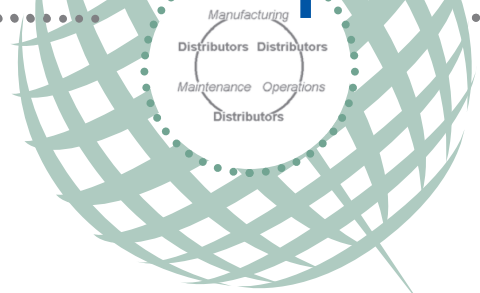


The UPDATE Report



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REGULATORY UPDATE

False and Misleading Rule Poses New Interpretation Challenges for Industry

Watch out! A new rule is on the loose. This is no tame rule, oh no. It is the false and misleading statement rule – a wild rule with unknown boundaries and uncertain enforcement patterns.

The law generally makes it a civil offense under FAA regulations to make certain types of fraud, false statements, misleading statements and misleading omissions.

This article is organized into (1) the opening polemic, (2) an objective assessment of what the rule is likely to do (beginning on page 91), and (3) closing remarks about likely enforcement patterns. In addition, in sidebars, you will find a reprint of the actual rule (page 93), and advice and tips designed to keep your business out of the cross-hairs of this new rule (page 95).

The Rule, In Summary

The rule makes fraud and intentional falsehoods unlawful. The new fraud/false statement regulations are generally consistent with existing state-level commercial fraud laws. Their scope is more narrow, though. The limitations of the regulation apply only (1) to records concerning the airworthiness of a type-certificated product (aircraft/airframe, aircraft engine, or aircraft propeller), or (2) to records concerning the acceptability of any

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THE UPDATE REPORT

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

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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.

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Remember to mark your calendars! ASA's regulatory training will begin next month. See our advertisement on page 101 for a workshop location near you. The ASA QA Committee will meet November 18-19, 2005 in Dallas, TX. For additional information visit our website or contact Greg Tinti at (202) 347-6895. ASA's Annual Conference is scheduled for July 9-11, 2006 and it will be held at the Four Seasons in Las Vegas, Nevada. The QA Committee will meet on July 8 in the same location.

This issue is almost entirely devoted to the issues surrounding the FAA's new False and Misleading Rule. It begins with an analysis of the rule, features the actual text of the new rule, and also includes a discussion of what is fraud, under the current laws, so that our members can understand how the fraud section of the new rule is likely to be interpreted, and also understand how significant the differences are between what the fraud laws address, and what the new rule will address.

This month we continue our Member Profile series with an article about Jet International. Please note that their placement in the article focussed on fraud IS NOT a statement about their integrity! Just as next month's member profile will have nothing to do with the Unapproved Parts Notice (UPN) that we will publish in next month's issue.

Our next issue should come out quite soon after this one - in about two weeks - because we have plenty more to say. Next month you can expect to see a focus on bankruptcy law, and what the recent Northwest and Delta bankruptcy filing will mean to the industry. There is also a brand-new hazmat training rule that is planned for publication on October 7th. Finally, you can also expect to see the previously-mentioned new UPN.

Best regards,
Michele Dickstein

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product, part, appliance, or material for installation on a type-certificated product.

The fraud/false statement portion of the rule also applies to those who either reproduce or omit a record (we'll talk about how this can apply to a distributor in the section discussing fraud).

The rule also goes on to prohibit misleading statements, and as the full analysis in this article shows, the scope of this provision is likely to be confusing to many people in the aviation industry.

The rule also provides several definitions of terms that are important to the industry. In the case of airworthy, for example, the FAA for the first time codifies the airworthiness definition that has long been considered the norm in the aviation industry (the definition based on the conditions for issuing an export 8130-3 taken from 14 CFR 21.333(a)).

The Opening Polemic

The new regulation covers advertisements. It covers records that bear some relationship to sales transactions involving aircraft parts. It covers records related to airworthiness and "acceptability for installation." And it covers representations made and recorded as part of a sales transaction.

The regulation is far from straight-forward in its approach to the subject. It is a lawyer's dream and an English Professor's nightmare (unless the Professor happens to be the sort who enjoys spending a lifetime deciphering the imagery of Samuel Coleridge). As a consequence, we can only speculate on the enforcement actions that the FAA will eventually bring under this rule. But this article shall attempt to make some sense of the rule.

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The stated purpose of the rule is straightforward enough:

“The purpose of this rule is to improve air safety by preventing people from representing that any product, part, appliance or material is suitable for use on any type-certificated product when, in fact, the product, part, appliance or material may not be.”

Unfortunately, the stated purpose of the rule marginalizes the mechanic and the important role the mechanic plays in the airworthiness process. From a strict legal standpoint, the installer bears final responsibility for the part when it is installed (under 14 CFR 43.13(b)). More and more, in recent years, installers have relied on documentation for proof of airworthiness, sometimes to the exclusion of common sense. The FAA has tacitly supported this erosion of reliance on the mechanic's skill and experience by supporting a traceability regime that shifts the burden of determining airworthiness from the installing mechanic, to a prior party who has made a determination of airworthiness and documented that prior determination.

The traceability regime has been imposed on the industry without a single regulation to support it. The FAA's Office of Chief Counsel has even gone so far as to issue a formal opinion letter explaining that traceability is generally not required. Nonetheless, the FAA has treated traceability as if it were required, and has now imposed a regulation that forbids misrepresentation through omission (when the industry still finds itself unable to agree on what is material to an aircraft parts transaction).

The fact is, that even without traceability requirements, the commercial practices of the industry have led to *de facto* traceability requirements for most aircraft parts transactions involving parts destined for commercial aircraft. Without the documentation expected by the customer (sometimes documentation from a matrix that was incorporated into the air carrier's manuals at the behest of the local FAA inspector), it becomes impossible to sell an aircraft part.

The FAA admits in the preamble to the new rule that documentation is not required, and that there are parts in the

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system that are not documented; the new rule safeguards the (non-regulatory) traceability paradigm by making it a regulatory offense to mislead the buyer in those instances where a record has been created.

False Statements and Fraud

The FAA explains the elements of false statements and fraud by establishing the individual elements that make up each offense:

“An intentionally false statement consists of (1) a false representation, (2) in reference to a material fact, (3) made with knowledge of its falsity. A fraudulent statement consists of these three elements, plus (4) it was made with the intent to deceive, and (5) action was taken in reliance upon the representation.”

For purposes of compliance, the separate elements of fraud can be ignored. This is because the elements of a false statement offense are a subset of the elements of fraud, and both fraud and false statements are comparable offenses under the new regulation (although it is possible that they may be treated differently for purposes of assigning a penalty in an enforcement action). Furthermore, it may be possible to ignore element number three – knowledge – because the FAA has stated its intent to assume knowledge whenever a case is of such a category that it would be brought as a civil penalty (the issue of knowledge is further discussed below under the Enforcement section of this article).

Thus, the FAA may be able to successfully claim an offense of FAR 3 whenever they can demonstrate a false representation concerning one of the following material facts:

- 1) the airworthiness of a type-certificated product (meaning an airframe, engine or propeller), or
- 2) the acceptability of any product, part, appliance, or material for installation on a type-certificated product

The new rule also makes it an offense to make an intentionally false or fraudulent reproduction or alteration of any record related to one of the two target subjects (airworthiness of a product and acceptability of a part for installation on a product). This should include a wide variety of frauds. The scope of forbidden alterations should include whiting-out one set of target data and replacing it with another - for example, whiting-out the eligibility statement in block nine of an 8130-3 tag, and replacing it a different eligibility statement that is incorrect. The fraud section of this rule probably would not apply to the whiting-out and replacement of the company name listed in block four (although other laws would likely forbid such an action).

What is a fraudulent reproduction of a record? This category of forbidden practices would include copying documents associated with one part and fraudulently associating them with another part - for example, copying the cert papers for a lot of fasteners, and using them to pass-off an unrelated lot of non-conforming fasteners as if they were in compliance with the standards described in the documentation (the non-conforming fasteners would be unacceptable for installation because they

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are not in the condition verified by the fraudulent paperwork).

Misleading Statements

ASA had no objections to the FAA's position on fraud and intentional falsehoods, because the legal standards associated with them are quite clear. In fact, ASA supported these provisions in its formal comments to the regulatory docket. The misleading statements provisions were quite a different matter.

As originally proposed, the misleading statement prohibitions would have required "appropriate" records without ever defining what records were considered "appropriate" and it would have established a very subjective standard for what was considered misleading.

The final rule is much better than the original proposal. The term "airworthy" has been defined in a way that is not 100% clear (based on past problems with the term), but at least it now is grounded firmly in language that follows standard industry patterns. More importantly, the scope of the misrepresentations that are covered under this rule has been curtailed drastically. While the matters that fall within the scope of the rule are still potentially subject to the personal subjective desires of FAA inspectors, the issues on which they can assert those desires have been narrowed.

The "misleading" section of the rule forbids making, or causing to be made:

- (1) a representation reflected by a record or an omission of material fact that leads to the creation of a misrepresenting record;
- (2a) that a type-certificated product is airworthy, or;
- (2b) that a product, part, appliance, or material is acceptable for installation on a type-certificated product;
- (3) if that representation is likely to mislead a consumer acting reasonably under the circumstances;
- (4) when the representation is made in the context of an advertisement of a transaction;

It is important to note that in the list of the elements of a misrepresentation under the new rule, both material misrepresentations and *omissions of material fact* can give rise to a violation. This is where the new rule becomes a little bit difficult to predict.

The question becomes, what is a material fact? Many in the industry have felt that historical installation on an incident-or-accident-related aircraft is a material fact. There are others who dispute whether this broad category is per se material, especially in situations where the historical installation does not appear to be relevant to the airworthiness of the part. For example, while a hard landing will often generate concern over the landing gear, what is its real effect on an engine? If there is a small fire in the aft galley of a transport category aircraft, is there any reasonable potential for damage to the avionics in the cockpit? And what about the situation where a part has been subjected to a full hidden damage analysis that shows that the incident-or-accident had no reasonable effect on the airworthiness of the part? In each of these hypotheticals, is the fact that the part was installed

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PART 3 GENERAL REQUIREMENTS

3.1 Applicability and Definitions.

3.5 Statements about products, parts, appliances and materials.

Authority: 49 U.S.C. 106(g), 40113, 44701, and 44704.

§ 3.1 Applicability.

- (a) This part applies to any person who makes a record regarding:
 - (1) a type-certificated product, or
 - (2) a product, part, appliance or material that may be used on a type-certificated product.
- (b) Section 3.5(b) does not apply to records made under part 43 of this chapter.

§ 3.5 Statements about products, parts, appliances and materials.

- (a) Definitions. The following terms will have the stated meanings when used in this section:

Airworthy means the aircraft conforms to its type design and is in a condition for safe operation.

Product means an aircraft, aircraft engine, or aircraft propeller.

Record means any writing, drawing, map, recording, tape, film, photograph or other documentary material by which information is preserved or conveyed in any format, including, but not limited to, paper, microfilm, identification plates, stamped marks, bar codes or electronic format, and can either be separate from, attached to or inscribed on any product, part, appliance or material.

(b) Prohibition against fraudulent and intentionally false statements. When conveying information related to an advertisement or sales transaction, no person may make or cause to be made:

(1) Any fraudulent or intentionally false statement in any record about the airworthiness of a type-certificated product, or the acceptability of any product, part, appliance, or material for installation on a type-certificated product.

(2) Any fraudulent or intentionally false reproduction or alteration of any record about the airworthiness of any type-certificated product, or the acceptability of any product, part, appliance, or material for installation on a type-certificated product.

(c) Prohibition against intentionally misleading statements.

(1) When conveying information related to an advertisement or sales transaction, no person may make, or cause to be made, a material representation that a type-certificated product is airworthy, or that a product, part, appliance, or material is acceptable for installation on a type-certificated product in any record if that representation is likely to mislead a consumer acting reasonably under the circumstances.

(2) When conveying information related to an advertisement or sales transaction, no person may make, or cause to be made, through the omission of material information, a representation that a type-certificated product is airworthy, or that a product, part, appliance, or material is acceptable for installation on a type-certificated product in any record if that representation is likely to mislead a consumer acting reasonably under the circumstances.

(d) The provisions of §3.5(b) and §3.5(c) shall not apply if a person can show that the product is airworthy or that the product, part, appliance or material is acceptable for installation on a type-certificated product.

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on an incident-or-accident-related aircraft really a material fact? The fact is that reasonable people in the industry have disagreed about that question. And that disagreement over what is considered to be material in a parts transaction is exactly what makes this new rule dangerous.

The FAA provides some clues about the way that this rule will be interpreted by pledging to interpret it in a manner consistent with existing Federal Trade Commission (FTC) advertising guidelines. The FTC has the authority to prevent “unfair or deceptive acts or practices,” and it does so by examining the target audience for the communication, taking into account the knowledge and sophistication of that group of consumers. This is good news, as it means that most aviation advertising and other communications in the transport category aircraft market should be assessed according to the likely effect on sophisticated purchasers from the industry, and not on the layman.

The FTC has defined a material misrepresentation as “one which is likely to affect a consumer's choice of or conduct regarding a product.” The FTC has also suggested that “injury and materiality are different names for the same concept,” suggesting that a misrepresentation that is unlikely to cause injury is equally unlikely to be material.

Enforcement

In the preamble to the rule, the FAA has established an enforcement pattern that it intends to use for enforcing the new regulation. Generally, the FAA would first contact the person who made the representation, record or omission, and discuss why the statement in question appears to be misleading.

“If the person who made the statement in question can show a mistake was made, and such mistake was honest or legitimate, the FAA will not take enforcement action. However, if the statement is not corrected so as to remove its misleading character, or the mistake is one in a series of such mistakes, the FAA will presume knowledge on the part of the person sufficient to take enforcement action.”

While at first glance, this approach seems to reflect a reasonable and cooperative approach to enforcement, there are numerous problems with it. First and foremost, it assumes that if the FAA inspector decides that a statement is misleading, then that decision is conclusive. This is very dangerous because our experience with repair stations (who are directly regulated by the FAA) shows that FAA inspectors will commonly issue either oral or written statements contending that the repair station is out of compliance with the regulation. Our experience further shows that inspectors are sometimes wrong in these assessments. Often, the only way to contest such an assessment by an inspector, though, is to insist on a formal adjudication through a proposed civil penalty action (only then does the inspector seek legal advice from FAA attorneys, who may inform the inspector that his or her assessment of the law is incorrect).

Assume, for example, that an FAA inspector contacts a distributor and informs the distributor that an advertisement on a website is misleading. Upon examination (and perhaps upon consultation with others in the industry), the distributor concludes that the advertisement is not misleading. Under the preambulatory language, the distributor's reasonable belief that the statement is not misleading is,

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in and of itself, tantamount to a knowledgeable violation (willfulness or knowledge generally makes the penalty for any violation greater). Distributors can expect to see the FAA bootstrap its civil penalty arguments with the proposition that because the distributor contested the declaration of 'misleading,' a knowledgeable violation will be imputed.

Despite the FAA's efforts to tighten up this rule, the fact is that it still remains quite vague. The scope of this rule as it is properly enforced will only be understood through the actual enforcement actions undertaken by the FAA, and it is likely that much of the 'enforcement' of this rule will be informal, through FAA employees who insist that a representation, record or omission is misleading, and distributors and others in the industry who change their practice (even when they do not concur in the FAA's judgment) in an effort to avoid the expenses associated with civil penalty action.

Ultimately, the vague standards put forth in this rule provide a very real possibility that the FAA will engage in actions whose express purpose is to chill otherwise legitimate commercial speech. Commercial speech is subject to fewer Constitutional protections than non-commercial speech, but it is still subject to some protections. In particular, regulation of commercial speech must be based on a reasonable government interest. The FAA posits the reasonable government interest of protecting aviation safety; while this is sufficient to justify the rule as it is written, every one of us in the aviation industry must be diligent in watching the way that the regulation is enforced. Where enforcement goes beyond the safety purposes of the rule, it will be important for us to stand together as an industry to make sure that non-safety-related statements are not swept up into the enforcement scope of this rule.

Tips for Distributors

- 1) Make no independent assessment of airworthiness status - let the documentation package speak for itself.
- 2) Maintain a robust receiving inspection staffed by a well-educated corp of receiving inspectors. The inspectors should have the training necessary to identify typical incongruities such as part or serial numbers that don't match the paperwork, obvious visual flaws, configurations inconsistent with the drawings found in the IPC, unexpected finishes, etc.
- 3) Airworthiness is an absolute defense, so have on hand the evidence you need to demonstrate that the product, part, appliance or material is acceptable for installation on a type-certificated product.
- 4) Consider including standard disclaimer language on all of your transaction documents, including RFQs, quotes, purchase orders, and invoices, such as:

The seller makes no independent representation that the part is airworthy, or that it is acceptable for installation. These determinations are to be made by the installer, based on an inspection of the part and of the documentation that has been forwarded by the seller in accordance with FAA AC 00-56.

Fraud - The Basics

The difference between fraud and things that are not fraud is going to become increasingly important with the publication of the FAA's new False and Misleading Rule. For that reason, we have provided a basic introduction to fraud. Bear in mind that the FAA's interpretation of many of these terms (as they are used in the new FAA rule) may be quite different in some cases than is normal for typical interpretations of "fraud." For example, the "misrepresentation" that gives rise to fraud is different from the term as it is used in the FAA's new rule, and the scope of "knowledge" under the fraud laws is different from the way that the FAA has described "knowledge" under the new rule.

Fraud has long been recognized in common law as a civil wrong (also known as a tort). For a court to find fraud, a maker of a statement must affirmatively misrepresent a material fact with the knowledge, or at least the belief, that the statement was false and with the intent to cause the statement's recipient to act in reliance on the statement. Additionally, the court must find that the recipient actually, and justifiably, relied on the statement and that the reliance caused actual financial loss. The following paragraphs examine each element of this definition in more detail.

What is considered a misrepresentation? It is important to recognize that the normal use of the term "misrepresentation" is not an offense in its own right – rather it is merely one element of the analysis surrounding fraud.

According to the American Law Institute's Second Restatement of the Law of Torts, an influential reference work in this area of law, a misrepresentation does not have to be a direct spoken or written statement. Conduct amounting to a false assertion of the truth of a particular fact can also qualify. The Restatement gives the example of a used-car dealer rolling back the odometer on a car so it appears to have fewer miles on it than it actually does. A materially misleading statement, in which everything a speaker says is true so far as it goes but the speaker fails to include relevant additional or qualifying information, is also considered to be a misrepresentation.

Remember, that common-law fraud can be based on conduct, like rolling back an odometer, but the FAA's new rule addresses fraud related specifically to records (and omissions that lead to records).

When is there knowledge or belief that a statement is false? This element is satisfied most straightforwardly if the speaker knows or believes that circumstances are not as he or she represents them to be. Evidence that a person of ordinary skill and knowledge (in the speaker's situation) would have recognized a statement as false is not enough to directly lead to liability, but it can be used as evidence that the speaker likely had less than a honest belief in the statement's accuracy.

This element can also apply in a few circumstances in which the speaker has something less than clear knowledge of or belief in a statement's falsity. First, speakers can be subject to liability for fraud if they lack the confidence in the accuracy of their representations that they state or imply (reckless disregard for the truth). Second, speakers can be subject to liability if they know that they do not have the basis for their representation that they state or imply (this is also considered to be reckless disregard). For example, a speaker might state or imply that he/she can vouch for the truth of a statement through his/her own personal knowledge when in reality he/she only knows of it

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secondhand.

When is there intent to cause or reason to expect the recipient to act or refrain from acting?

A speaker intends to cause the recipient to act in reliance on his/her statement if he/she makes the statement with either a desire that the recipient do so, or a belief that the recipient is substantially certain to do so upon hearing the statement. A speaker has reason to expect such reliance if he/she has information from which a reasonable person would conclude that reliance would follow. A speaker who makes a fraudulent misrepresentation incorporated into a commercial document has reason to expect that it will reach and influence any person who the document reaches.

When does a recipient rely on a misrepresentation? The recipient must in fact use the misrepresentation as part of the basis of a decision to act or refrain from acting. There is no basis for liability when the recipient merely takes an otherwise-intended action that happens to be coincidentally consistent with the misrepresentation and suffers a financial loss (e.g. if the misrepresentation did not cause the recipient to do anything different than he or she would have otherwise done).

When is reliance justified? One consideration is that reliance on a misrepresentation is not justified unless the matter misrepresented is material. A matter is material if a reasonable person would regard its truth or falsity as important in deciding whether to enter into the transaction in question. Even if a reasonable person would not consider it as material, the matter is still material if the speaker knows or has reason to know that the recipient regards or is likely to regard the matter as important in coming to a decision. Thus, a person who receives an 8130-3 tag that falsely indicates that the component is eligible for installation on a 757 could be said to rely on that 8130-3 tag for the decision to install that part on a 757 as a replacement for the part listed in the IPC; but if the same part was listed in the 767 IPC, then no one could say that the installer relied on the 8130-3 tag as the basis for an installation on a 767.

Recipients of fraudulent misrepresentations are not justified in any reliance if they know the statements to be false or if their falsity should be obvious to them by a simple use of their senses at an opportunity for cursory inspection. However, recipients have no duty to further investigate the accuracy of statements on which they rely even if they may do so easily. In addition, the mere fact that a recipient of a misrepresentation knows or believes its maker to have an adverse interest in the transaction at issue does not make reliance unjustified.

When does reliance cause financial loss? A recipient who relied on a misrepresentation must be able to point to quantifiable financial loss stemming from the reliance in order to be successful in a civil action alleging fraud. Often this is the difference between the value of what the recipient received in the transaction and the purchase price or other value given for it. However, this loss can also be measured in other ways, such as the cost of the harm resulting when a product represented as being fit for a particular use turns out to be inappropriate for the use (up to and including consequential damages for grounding an aircraft after installation of the inappropriate part, or even for accident-related damages that arise as a consequence of the fraudulently-represented part). A defrauded person can also recover additional damages relative to the 'benefit of the bargain.' Thus a distributor who is the victim of fraud may be entitled to the value of the part, as well as the future value of the air carrier contract that was terminated as a consequence of the distributor sending them a bad part, assuming that the distributor relied on a material fraudulent statement as the basis

JET INTERNATIONAL - Quality Minded to Deliver Value

Jet International has specialized in providing the highest quality airframe and avionics equipment to the commercial aviation industry for over 26 years. Their capabilities have expanded and kept pace with the growth and diversity of fleets around the world. Not only do they supply most components for commercial air transport aircraft, they also provide a variety of other services such as comprehensive exchange pools, On-Site Inventory Management programs, component-repair management services and aircraft provisioning programs -- each tailored to meet a customer's specific needs.

ASA recently chatted with Steve Govaker, President of Jet International, to learn more about this somewhat precarious, yet very successful company. Jet International's roots date back to 1979. Originally started as a brokering division of another major aftermarket supplier, the company was privatized in the mid-eighties.

Steve's aviation career began in 1966 as a ramp serviceman for Ozark Air Lines at O'Hare International Airport. Over the next 17 years he has held various management positions in customer service and ground operations. When Trans World Airlines took over Ozark in 1986, Steve accepted a position as a manager at TWA's Los Angeles maintenance base. Soon after, he was promoted to oversee TWA's Material Sales department where he was charged with the responsibility of selling off TWA's assets, including airplanes, engines and spares. After TWA's chapter 11 filing in 1992 Steve left the troubled airline for an opportunity with Jet International. In 1997, just five years after joining Jet International, Steve purchased the company.

Although Steve is almost ready to celebrate 10 years of success at the helm of Jet International, he is very much aware of some of the challenging issues facing distributors today. As most distributors would agree, airlines are experiencing declining yields, soaring fuel costs and serious cash-flow situations. Operators and their major maintenance partners are being forced to slash costs, postpone maintenance and delay payments. "The good news," according to Steve, "is that traffic is growing very briskly, nonetheless the state of the airline industry is as challenged as I've ever seen it, and these conditions filter down to all suppliers."

Another challenge faced by the aftermarket industry that Steve pointed out is the increasing difficulty in locating inventory for resale. "Finding saleable parts at the right prices has always been one of the aftermarket suppliers' biggest challenges," Steve explained. "But at Jet International the situation has been further compounded because of our high standards for accompanying documentation and other quality issues." Steve feels Jet International can't buy parts just because the price is right; the products and the accompanying documentation must be perfect. Steve reason said the reason is, "We won't compromise on quality. The reality is that our strict QC standards often limit the products that we can accept into our system."

Finally, finding good people is a constant objective at Jet International. Steve explained that the more particular a business is about the quality of its employees the harder it becomes to select them. Steve proudly added, "At Jet International we've built a team of experienced and successful aviation professionals by having very high standards, but sometimes this policy makes it more difficult to find good people who qualify. We believe that our employees are our number one resource, so it's well worth it to make sure we hire the best."

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Having some of those experienced employees throughout the world certainly helps Jet International position itself for future growth. Steve sees growth opportunities for Jet International in the emerging markets of Asia, the Pacific Rim, Eastern Europe and in some developing countries. "In general" Steve said, "there is potential for future growth provided the supplier stays creative and innovative. Staying a step ahead of the curve will guarantee any supplier more and more niche markets and product lines. Many suppliers have been successful in growing their businesses through various programs such as purchase/leaseback scenarios and exclusive supply agreements with operators and maintenance centers." Steve also feels the regional aircraft and engine market seems to be an area with good potential for growth.



The Jet International Team: *Top Row, L to R:* Brian Paternostro, Brian Tuman, Brad Goering, Alex Farrell, Sue Schuett, Carolyn Gentzen, Steve Govaker. *Bottom Row, L to R:* Kirk Gneuhs, Bill Soo, Jeff Crosby, Dan Crespo, and Neal Mehlman

To keep up with trends in the industry, Steve utilizes ASA and its vast resources to stay ahead of the changes in the supplier market. Steve commented, "For Jet International having an advocate is an important aspect about being a member of the ASA. It's nice to know that the association is there protecting the interests of Jet International and the entire aviation supplier community. Our community has adversaries and it's reassuring to know that the ASA is looking out for us." Equally as important, if not more so, Steve pointed out, is the fact that the ASA has enabled aftermarket suppliers and distributors to remain self-regulated.

Steve added that it would be an understatement to say that The Update Report is a valuable source for industry news and information. Jet International relies on the informative and educational articles that appear in it for employee training and strategic planning. Steve also added that the membership directory, with its contact information, makes the process of networking much simpler. Last, Jet International makes use of the many informative website links that appear on ASA's home page.

Steve attributes Jet International's success to a three dimensional philosophy: Always keep the focus on the customer and their needs; believe that a business is only as good as its employees; and never, ever compromise quality. Steve explained, "This philosophy is taken seriously by everyone at Jet International and has enabled the company to maintain a path of steady growth. It's the philosophy that got us to where we are today; a trusted supplier of aircraft and engine spares with offices in eleven countries and customers all across the globe."

Today, Jet International currently supports all commercial air transport aircraft manufactured by Boeing, Airbus, McDonnell Douglas and many others and include all current and older generation models. Our inventories include but are not limited to rotatable and repairable airframe and engine equipment. Jet International is headquartered in Glenview, IL, but also has offices in Asia, Europe and Africa. These strategically placed locations allow for Jet International customers to receive worldwide service and support around the clock. Jet international has been an ASA Member since 1994 and is FAA 00-56A Accredited through the ASA-100 Quality System Standard and is a registered ISO 9001:2000

Need Training - Register for one of ASA's Workshops

ASA 2005 REGULATORY WORKSHOPS



Aviation Suppliers Association

THE INTELLIGENCE RESOURCE SERVING THE AVIATION PARTS SUPPLIER COMMUNITY

DATES AND LOCATIONS

Nov. 8	Los Angeles, CA	Embassy Suites Hotel Arcadia, CA
Nov. 10	Seattle, WA	Marriott Courtyard Southcenter, Tukwila, WA
Nov. 15	Chicago, IL	Hosted by AirLiance Materials LLC, Franklin Park, IL
Nov. 17	Dallas/Ft. Worth, TX	Marriott Courtyard DFW Airport North, Irving, TX
Dec. 6	Newark, NJ	Four Points Sheraton, Newark, NJ
Dec. 7	Miami/Ft. Lauderdale	Hilton Garden Inn, Miramar, FL
TBA	European Workshop	

Keep checking our website at: www.aviationsuppliers.org
for complete details on dates, locations, fees and registration.

Achieving Improved Practices for Aircraft Parts Distribution

ASA's one-day continuing educational workshops focus on training members of the aviation community on the many confounding regulations and laws, as well as common industry practices to help you and your employees work more effectively. These one-day workshops are offered in member-populated cities as an affordable means of formal training. Workshops are open to non-member companies.

Past topics have included:

- *Introduction to the Regulations*
- *Changes in Laws and Regulations*
- *Protecting Your Commercial Transactions*
- *Documentation*
- *Traceability*
- *Approved/Unapproved Parts*
- *Export Issues*

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ASA Releases Five New Letters of Interpretation (LIs)

ASA has released five new Letters of Interpretations (LIs) for ASA-100. ASA uses LIs as a method to provide guidance to ASA Accredited companies and ASA Auditors.

The following is a brief description of each new LI.

- LI 100-09 permits ASA-100 accredited companies to use Spec 300 version 1996 and higher as a means to meet the requirements in ASA-100.
- LI 100-10 clarifies language in ASA-100 regarding record requirements for life limited parts.
- LI 100-11 removes section 8(J) from the ASA-100 Standard.
- LI 100-12 provides guidance on how an accredited company shall address an element in ASA-100 that is not currently applicable to the accredited companies business.
- LI 100-13 set forth certain information that must be maintained in the training records.

For most, if not all companies that follow use an ASA-100 system, LI 100-09 and LI 100-10 will not require a manual change. LI 100-11 does not impose any additional requirements on a distributor rather it actually removes one of the areas in ASA-100. A distributor can continue to keep the removed section in their manual or they can delete that section when they update their manual.

For most companies LI 100-12 and/or LI 100-13 will require a manual change. LI 100-12 provides guidance on how an accredited company shall address an element in ASA-100 that is not currently applicable to the accredited companies business. LI 100-12 does not dictate the method for compliance. Below are three suggested options for complying with LI 100-12:

1. Document procedures for all areas required by ASA-100, even if the procedure is not currently applicable to your business.
2. Incorporate in the beginning area of the manual a sheet that lists the sections of ASA-100 that have been omitted from the manual because the requirement is not applicable. This seems to be the preferred method with the FAA and repair stations.
3. If your manual follows the order of ASA-100 and for consistency you would like to maintain the order scheme, then where the procedure section would normally be located place a statement to the effect that the following procedure has been omitted because it is not applicable.

LI 100-13 set forth certain information that must be maintained in the training records. The training records criteria support what CASE and in general the aviation industry is requiring. ASA Accredited companies will need to change their manual if they are not meeting the training documentation requirement.

The LIs were published October 1, 2005. LIs 100-09, 100-10, 100-11 effective date was October 1, 2005. LIs 100-12 and 100-13 effective date is January 1, 2006. Prior to the addition of these new LIs, there are two current LIs. All ASA LIs may be found on our website at www.aviationsuppliers.org.

ASA 2006 Annual
Conference



Four Seasons Hotel Las Vegas

July 8-11, 2006

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Are you reading a borrowed copy of the Update Report? Subscriptions to the Update Report are now FREE to persons in the aviation industry or the government. To receive your free subscription, send your name, title, company, address, phone number, fax number and email address to ASA. Our email address is info@aviationsuppliers.org and our fax number is (202) 347-6894.

Back issues of the Update Report are now on-line! Missing a prior issue? Issues of the Update Report are being added to the ASA web site about one month after they are published. Complete sets of volumes six through 12 are now on-line!

2005 CALENDAR OF EVENTS!

*** = Look for Jason, Michele or Jeanne on the speaking program or on the Trade Floor. For additional information click on the link below**

- October 10-11*MARPA (PMA) Annual Conference, Phoenix, AZ. <http://www.pmamarpa.org>
- October 11-12*Hazmat Training, Reno, NV. <http://www.washingtonaviation.com/hazmat>
- October 18-20*MRO Europe, Berlin, Germany. <http://www.aviationnow.com>
- November 8*ASA Regulatory Workshop, Arcadia, CA. <http://www.aviationsuppliers.org/training>
- November 10*ASA Regulatory Workshop, Tukwila, WA. <http://www.aviationsuppliers.org/training>
- November 15*ASA Regulatory Workshop, Franklin Park, IL. <http://www.aviationsuppliers.org/training>
- November 17*ASA Regulatory Workshop, Irving, TX. <http://www.aviationsuppliers.org/training>
- December 6*ASA Regulatory Workshop, Elizabeth, NJ. <http://www.aviationsuppliers.org/training>
- December 7*ASA Regulatory Workshop, Miramar, FL. <http://www.aviationsuppliers.org/training>
- TBA*ASA European Regulatory Workshop. <http://www.aviationsuppliers.org/training>

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