Volume 14, Issue 2 • February 28, 2006

The UPDATE Report

CONGRATULATIONS TO THE FOLLOWING COMPANIES:

INTERSKY, INC.
Memphis, TN

NORTHWEST AVIATION SERVICES GROUP
Auburn, WA

AVIATION RESOURCE, INC.
Scottsdale, AZ

FOR THEIR ACCREDITATION, AND

GA TELESIS
Opa Locka, FL

VOLVO AERO SERVICES -
Boca Raton, FL
Seattle, WA
Tulsa, OK

AIRCRAFT INSTRUMENT & RADIO CO., INC.
Wichita, KS

MIAMI INTER AIR, INC.
Miami, FL

AVIOJET CORP.
Upper Saddle River, NJ

FOR THEIR RE-ACCREDITATION
TO THE ASA-100 STANDARD AND THE FAA'S AC 00-56A VOLUNTARY INDUSTRY DISTRIBUTOR ACCREDITATION PROGRAM

ASA
AVIATION SUPPLIERS ASSOCIATION

REGULATORY UPDATE

Are you sure that your inventory of avionics is going to retain its value?

FCC Publishes Radionavigation Plan

Wouldn't it be nice to know what avionics are likely to be obsolete in the near future and which avionics will continue to hold their value? The Federal Government has published an important tool to help judge the future of aviation navigation tools in the Federal Radionavigation Plan.

The 2005 edition of the Federal Radionavigation Plan (FRP) has just been published (yes, I know, it is 2006 already) and is now available for comment. Any comments, concerns and suggestions that the FAA receives regarding the current policies and plans in the 2005 FRP will be considered in formulating the 2007 FRP.

The policies in the 2005 FRP focus on

- transition to GPS based services,
- recognizing the need to maintain backup navigation aids and
- recognizing the need to provide redundant radionavigation service where required

The FRP is the official source of radionavigation policy and planning for the Federal Government. The 2005 edition of the FRP updates and replaces the 2001 FRP and covers common-use radionavigation systems (i.e., systems used by both civil and military sectors - systems used exclusively by the military are not covered in this plan).

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INSIDE:

THE UPDATE REPORT

is a monthly newsletter of the Aviation Suppliers Association. Questions and/or comments should be addressed to:

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email:
jason@washingtonaviation.com

THE UPDATE REPORT

provides timely information to help Association members and readers keep abreast of the changes within the aviation supply industry.

THE UPDATE REPORT

is just one of the many benefits that the Aviation Suppliers Association offers members. For information on ASA-100, the ASA Accreditation Program, Conferences, Workshops, FAA guidance like Advisory Circulars, Industry Memos or services and benefits, contact the Association.

THE UPDATE REPORT STAFF

Publisher — *Michele Dickstein*
Editor — *Jason Dickstein*
Advertising and Production Editor — *Caroline Bruenderman*

MESSAGE FROM ASA'S PRESIDENT

Dear Members,

Keeping up with change is hard but essential in today's business environment. This past month Pratt & Whitney announced that it would be filing for PMAs on several GE Engine parts. We thought this was extremely newsworthy and emailed a member bulletin with the press release link. Whether Pratt & Whitney's new business venture is a success as far as PMA revenue or used to re-establish business contacts with lost users or both, it shows that creativity and an open business plan still continue to reshape the industry. It will be interesting to see how GE responds to this type of competition.

The changing landscape of the industry, along with trends, will be discussed during several presentations at the annual conference, July 8- 11 in Las Vegas.

Several members have called with questions regarding the new rule regarding alcohol and drug testing of air carriers' safety-sensitive subcontractors. Jason Dickstein addressed this question and provided the answer in last month's newsletter and also on Page 4 of this month's newsletter.

March starts the conference/convention season, and ASA will be exhibiting or attending several meetings. The Aviation Distribution Directory, ASA's member directory and industry reference guide, will be ASA's primary marketing material. Caroline Bruenderman sent Member Profile Forms to all members. Please make sure to update your information in order to take advantage of this marketing opportunity. Updates must be received by the 3rd of March. There are still opportunities for advertising in the Directory.

Take Care,
Michele Dickstein

LIST OF ADVERTISERS

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The FRP is available at: http://www.navcen.uscg.gov/pubs/frp2005/2005 FRP WEB.pdf

Some of the conclusions found in the FRP include:

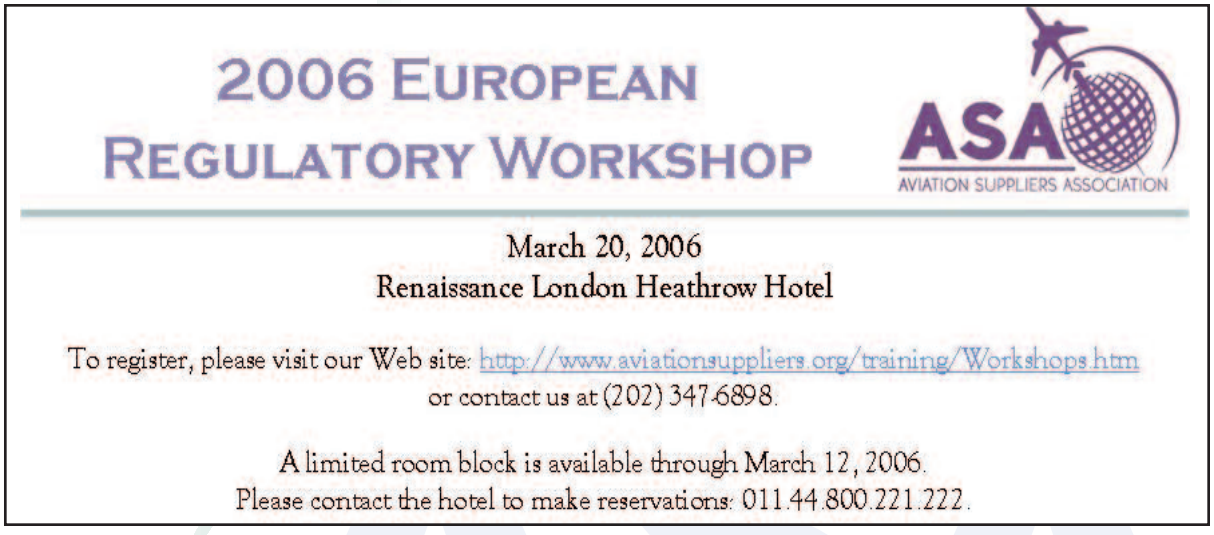
- The government plans to enhance GPS signals over the next 15 years;
- The government has begun the process of establishing a second civil GPS signal (known as L2C) and hopes to have a full complement of 24 satellites orbiting by 2013;
- The government will soon begin the process of establishing a third civil GPS signal (known as L5) and hopes to have a full complement of 24 satellites orbiting by 2015;
- The LORAN system is not necessary, and a decision whether to discontinue it is expected to be made in 2006;
- Phase-down of VHF Omni-directional Range (VOR) transmitter equipment is scheduled to begin 2010;
- Phase-down of Category I Instrument Landing Systems (ILS) is scheduled to begin 2015.

The clear message of this report is that GPS is the future, and the government is gambling that the vulnerabilities of GPS will be addressed in the near future.

In order to have an effect on the 2007 FRP, you should submit your comments on the FRP by July 31, 2006. Comments should be forwarded to:

Chairman, DOT POS/NAV Working Group
U.S. Department of Transportation
Navigation and Spectrum Policy (P-50)
Room 6423-F
400 7th Street, SW
Washington, DC 20590

Further information can also be obtained from John Augustine, U.S. Department of Transportation, Navigation and Spectrum Policy (P-50), 400 7th Street, SW, Washington, DC 20590, (202) 366-0353. E-mail: john.augustine@dot.gov.



Distributors NOT Subject to Air Carrier Drug Testing

Recently, many ASA members have noticed that they are being asked to verify their participation in drug-and-alcohol testing programs. The reason given for these requests is the FAA's recently-published policy on the subject of drug testing of air-carriers' safety-sensitive (e.g. maintenance) subcontractors.

The new rule was published in the *Federal Register* on January 10, 2006. We reported on it in last month's Update Report. In the preamble to the new rule, the FAA clearly stated that distributors do not perform maintenance or preventative maintenance, and as such, they are not contractors who perform safety-sensitive activities for an air carrier.

A related question has arisen about those who perform maintenance for the distributor, such as when a distributor asks a repair station to overhaul its used inventory. They are likewise excepted from the drug-testing requirements (unless another business relationship makes them subject to the drug-testing requirements).

Assume that a distributor sends a part to a repair station for overhaul, with no specific expectation of which customer will later buy the part. That part is then later sold to an air carrier. In such a case, the distributor is not performing as a maintenance contractor for an air carrier by virtue of having sold the aircraft parts – it is still just a distributor as far as its relationship with the air carrier goes. Under the FAA's interpretation of its own regulation, the distributor is clearly not a contractor/subcontractor subject to the drug testing requirements. Since the distributor is not a maintenance contractor or subcontractor to the air carrier, the repair station who performed services for the distributor cannot be deemed to be maintenance subcontractors to the air carrier (there is no 'privity of contract' to tie the repair station to the air carrier). Thus, the repair station's actions as a maintenance provider for the distributor do not intrinsically impose on the repair station an obligation to be subject to any particular air carrier's drug-testing program.

Another way of looking at this is that the repair station that does work strictly for distributors is not performing its work for a regulated entity and, therefore, is not subject to the drug-testing requirements that apply to a regulated entity and its contractors/subcontractors.

The FAA's language published in the Federal Register is useful to this inquiry:

"The Aviation Suppliers Association was concerned distributors could be recharacterized as performing safety-sensitive functions and opposed the proposal, believing it was not supported by a reasonable government purpose. They requested we publish a statement in the final rule recognizing that the distribution of an aircraft part is not considered to be a safety-sensitive function for the purposes of this rule."

* * *

"This final rule does not expand the scope of the FAA-regulated drug and alcohol testing programs. Rather, it clarifies that any individual who performs a safety-sensitive function by contract must be subject to the FAA-regulated drug and alcohol testing requirements, regardless of the tier of the contract under which the individual performs. This rulemaking is not questioning or expanding the current outsourcing process. Instead, the final rule eliminates any confusion that might have existed

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regarding drug and alcohol testing of subcontractors who are connected to the regulated employer through the outsourcing process.

* * *

"Drug and alcohol testing applies to any individual who performs a safety-sensitive function, including maintenance or preventive maintenance functions for a regulated employer. The FAA defines 'maintenance' and 'preventive maintenance' in 14 CFR 1.1 and 14 CFR part 43. The distribution of an aircraft part is not 'maintenance' or 'preventive maintenance' and is not considered a safety-sensitive activity."

Antidrug and Alcohol Misuse Prevention Programs for Personnel Engaged in Specified Aviation Activities, 71 Federal Register 1666, 1667-68 (January 10, 2006).

IRS Soliciting Good Ideas

The IRS will hold a meeting by teleconference on Tuesday, March 7 in an effort to solicit public comments, ideas and suggestions on improving customer service at the Internal Revenue Service.

The teleconference is hosted by the Taxpayer Assistance Center Committee of the Taxpayer Advocacy Panel (TAP). TAP is a Federal Advisory Committee and is required by law to keep its meetings open to the public.

The meeting will be held Tuesday, March 7, 2006 from 12:00 pm until 1:30 pm Eastern Time (9:00 am to 10:30 am Pacific Time).

You can obtain additional information about this teleconference by calling Dave Coffman at (888) 912-1227 or (206) 220-6096. If you would like TAP to consider a written statement, please call Mr. Coffman or write him at:

Dave Coffman
TAP Office
915 2nd Avenue
MS W-406
Seattle, WA 98174

You can also find additional information at http://www.improveirs.org.

If you would like to participate, please contact Dave Coffman immediately. There are a limited number of conference lines, so you must provide prior notice of your intent to participate in the telephone conference call.

FAA Committee on Transport Airplane and Engine Issues

The Aviation Rulemaking Advisory Committee (the FAA's Federal Advisory Committee for regulations) will hold a meeting to discuss transport airplane and engine (TAE) issues. This is a regular status update meeting.

The agenda is expected to include:

- FAA Report
- Transport Canada Report
- European Aviation Safety Agency Report
- ARAC Executive Committee Report
- Ice Protection Harmonization Working Group (HWG) Report
- Airworthiness Assurance HWG Report
- Avionics HWG Report
- Summary of Recent Activity on Specific Risk (14 CFR 25.1309)
- Open discussion of topics as requested by TAE Issues Group members
- Review of Action Items

The meeting is scheduled for Tuesday, March 14, 2006, starting at 9:00 am Eastern Time. It will be held at the Boeing Company, 1200 Wilson Boulevard, Room CR 234, Arlington, VA. You can learn more by contacting:

John Linsenmeyer
Office of Rulemaking, ARM-207
Federal Aviation Administration
800 Independence Avenue, SW
Washington, DC 20591
Telephone: (202) 267-5174
Fax: (202) 267-5075
E-mail: john.linsenmeyer@faa.gov

This is a Federal Advisory Committee meeting, so attendance is open to the public, but space in the meeting room is limited. Please confirm your attendance with John Linsenmeyer no later than March 10, 2006 if you would like to attend. Be prepared to provide him with the following information: Full legal name, country of citizenship and name of your industry association or applicable affiliation. If you are attending as a public citizen, please indicate so.

You also can participate (domestic U.S. only) by telephone. The call-in number is (425) 717-7000, and the passcode is 84565. To insure that sufficient telephone lines are available, please notify John Linsenmeyer of your intent to participate by March 10.

ASA Adds a New Member to the Team

Caroline Bruenderman joined the Aviation Suppliers Association family on January 16, 2006 as our new Manager of Membership and Meetings.

She will be functioning as the primary liaison between ASA and its member companies, and she will also be in charge of membership development. In addition, Caroline will be responsible for planning the conferences and workshops that are held by the ASA throughout the year, as well as responding to member inquiries.

Caroline comes to us after two and a half years with United Telecom Council, where she managed membership services and meeting planning for a subsidiary association, the United Power Line Council. Caroline primarily focused on assisting member companies with business development and public relations, specifically promoting member companies' technologies and products to the media and Federal Communications Commission. She also assisted in the development of a market awareness campaign for member companies, managed program planning for several conferences per year and represented the Council at industry trade shows and events.

Caroline is originally from Louisville, KY and attended Indiana University, in Bloomington, IN, where she double-majored in Philosophy and French. She likes to travel in her free time.

Register Your Liens for International Effect

The FAA has announced that international registration of aircraft liens is now a reality! Before we look at what this means to parts distributors, let's first review what liens are all about.

Lien Background

Liens reflect a person's legal right to have a debt satisfied through collateral. Mortgages, for example, are usually established as a lien against the home on which the mortgage is based. The lien gives the creditor the right to sell the asset (through legal processes) in the event that the debt remains unpaid.

For example, assume that you sell an engine on credit. You have the buyer sign documents that allow you to retain a security interest in the engine. If that security interest remains unpaid, then you can have the court seize the engine and sell the engine at auction – the proceeds of the auction are then used to pay the remaining debt to you.

Liens are particularly useful in a bankruptcy, because valid liens give the lien-holder a priority in payment over the unsecured creditors (the priority is limited to the value of the asset, of course – the unsecured remainder of the debt, if any, would be subject to the same priority as other unsecured debt).

The U.S. Registry

A lien is effective against the debtor if the debtor signed the documents establishing the lien, but a lien is not intrinsically effective against others. This is an important point because it can mean that your lien against the asset is extinguished when the asset is sold to an 'unaware' third party.

In order to make a lien effective against an 'unaware' third party, you need to make a public filing of the lien. For U.S. registered aircraft, as well as certain aircraft engines and propellers (and components repaired for air carriers), the appropriate place to make the filing is with the FAA Registry Office in Oklahoma City. This public filing acts as 'constructive notice' to the rest of the country that the lien exists. Even if a buyer does not receive actual notice of the lien, effective public notice makes the lien effective against the asset no matter how many times it is bought and sold.

The issue of "effective public notice" is an important one. In the United States, filing with the FAA's Registry Office is effective public notice for liens on U.S. registered aircraft, as well as certain aircraft engines and propellers. Other countries, though, may not recognize this sort of a fling as effective public notice.

Are you using liens to protect your right to get paid? The lien laws vary from state to state but one thing that remains constant is that if you file a lien against an aircraft, then you must file a copy of it with the FAA Registry in Oklahoma City. For complete details, see the FAA's Registry site at: http://www.faa.gov/licenses_certificates/aircraft_certification/aircraft_registry/record_aircraft_lien.

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Quantum Control

*Standard Quantum Module

Business Software

Ask About Our Referral Program

Inventory Management*
The cornerstone for the Quantum Control system. The parts summary screen provides a central viewpoint for all information and activity related to a given part.

Physical Inventory*
Manages the physical inventory process. Generates count sheets for manual or barcode counting efforts.

Purchase Orders & Requests*
Manages the purchasing process including request routing and approval by dollar amount and employee position. Manages purchasing activity for stock, non-stock and exchange.

Purchase Management*
Provides the capability to manage purchasing activities by being able to review all parts needed for procurement based upon sales order requirements and below minimum level stock quantities.

Receiving and Inspection*
The receiving module is a powerful tool for efficient, cost-saving receiving, intermediate and final inspection, and defect recording.

Shipping Management
Manages the shipping and order consolidation process to include user defined stages and statuses. Creates custom invoices, packing slips and certification forms within one shipment.

Demand Planning
Optimizes material and production planning by analyzing historical usage and projecting future demand. Recommends minimum and maximum order quantities based on lead time and forecasted demand.

Lot Costing
Manages lot purchases and assembly teardowns. Provides total tracking of acquisition costs, overhaul expenses, component part sales, profit margins and full traceability.

Data Services
Provides flexible tools to manage the process of both importing and exporting data to/from the Quantum database. Integration points include ILS, USA Info, Partsbase and AvRef.

AVREF Catalog Files
The AVREF Catalog System provides the latest OEM pricing information along with access to Government MCRL cross reference data. Completely integrated with the Quantum Inventory Module.

Integrated Accounting
The Accounting Module includes General Ledger, Accounts Receivable, Accounts Payable, and more - all integrated with Sales, Purchasing, Repair, Exchange, Work Order and Invoicing modules.

Vendor Quotes*
Provides a tool to locate sources for part procurement and send out requests for quotes to multiple vendors, including multiple lines.

Quotation Processing*
Manages the customer quotation process and the recording of supplier responses from outgoing RFQs.

Sales Orders*
Manages the customer order process to include back order management, invoice preparation and product returns.

Invoice Management*
Provides the opportunity to manage the invoice process by viewing system wide for open sales orders and determining if these can be expedited or consolidated with existing invoices, etc.

Management Reports*
Produces hard copy and screen oriented reports supporting all modules throughout the system.

Crystal Reports 11 Pro
Create flexible, feature-rich reports allowing unlimited reporting from Quantum, using the de facto standard for business reporting today.

Aircraft Maintenance
Manages on wing maintenance and includes Engineering Configuration Management, Maintenance Program Management, Maintenance Recording, Technical Records and Flight Log Processing Modules.

Company Management*
Contains both customer and vendor information including pre-defined settings such as payment terms, preferred method of shipping, discounts, tax and more. It can also group vendors and suppliers for marketing purposes and provide detailed history information for each vendor and supplier.

Contact Management
This module provides a tool for sales, service or support centers to record, track, status and assign contact activity. Email list management and broadcasting is also included.

The StockMarket
Quantum users can search, buy, and sell parts with other Quantum Users in real time without leaving the software. Inventory postings are automatic and can include details such as serial numbers, images, time life and prices.

Internet Quantum™ (iQ)
The Internet Quantum module (iQ), utilizes StockMarket technology to allow customers to login to your website and view, RFQ, or purchase from your existing stock in real-time. Information such as condition, time & cycles remaining, tag info, scanned documents, delivery time and more is available to assist users in their purchasing decisions.

Max-Q
With Max-Q you get Aviation's leading Business Application, Quantum Control, implemented with the latest database technology from Oracle to provide the ultimate in database Security, Reliability, Scalability and Performance.

Shop Control
Manages the complete Component and Assembly Repair and Overhaul process. Includes real-time Cost and Schedule Management functions that put you in complete control of your shop's activity.

Manufacturing
The Manufacturing Module addresses all aspects of the manufacturing process including product lines, floor control, inspections, materials planning, purchasing and outside servicing.

Repair Orders*
Manages the preparation, pulling from inventory, shipping and receiving of components sent out for repair. The Repair Order module provides historic as well as current repair cost per component, detailed by parts, labor and miscellaneous charges.

Bar Coding
Prints bar codes and allows for the scanning of physical inventory to track and manage stock and account for all parts when shipping, receiving, etc.

Repair Manual Tracking
Tracks all publications and revision dates and review dates. Provides for manual effectivity by part, customer and ATA. Integrated with the Shop Control module providing specific manual requirements for individual work orders.

Document Imaging
Provides the ability to attach images or documents against part number, stock line, work order, and company.

Rental and Leasing
The Rental and Leasing module has the versatility to handle all of your rental and leasing transactions including flight-time based billing.

GFI Faxmaker
This is a fax manager that supports "background" faxing from all Quantum users by using a service based system. This is a third party MAPI compliant fax manager supporting multiple fax servers and Citrix.

Component Control ~ 619.696.5400 ~ info@componentcontrol.com ~ 1731 Kettner Blvd., San Diego, Ca, 92101

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The International Registry

Recognizing that there are many global marketplaces (including aviation), and that notice of liens needs to be international in the current global market, the United States entered into an agreement known as the Cape Town Treaty. That Treaty establishes an international registry and establishes reciprocal agreements that permit aviation lien documents filed in one registry to be effective as public notice in all signatory nations.

The Cape Town Treaty becomes effective in the United States when eight countries have ratified the treaty. The eighth nation has just ratified the Treaty so it is now effective in the United States as of March 1, 2006.

With the ratification, documents filed with the FAA Registry will now be forwarded to an international registry. This means that notice documents (like notice of lien) that are properly filed in the United States will have international effect with all of the parties to the Cape Town Treaty. Thus, if the aircraft or engine is moved to another country but your lien remains valid, then your rights remain enforceable in the other nation without having to separately file a lien in that nation.

Be sure to review your state's lien laws – different states can have very different standards. The federal law applies to the validity of the registration with the FAA, but the courts will apply state law to the validity of the underlying lien that was registered.

HAZMAT CORNER

Hazmat Training for ASA Members, Including Repair Stations

ASA members with repair station certificates should be aware of the fact that there are now at least two different legal standards that apply to hazmat training for them.

Under the new repair station training rules that will go into effect in April, 2006, repair station training systems must adequately cover each type of hazmat training that the employees require. This is becoming an increasingly serious issue as more and more FAA inspectors are starting to focus on hazmat in their oversight.

1) Under the FAA's guidance for repair station training programs, initial and recurrent employee indoctrination programs should include educational units on U.S. D.O.T. hazardous materials regulations. ASA's General Counsel has written a program that provides this training (along with the other subjects described in Advisory Circular 145.10 §§ 301(b)(3) and 301(c)(6)) that will be delivered at the Aircraft Electronic Association Annual Convention on April 19, 2006. More information about this AEA course is available at: http://www.aea.net/Convention/FT/PSFT1.asp##Hazmat.

2) Under the federal and international standards, those responsible for any safety decision related to the safe shipping of hazardous materials must receive training in the relevant regulations and practices. Because there is so much hazmat inherent in aircraft parts, at least one person from each repair station or distributor should be trained to this level. If more than one person is involved in hazmat shipping then each should be trained to this standard. ASA will offer a two-day training course that meets this requirement – classes are scheduled for later this year. More information about this course is available at http://www.dangerousgoodstraining.net.

Remember – ASA members will often have hazmats in their facilities ranging from fuel control units (with residual fuel) to chemicals (like alodine). There are many tools and exceptions that can make these very easy to ship, but you have to attend the training to understand them, as well as to meet the regulatory requirements for training!

REGULATORY UPDATE

Heavy Jail Sentences for Parts Distributors Convicted of Parts Fraud

United Aircraft and Electronics owner Amanullah (Aman) Khan, 56, has been sentenced to 15 years in jail and almost 5.5 million dollars in penalties and restitution for aircraft parts fraud-related crimes.

According to the Department of Transportation (DOT) Inspector General's Office, from 2000 to 2002, Khan operated United Aircraft & Electronics (UAE), an aircraft parts dealer, in Anaheim, CA. Khan was accused of issuing false certifications and other documents for aircraft parts. The centerpiece of the criminal trial was the UAE claim that a flight-critical helicopter part for certain Bell helicopters (a grip assembly – which keeps the rotor blades attached to the helicopter), was a part made of steel. The grip was actually made of aluminum, which has different wear characteristics and a shorter lifespan than steel. Khan also was accused of selling used parts that he had represented to customers as being new.

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The FAA issued an Unapproved Parts Notification (UPN) concerning parts sold by UAE in January 2004. The UPN accused UAE of selling used aircraft parts as new parts with falsified certificates of conformance, invoices and 8130-3 tags. The FAA explained that UAE added false data plates, stamps and serial numbers to reworked parts. The UPN provided some examples of parts sold by UAE in this manner, including Bell Helicopter grips and Pratt & Whitney engine parts.

The FAA also issued a Special Airworthiness Information Bulletin (SAIB) in February 2004 that repeated the allegation that UAE purchased surplus and used parts, including parts already determined to be scrap, machined them to appear new and sold them as new parts. The FAA stated that in some cases, UAE changed the part number marking. UAE packaged these parts to look like they came from Pratt & Whitney and included forged certificates of conformance, invoices, and form 8130-3 airworthiness approvals. The SAIB named specific part numbers sold by UAE.

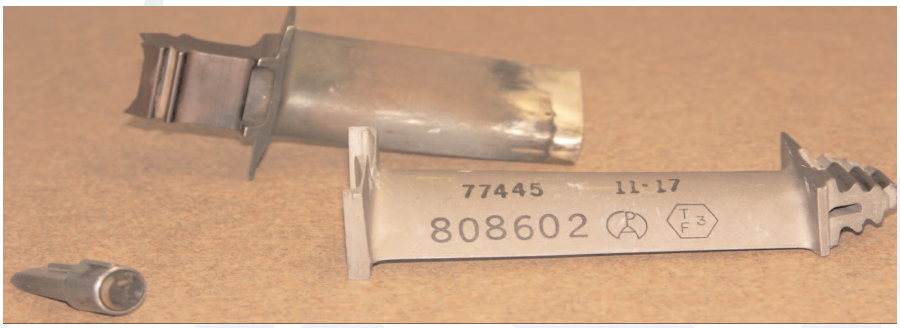
The criminal case was brought in 2003 in the U.S. District Court for the Central District of California, located in Santa Ana. On November 20, 2003, during the third day of his criminal trial, Khan interrupted the jury proceeding to plead guilty to falsely certifying flight-critical aircraft parts sold by his company. Khan entered a plea of guilty to 12 felony counts, including conspiracy and aircraft parts fraud.

Two years later, on November 28, 2005, Khan was sentenced to 15 years and 8 months in jail. After release, he will be subject to 3 years supervised release. He was also ordered to pay restitution of $5.49 million. Pursuant to the parts fraud law, Khan was also ordered to never engage in an aircraft related business without the approval of the U.S. Department of Transportation. The sentencing judge, U.S. District Court Judge David Carter, called Khan "a menace to worldwide air safety."

On November 7, 2005 in the same U.S. District Court, Ziad Gammoh, Khan's partner, was sentenced to 6 and a half years jail. He also will serve 3 years supervised release after his sentence is finished. He was ordered to pay the same $5.49 million in restitution as Khan – they will be jointly liable for the sum. Like Khan, Gammoh also was ordered to never engage in an aircraft related business without the approval of the Department of Transportation.

In a second case, which was filed in the District of Columbia, Khan also pleaded guilty to conspiracy and to violating the Arms Export Control Act. Authorities said he was caught in a sting called Operation Dark Star. Within the sting, Khan agreed to sell components for fighter aircraft and military helicopters to undercover agents posing as Chinese arms brokers.

[GRAPHIC ONE: This JT9D engine blade, part number 808602, was the subject of a February 2004 Special Airworthiness Information Bulletin issued by the FAA]



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[GRAPHIC TWO: This is an example of a certification issued by UAE]

UNITED AIRCRAFT & ELECTRONICS

CERTIFICATE OF CONFORMANCE

We certify that materials/items supplied under this purchase order are factory new and meet all the applicable required specifications.

Documents pertaining to this purchase order are available for review by an authorized party at our facilities upon request.

CUSTOMER: [redacted]	OUR SHIPPER NO.: 32634
CUSTOMER PURCHASE ORDER NO.: 202853	OUR INVOICE NO.: 32634

ITEM	QTY	PART NO.	DESCRIPTION
1	70	214-040-867-101	WEAR SLEEVE

Oscar Munoz

OSCAR MUNOZ
QUALITY CONTROL MANAGER

02-26-2001
DATE

1140 N. Kraemer Blvd., Suite H • Anaheim, CA 92806 • (714) 630-9333 • FAX (714) 630-9355 • www.united-aircraft.com

Unapproved Parts Notices are published by the Federal Aviation Administration and are reprinted in The Update Report as a service to the readers. The Association is not responsible for the contents of this publication.

UNAPPROVED PARTS NOTIFICATION

SUSPECTED UNAPPROVED PARTS PROGRAM OFFICE, AVS-20
13873 PARK CENTER ROAD, SUITE 165
HERNDON, VA 20171

U.S. Department of Transportation
Federal Aviation Administration

No. 2004-00053
February 13, 2006

http://www.faa.gov/aircraft/safety/programs/sups/upn/

Mailed by FAA AIR-140, P O Box 26460, Oklahoma City OK 73125

AFFECTED PARTS
Thompson fuel pumps.

PURPOSE
The purpose of this notification is to advise all aircraft owners, operators, maintenance organizations, manufacturers, and parts distributors regarding improper maintenance performed on Thompson fuel pumps (part no. TF-1900).

BACKGROUND
Information received during a Federal Aviation Administration (FAA) suspected unapproved parts investigation revealed that prior to April 26, 2005,Thunderbird Aircraft Parts, Inc. (Thunderbird), located at 5406 N. Rockwell Avenue, Bethany, OK 73008, improperly maintained and approved for return to service Thompson fuel pumps applicable to various types of aircraft. Thunderbird holds Air Agency Certificate No. IC2R893K, with limited accessory ratings.

Discrepancies noted in Thunderbird's practices included:

- Approving for return to service fuel pumps that were not properly tested using methods, techniques, and practices acceptable to FAA.
- Approving for return to service fuel pumps that were not maintained in accordance with the current manufacturer's maintenance manual or methods otherwise acceptable to FAA.

RECOMMENDATIONS
Regulations require that type-certificated products conform to their type design. Aircraft owners, operators, maintenance organizations, and parts suppliers and distributors should inspect their aircraft, aircraft records, and/or parts inventories for Thompson fuel pumps approved for return to service by Thunderbird. Suspect parts installed on aircraft should be inspected for conformity to

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type design. If any are found in existing stock, it is recommended that the parts be quarantined to prevent installation until a determination can be made regarding each part's eligibility for installation

FURTHER INFORMATION
Further information concerning this investigation, and guidance regarding the above-referenced parts, can be obtained from the FAA Flight Standards District Office (FSDO) given below. The FAA would appreciate any information concerning the discovery of the above-referenced part from any source, the means used to identify the source, and the actions taken to remove the part from aircraft and/or stock.

This notice originated from the FAA Oklahoma City FSDO, 1300 S. Meridian, Suite 601, Oklahoma City, OK 73108, telephone (405) 951-4200, fax (405) 951-4282; and was published through the FAA Suspected Unapproved Parts Program Office, AVS-20, telephone (703) 668-3720, fax (703) 481-3002.

BUSINESS UPDATE

Root Canal Therapy for Businesses - Root Cause and Corrective Action

By: Anshuman Kumar Trikha (A.K.), Lean QA

A.K. will be a speaker at the 2006 ASA Annual Conference, July 8-11 in Las Vegas

Recently a Jet Blue flight 292 from Burbank California to New York, carrying 140 passengers was forced to make an emergency landing. The landing gear wouldn't retract to its proper position. Three hours later after burning off most of the fuel, the flight was allowed to make a Hollywood style, nationally televised emergency landing at LAX. In this instance the airline pilot managed to save lives.

Events such as this trigger high profile FAA investigations. As a minimum, among many other accountability issues, the Airline will need to demonstrate to the National Transportation Safety Board (NTSB) what caused the incident and what measures they will take to prevent this from happening again. First and foremost since this is a passenger safety issue, it would need to be addressed urgently. Secondly, the carrier's credibility for safety standards is also at stake. Hence, to regain customer confidence and demonstrate accountability to the regulatory agencies the airline must conduct analysis to find the true cause and quickly put preventive measures in place to eliminate any chance of such an event from ever happening again.

Fortunately for the airline travelers there's good news. Events such as these happen less than once or twice out of a million take off and landings. According to the stats, airline safety measures up greater than six-sigma. However, a recent article published in Los Angeles Times talks about sixty seven such incidents in the recent airline history since 1989. Sadly it brings the sigma level down a bit. More than that, it's surprising why repeat incidents such as this have happened this many times! Not a very good looking scorecard for the carrier!

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Can you imagine the formidable costs associated with this event alone? Keep in mind an average rework in industrial setting costs $75-$100 per man hour. Let's examine some of the obvious and not so obvious costs associated with this incident: costs to analyze the event wherein, the entire nose landing gear assembly would be sent clear across to New York where the mechanics will take it apart piece by piece to recreate the scenario in order to find the cause; how about the raw material and repair costs? Lets also take into account cost of spent fuel flying around before given permission to land; Costs associated with reporting to the regulatory agencies and many other latent costs such as litigation due to customer claims. We're talking thousands of dollars; perhaps in excess of hundreds of thousands. According to a spokesperson for NTSB, the problem that caused the wheel on Flight 292 to lock in the wrong position could have been caused by the electrical system, the hydraulics or some other part of the assembly.

Now imagine if the Airlines were not held accountable for such an event; could you feel safe traveling with that carrier? Frankly, some of us would be quite apprehensive unless the carrier conducts proper investigation and addresses the true cause.

In this article we will discuss how the Corrective action investigation process benefits organizations and review the methodology for Root Cause and Corrective action investigation process.

In medical terms, root cause investigation "stops the bleeding" and gives your business processes "prescription" to take care of the problem for future. Some in the aerospace industry consider it akin to "root canal". Root cause investigation allows your organization to contain the issue and put in measures in place to prevent it from happening ever again. It is cost effective and works like the wonder drug "aspirin" by keeping the "flow going" in the industries.

For most of the ISO 9001:2000 or AS 9100 registered organizations root cause and corrective action is routine business. It gives the organizations much needed degree of freedom to identify mistakes and adjust their work systems to prevent future mistakes.

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The methodology is very simple. It consists of 8 steps, hence some organizations also refer to it as 8D analysis - the 8 Discipline problem solving method. The operative word to solve problems using the Root Cause and Corrective action approach is asking that annoying question “WHY?”

The steps for conducting root cause investigations are as follows:

Step 1 – Event
Step 2 – Form Team & Scope Project
Step 3 – State the Problem
Step 4 – Gather Data
Step 5 – Analyze Data
Step 6 – Brainstorm solution
Step 7 – Follow up to ensure implementation
Step 8 – Follow up for effectiveness

1. Describe Event
Describe what happened in brief. Focus on one problem. e.g., the assembly failed acceptance test; Customer returned part because they received wrong part number; Parts were shipped to wrong customer location; Customer did not receive test reports with the parts. Event description does not state what caused the event or what to do next.

2. Form Team
Establish a small group of people consisting of process owners, or persons who can are responsible for the areas, equipment or processing, with the knowledge, time, authority and skill to solve the problem and implement corrective actions. In most distributor organizations, head of QA usually assumes the lead role and coordinates the root cause investigation process.

3. State the Problem
State the event as the problem. Describe the problem in measurable terms and keep it simple. Understand the problem and specify the internal or external customer problem by describing it in specific terms. Focus on one problem.

Implement and Verify Short-Term Corrective Actions
Define and implement those intermediate actions that will protect the customer from the problem until permanent corrective action is implemented. Verify with data the effectiveness of these actions.

4. Gather Data
Use team approach to gather data as to where, who, when, how, what were the prevailing conditions, and physical evidence if available that explains the event. Ensure data is accurate and valid. Use methods such as digital photos, interviews and the actual samples of the nonconformance.

5. Analyze Data
Work backwards from the event asking that uncomfortable question “WHY” until you reach the true cause of the event. Examine the data to determine what the true cause is and which ones are the contributing causes. Some common causes are operator error; improper instructions; improper tooling; Sales process not standardized.

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6. Brainstorm Solution
In a cross sectional setting, solve to destroy the cause chain. Confirm that the selected corrective actions will resolve the problem for the customer and will not cause undesirable side effects. Define other actions, if necessary, based on potential severity of problem.
Define and implement the permanent corrective actions needed. Choose on-going controls to insure the root cause is eliminated. Once in production, monitor the long-term effects and implement additional controls as necessary. Modify specifications, update training, review work flow, and improve practices and procedures to prevent recurrence of this and all similar problems. Test the solution prior to implementing to make sure it addresses the true cause and is value added.

7. Follow Up to ensure implementation, containment and effectiveness of the proposed action
Communicate to requestor outcome of the analysis and implementation; Request feedback from the affected party and schedule assessment by assigning follow-up to internal auditors.
8. Congratulate Your Team
Recognize the collective efforts of your team. Publicize your achievement. Share your knowledge and learning.

Whether it's the landing gear problem similar to that of the Jet Blue Flight 292 or any other business related problem, Root Cause methodology is beneficial for Distributors and OEM at all levels and in all situations. It gives you opportunity to regain control over your processes; to adjust your work systems and prevent future mistakes. Return on investment for root cause analysis is always guaranteed; many a times expressed as cost of avoidance. Benefits from root cause investigation far outweigh the paltry - at times seemingly formidable costs, associated with industrial "root canal" therapy. Savings due to proactive fixes for potential problems add up to substantial amounts; enough to designate Root Cause and Corrective Action one of the most important elements in running a profitable business.

ASA MEMBER PROFILE

Flight Director Inc. - Quality without Compromise

Quality Without Compromise, an exacting standard that the corporation set many years ago in a small one-bedroom apartment that served as the corporation's first headquarters, has remained the foundation of Flight Director's business philosophy. Financed with $3000 and no bank credit, Flight Director Inc. had little margin for error and a few hardy customers in its infancy. Flight Director has not distanced itself from its humble beginnings. Flight Director's management never wants to forget that in the world of aircraft maintenance, there is still very little margin for error. For Flight Director "Quality Without Compromise" is a value, not a slogan.

In its first decade, Flight Director, Inc. cultivated a worldwide reputation for expertise in avionics products. Over the course of its second decade and into the third, the corporation has responded to the demand of its many satisfied international customers for more comprehensive support by expanding its inventory to include other product lines such as engines, APU's, landing gear, thrust reversers, inlet cowls, flight surfaces, interiors, QEC and assorted other rotables.

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Flight Director, Inc. traces its aviation lineage back to 1957 when the first Hanrahan, Donald J. Hanrahan Sr., started work at the Collins Radio Company in Cedar Rapids, Iowa as a general aviation salesman. Mr. Hanrahan Sr.'s three sons – Mark, Michael and Donald – eventually followed him into aviation where twin brothers Mark and Michael went to work at Intertrade, Ltd. Michael left Intertrade, Ltd in 1984 to incorporate Flight Director, Inc. in Los Angeles, CA. Mark continued to manage Intertrade, Ltd. after Mr. Hanrahan Sr.'s passing in 1985, and in 1999, he sold Intertrade, Ltd. to Rockwell Collins. Donald J. Hanrahan Jr. joined Michael at Flight Director, Inc. in 1990. In 1991 they moved Flight Director, Inc. to its present headquarters in Austin, Texas. Flight Director also has opened sales offices in Ft. Lauderdale and Irvine.

The corporation maintains an extensive $30 million inventory in its Texas facility and annually delivers more than $36 million of new and recertified aircraft equipment to flight operations, airlines and military bases around the world. Since the 1990's, Flight Director, Inc. has broadened its scope from avionics to the entire aircraft while purchasing more than 30 commercial airliners including DC8, DC9, MD90, B707, B727, B737, B747, B757, A300, A310, A320, A330 and A340.

Today, Flight Director Inc. is a thriving member of the distributor industry and the Aviation Suppliers Association. Focusing on the future, the company leaders believe that the most challenging issues facing distributors today is the modernization of equipment inventories to match the needs of increasing demand for the mid-level generation aircraft such as B737-300/500, B757, A310, A300-600, many of which have been converted to freighter operation. Mr. James Kyle, Quality Assurance Manager for Flight Director, commented that in an improving market for aviation, acquisition inventories have become more scarce, forcing suppliers to pursue new sources and creative methods of acquisition, such as purchase of engines or airframes with sub leases for future teardown.

On the future growth of the aviation parts community, Kyle noted that equipment and engine leasing have become frequent client requirements, in particular for start up and low cost carriers that are attempting to control costs. Regarding equipment lease packages, Flight Director sees major challenges in projecting residual values and inventory control issues. Growth areas also exist in logistic services such as repair management and procurement outsourcing, according to the company.

Flight Director values its membership in ASA and commented that ASA brings awareness and action regarding proposed regulatory changes within the FAA and various government organizations that have impacted the industry in the past and will continue to be important in the future. ASA has brought significant legitimacy to the aftermarket through the audit and supplier certification process which has become a de facto standard with most of the world's airlines/operators.

Flight Director, Inc. also plays a significant role in the community. The company has sponsored employee participation with the elderly community in supporting Austin area caregiver organizations for 15 years. In addition, Flight Director sponsors annual holiday parties for disadvantaged youth and supports churches and other charitable organizations in Texas, California and Florida.

Flight Director is approved to FAA AC-0056A through ASA-100 and also is ISO 9001:2000 certified. Flight Director has been an ASA member since 1993.

CONTACT US!

ASA Staff is always interested in your feedback. Please contact us with any comments or suggestions.

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2006 CALENDAR OF EVENTS!

Look for Jason or Michele on the speaking program or on the exhibit floor at the following events.
For additional information contact us at info@aviationsuppliers.org or (202) 347-6899.

2006 ASA Events

March 20 . . . . . .**ASA European Workshop**, Renaissance London Heathrow Hotel.
April 17- 18 . . . . . .Hazmat Traingin, Hilton Hotel, Palm Springs, CA
July 8-11 . . . . . .**2006 ASA Annual Conference**, Four Seasons Hotel, Las Vegas, NV.
. . . . . .Room rates under the conference contract are just $159 per night!
For more information on ASA events, visit us online http://www.aviationsuppliers.org/training/training.htm.

Other Events

March 28-30 . . . . . .Gorham PMAConference, San Diego, CA
April 19-22 . . . . . .Aircraft Electronic Association Annual Convention, Palm Springs, CA
April 25-27 . . . . . .* MRO, Phoenix, AZ

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