint and thinner.

In so doing, PPG Paints Trading committed one violation of Section 764.2(e) of the Regulations.

WHEREAS, PPG Paints Trading has reviewed the Proposed Charging Letter and is aware of the allegations made against it and the administrative sanctions which could be imposed against PPG Paints Trading if the allegations are found to be true;

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

WHEREAS, PPG Paints Trading enters into this Agreement voluntarily and with full knowledge of its rights;

WHEREAS, the Parties enter into this Agreement having taken into consideration a plea agreement that PPG Paints Trading agreed to enter into with the United States Attorney’s Office for the District of Columbia;

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

WHEREAS, PPG Paints Trading neither admits nor denies the allegations contained in the Proposed Charging Letter;

WHEREAS, PPG Paints Trading wishes to settle and dispose of all matters alleged in the Proposed Charging Letter by entering into this Agreement; and

WHEREAS, PPG Paints Trading agrees to be bound by the Order, if issued;

NOW THEREFORE, the Parties hereby agree, for purposes of this Settlement Agreement, as follows:

1. BIS has jurisdiction over PPG Paints Trading, under the Regulations, in connection with the matters alleged in the Proposed Charging Letter.
2. The following sanction shall be imposed against PPG Paints Trading in complete settlement of the alleged violation of the Regulations relating to the transaction specifically detailed in the Proposed Charging Letter:

a. PPG Paints Trading shall be assessed a civil penalty in the amount of \$1 million, which shall be paid to the U.S. Department of Commerce within 30 days of the date of the Order.

b. The timely payment of the civil penalty agreed to in paragraph 2.a is hereby made a condition to the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to PPG Paints Trading. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of PPG Paints Trading's export privileges for a period of one year from the date of imposition of the penalty.

c. PPG Paints Trading on its own accord or in conjunction with PPG, shall complete two external export compliance audits as set forth in this Paragraph. The results of both audits, including any relevant supporting materials, shall be submitted to the Department of Commerce, Bureau of Industry and Security, Special Agent in Charge, New York Field Office, 1200 South Avenue, Suite 104, Staten Island, NY 10314 ("SAC New York"). An unaffiliated third-party consultant with expertise in U.S. export control laws and sanctions regulations shall conduct these audits, as described below, of PPG and PPG Paints Trading's compliance with U.S. export control laws and sanctions regulations (including recordkeeping requirements). The audits shall cover the following:

- (i) Exports and reexports made by PPG's Architectural Coatings, Automotive Refinishes, and Protective and Marine Coatings business units located in both China and the United States ("Coatings and Refinishings Units") and the effectiveness of each

- business unit's export controls compliance procedures and compliance with the Regulations;
- (ii) Exports and reexports made by the Coatings and Refinishings Units to China, Hong Kong and D:2 countries (as set forth in Supplement No. 1 to 15 C.F.R. 740 (2010), as well as any countries that may be added to this list during the audit period) of commodities, software, and technology and related services that are controlled for nuclear nonproliferation reasons or subject to Section 744.2 of the Regulations and the effectiveness of PPG's and the Coatings and Refinishings Units' export controls compliance procedures and compliance with the Regulations;
 - (iii) All exports, reexports and in-country transfers by PPG and its subsidiaries, including PPG Paints Trading, involving an entity on the Entity List (as set forth in Supplement No. 4 to Part 744 (2010)) that are subject to the Regulations; and
 - (iv) All exports, reexports and in-country transfers by PPG and its subsidiaries, including PPG Paints Trading, involving nuclear end uses or nuclear end users that are subject to the Regulations.

The first external audit shall cover the time period of January 1, 2011 through December 31, 2011, and the related report shall be due to SAC New York by March 30, 2012. The second external audit shall cover the time period of January 1, 2012 through December 31, 2012, and the related report shall be due to SAC New York by March 30, 2013. Said audits shall be in substantial compliance with the requirements set out in the

Export Management and Compliance Program audit module, which is available from the BIS website at http://www.bis.doc.gov/complianceandenforcement/emcp_audit.pdf, and shall include an assessment of PPG's and PPG Paints Trading's compliance with the Regulations. In addition, where said audit identifies actual or potential violations of the Regulations regarding transactions outlined in this paragraph, PPG Paints Trading on its own accord or in conjunction with PPG must promptly provide copies of the pertinent export control documents to SAC New York. PPG and PPG Paints Trading shall cooperate in providing additional information related to the audits as requested by BIS.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, PPG Paints Trading hereby waives all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the Order, if issued), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in any charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if issued; and (c) seek judicial review or otherwise contest the validity of this Agreement or the Order, if issued.

4. BIS agrees that, upon issuance of the Order, it will not initiate any further administrative proceeding against PPG Paints Trading in connection with any violation of the Act or the Regulations arising out of the transactions specifically detailed in the Proposed Charging Letter.

5. BIS will make the Proposed Charging Letter, this Agreement, and the Order, if issued, available to the public.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of

Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if issued; nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

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

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

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



Douglas Hassebrock
Director
Office of Export Enforcement

Date: 12/20, 2010



Victor Sekmakas
Director, Chairman and Legal Representative
PPG Paints Trading (Shanghai) Co., Ltd.

Date: December 18, 2010