

The Update Report

The Aviation Suppliers Association

Volume 12, Issue 10

October 29, 2004

REGULATORY UPDATE

FAA Audits AC 00-56 Program

The FAA has found that ASA exceeds expectations in its management of the AC 00-56 program!

The FAA published Advisory Circular (AC) 00-56, the Voluntary Industry Distributor Accreditation Program, in 1996. After eight years of growth, there was plenty of anecdotal evidence to suggest that the program was a success. ASA had worked hand-in-hand with the FAA on the program. But there had never been a formal audit of the program to verify its apparent success. This year, the FAA conducted a formal audit of the AC 00-56 program, and also of the ASA's participation in the program.

The FAA decided that it would conduct an audit of an Accreditation Organization and also observe accreditation audits of distributors. The FAA intended to assess two different aspects of the program. First, the FAA wanted to know whether the Accreditation Organization and the accredited distributors were meeting the requirements of AC 00-56. Second, the FRAA wanted to evaluate whether the AC 00-56 was being effective in meeting its goals. The FAA expected that it would be able to use these audits to help identify areas in the program that might need to be changed or improved.

The FAA's investigations began with an audit at ASA Headquarters in March, 2004. The FAA audited ASA in several areas:

- Is the ASA system effective in addressing all AC 00-56 issues?
- Does the ASA system successfully audit distributors to ensure compliance?
- Does the ASA system enable ASA to periodically monitor the effectiveness of distributors' quality systems?
- Are the auditors qualified?
- Does ASA issue certificates to compliant companies (and only to compliant companies)?
- Does the ASA system meet the timing requirements – on more than 3 year accreditation terms with at least one surveillance audit in the interim?

The FAA found that ASA met all of the requirements, and in fact that ASA exceeded those requirements. The FAA did not find any non-compliances: ASA was operating in full compliance with its own system and also in full compliance with the FAA's requirements from the Advisory Circular.

In April and May, the FAA participated in audits of two accredited distributors. The FAA did not find any non-compliances in either distributor's facility and program.

The FAA concluded that the audit results validate that AC 00-56 is working well. FAA conclusions also included:

(Continued on page 110)

Inside this Issue:

Bush/Kerry on Aerospace 106
 Survive Customer Bankruptcy... 108
 2004 Workshop Schedule 108
 ASA BOD Meets to Review and Assess Association 109
 Hazmat Classes Available 110
 UPN: Bendix CADC 114

Congratulations to the following companies:

Source One Spares
Hot Springs, AR

For their re-accreditation to the ASA-100 standard in accordance with the FAA's AC 00-56A Voluntary Industry Distributor Accreditation Program

Have you fulfilled your New Year's resolution to become an Accredited Distributor?

There is still time!
Visit ASA's website at www.aviationsuppliers.org or Contact ASA for details.
(202) 347-6899



A Message from ASA's President

We are very proud to announce that the FAA has audited the AC 00-56 program and found that ASA, and the accredited distributors, exceeded expectations. The good news about the audit is our cover story but if you want to read the full report, it is available on our website.

Election day is coming up fast. For those of you who remain undecided, we have published our latest information from the Bush and Kerry campaigns on where each candidate stands on aerospace issues. Even those of you who have committed to one candidate or the other may be interested in reading this report, which explains the candidates stands on aerospace issues ranging from export support to research and development.

This month's Update Report also includes the first installment of our series on bankruptcy. USAirways and United are in bankruptcy. ATA just filed for bankruptcy protection. Several other major air carriers are threatening to file. It is particularly important to know how to handle business with these carriers both before and after the bankruptcy filing. This month's installment begins with a look at some strategies for protecting your right to get paid for the parts that you sell; future issues will address handling matters like preference allegations.

We will be in Los Angeles and Phoenix in December for the West Coast hazardous materials classes. The Los Angeles, California class will be a one-day recurrent training workshop for people who are already familiar with the rules for hazmat transportation that need to update their certification. The Phoenix is a two-day initial training class and is appropriate 1) for people who are new to hazmat transportation and 2) for people who have taken a class in the past but that have largely forgotten how to ship hazardous materials. You can see details on the hazmat classes on page 115.

The new hazmat posters are here!!

ASA is proud to announce that the newly updated ASA hazardous materials identification posters are available. These posters help employees to identify certain hazmats that are commonly found in the aviation industry (and that could pose legal problems for distributors if they are shipped without reflecting their hazardous nature).

ASA has sent two copies of the poster to each ASA member. The remaining stock is available to any interested company in the aviation industry.

These posters are available for free, while supplies last.

Best Regards

Michele Dickstein

Aviation Suppliers Association Officers:	
Michele Dickstein President	202-347-6899
Karen Odegard Corporate Treasurer	253-395-9535
Jason Dickstein Corporate Secretary	202-347-6899
Aviation Suppliers Association Board of Directors:	
Terry Bond M & M Aerospace Hardware, Inc.	(305) 925-2600
Richard Levin A.J. Levin Company	(818) 842-6464
Debbie Maier The Boeing Company	(206) 662-9650
Mike Molli Scandinavian Airlines System	(847) 836-3100
Karen Odegard Pacific Aero Tech, Inc.	(253) 395-9535
Roy Resto Tracer Corporation	(414) 875-1234
Brent Webb Aircraft Inventory Management and Services	(972) 488-0580
Mitch Weinberg International Aircraft Associates, Inc.	(305) 685-5511

The Update Report is a monthly newsletter of the Aviation Suppliers Association. Questions/comments should be addressed to:

Jason Dickstein
Aviation Suppliers Association
734 15th Street, NW, Suite 620
Washington, DC 20005
voice: (202) 347-6899
fax: (202) 347-6894
email:
jason@aviationsuppliers.org

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	Jeanne Meade

The Update Report For information on special package rates for advertising, contact the Association at (202) 347-6899.

© 2004. All material in this publication is subject to copyright held by the Aviation Suppliers Association, Inc. All rights reserved.

Bush v. Kerry: Both Campaigns Speak on Aerospace Issues

Which Presidential candidate will provide better leadership on aviation and aerospace issues? On the eve of the election, that is an important question for many ASA members.

ASA is part of the Aviation & Space Stakeholders Coalition. The coalition invited both Presidential campaigns to meet with us to discuss their positions on five aerospace topics:

- Facilitation of Aviation Exports
- Commercial Space Initiatives
- Revitalizing the U.S. Aerospace Workforce
- Strategic National Transportation Policy

- Research and Development to Regain and Maintain U.S. Leadership in Aeronautics

The Bush campaign was represented by former Congressman Bob Walker. The Kerry campaign was represented by former NASA Associate Administrator Lori Gardner.

Bush on Aerospace

Walker explained that the Bush Administration has a Vision for aerospace. The Vision has been published and currently, the mechanisms for implementing the Vision are being studied. When the FAA completes its imple-

mentation study, a final report is expected (the current schedule would release the report to the public in December). Walker spoke on a variety of subjects based on the President's Vision.

Air Traffic Management

Walker expressed the President's commitment to developing a "new air traffic management system that would allow air traffic management to be robust in the future." With little fanfare or publicity, the Administration has been working on a program to improve the existing infrastructure and Walker explained that "within the last few

(Continued on page 111)

IF YOUR INSURANCE AGENT DOESN'T UNDERSTAND YOUR BUSINESS It's time to consider someone who does.

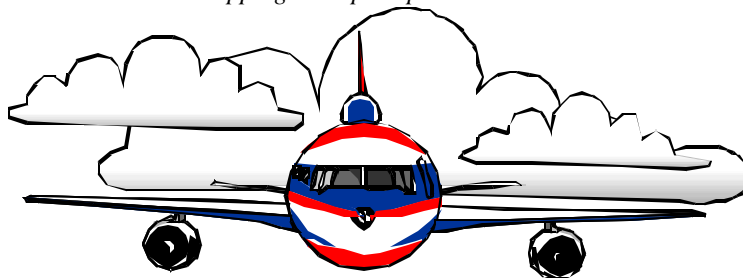
As members of the ASA The Silver Eagle Agency has worked with many aviation businesses to solve their insurance related problems. This has given us a unique insight into the difficulties that you face when working with agents not familiar with your industry. We have specific programs and policies designed for your business to provide you the best coverage at the most economical price.

Call John Howard at the number below to discuss any of the following products

*Aviation Products Liability
General Liability
Property*

*Automobile
Workers Compensation
Life & Health*

Shipping and spare parts in transit



You will be glad you did!

Silver Eagle Agency Inc,

401 S. Milwaukee Avenue,

Wheeling IL. 60090

Telephone 847-229-1500, Facsimile 847-229-1515



Specializing In Inventory Appraisals

Equipment Asset Management and
Financial Appraisal Services

The professional staff of AAMI brings over 60 years of aviation experience in an integrated consulting group, and provides financial and technical services to the industry. We appraise over 200 aviation inventories annually – from the smallest to the largest. If needed, we will appraise your support inventory, tooling, machinery, and equipment. AAMI is able to provide expertise tailored to each individual client while maintaining an overall perspective of how each client's needs relate to the company's goals and their lender's requirements.

We also provide:

Pricing of Individual Parts
Activity Level of Individual Parts
Pre-Purchase Evaluation for Lot Purchases
Tax Appraisals

Aircraft Appraisals & Value Forecasts
Airworthiness & Safety Assessments
Expert Testimony & Legal Support
On-Site Technical Representation

12002 Miramar Pkwy
Miramar, FL 33025-7000

Tel: (954) 441-0844
Fax: (954) 441-0855

E-Mail: info@aami.cc
Web: www.aami.cc

Accredited Senior Appraisers

Daniel H. Rausch
Gary A. Webster



American Society of Appraisers

Customers and Bankruptcy Risks

There are many problems that a distributor faces as a potential bankruptcy creditor, but the two most important are (1) getting paid and (2) the preference rule, under which payments made within 90 days before the bankruptcy filing are presumed to be preferences – this presumption means that it is assumed that the persons paid were treated in a priority manner, and in the interests of equity the money must be returned to the bankruptcy estate (we'll discuss this in more detail in later articles in this series).

This article addresses a few strategies for protecting a typical distribution business in the event you have a customer approaching insolvency. In next month's issue, we will continue investigating some strategies for handling customer approaching insolvency. Future issues will also provide a cursory description of what happens after a bankruptcy filing, and what a distributor should consider after a customer files for bankruptcy protection.

Before Bankruptcy

Pick up the business section of the newspaper and you will see more predictions about which air carrier will next have to file for the protection of the bankruptcy court than you will predictions about the likely winner of the November election. Many ASA members are nervously following these predictions because they do business with these carriers, and in some cases those carriers may owe them outstanding debts. Thus, it is vital for many distributors to carefully follow their customers' financial situations and to make difficult business decisions about whether to do business with particular clients, and how to protect the company when engaged in such business.

There are a number of strategies that a company can use to protect itself:

1) Cash In Advance

The best option is to get paid in advance. This is closely followed by getting paid on delivery (e.g. C.O.D.). Either option prevents the distributor from becoming a creditor, which is the best way to avoid the potential pitfalls of being a creditor for a company facing solvency problems.

You do not need to worry about collecting payment for parts, if you are collecting on delivery. More importantly, these payments cannot be considered preferences, because they were made at the time of sale.

Even if the debtor gives you a bad check for the C.O.D. payment, you might be better protected than if you had simply extended credit. This is because, if the bankruptcy-court-seeks to discharge the debt that is based on

the dishonored check, then you (as the holder of the dishonored check) can probably object to the discharge on the grounds that the debt was established as a consequence of fraud (the bad check), which is often considered to be an exception to the general rule of discharge in bankruptcy.

Unfortunately, the realities of the industry are that it is rare for our largest customers, like the air carriers, to pay for goods before or upon delivery. And those customers who were least likely, historically, to pay in advance or COD are now those for whom we most fear bankruptcy proceedings. Credit terms – as much as 120 days in some cases – became standard in the industry after September 11, 2001 and tend to apply to any vendor who does not have a unique service or product that is considered vital to the air carrier.

(Continued on page 113)

YOUR ASSOCIATION IN ACTION

2004 Workshop Schedule

ASA is taking its show on the road this Fall!

In addition to bringing you the latest changes and standards on regulatory compliance, documentation, traceability and approved/unapproved parts, this year's Workshop will feature units on how to use commercial documents like your invoices and purchase orders to protect your rights, as well as an in depth look at export standards, and changes in export documentation expectations, and how these issues are affecting domestic markets as well.

September 14	Copenhagen, Denmark
September 28	Dallas, TX
October 28	Chicago, IL
November 5	Phoenix, AZ
November 30	Ft. Lauderdale, FL
December 2	Newark, NJ
December 7	Seattle, WA
December 9	Greater Los Angeles Area, CA

Visit www.aviationsuppliers.org for details,
or call us at (202) 347-6899.

Directors Meet to Review and Assess Association's Activities

The ASA Board met in Seattle, Washington for two intense days of discussion focused on ensuring that ASA is meeting the needs and expectations of the members and how ASA can provide more value to its membership and the industry.

The discussion began with a review of the value that the Association already provides to its membership.

It is frequently noted that the number one benefit of ASA—the one thing that ASA's members could not do for themselves.— is government affairs. ASA protects its members not only pursuing changes that benefit ASA members, but also by preventing certain types of change whose 'unintended consequences' would be to seriously impact, or even destroy, the business of aircraft parts distribution. The Board also noted how important it is that ASA builds a bridge to the FAA and other government agencies.

The Board agreed that one of the key benefits that ASA provides to its members, and also to the aviation industry at large, is the Accreditation program. In addition to the direct quality benefits of Accreditation, Accreditation is also valuable because of the value attached by the customers. As a consequence, the Board agreed that it is important for the Association to continue in its quest to educate the airlines and other customers who benefit from the assurances of quality provided by the Accreditation program.

The Board agreed that best way to go out of business is to remain still in a changing marketplace. One of the benefits that ASA has always provided has been information about the changing marketplace, and the Board felt that it is important for the Association to continue in its commitment to informa-

tion gathering and sharing.

The Board felt that it was important for ASA to continue to watch industry dynamics, like government affairs, to detect trends and make sure distributors can survive these trends. The Association has always been known for providing its members with the tools they need to stay on top of the wave of change (instead of being caught underneath that wave as it breaks).

In addition to ASA's focus on government affairs, industry trend monitoring and creation of business survival tools, the Board discussed a wide variety of other key benefits that that the Association provides to its members. Topics included:

- Taking a leadership role in the development of improved quality assurance practices;
- Establishing a foundation for robust quality assurance systems;
- Providing a doorway to the government;
- Serving as a voice for distributors;
- Educating members about best practices;
- Increasing safety in the aviation industry;
- Providing educational opportunities for the industry;
- Providing a forum for discussing important issues;
- Collaborating on training, legislation, accreditation, best practices, information sharing and safety;
- Demonstrate to the rest of the industry the important role that distribution plays in the keeping aviation safe, effective and efficient.

The Board also enumerated some of the specific accomplishments of the Association, like the accreditation program, the ability to obtain 8130-3 tags, education about accident/incident warranty

language to avoid unwarranted liabilities, hazardous material training and education, and focusing the membership on the customers' regulatory needs, and how we as an industry can support them.

The Board expressed its commitment to continuing to provide the membership with the tools needed for survival in today's marketplace. The Board of Directors will be determining ASA's goals and objectives for the next two years. However, the only way to ensure that the Association is on track is to receive comments, suggestion and criticism from the members.

Contact information for the Board of Directors and Association staff is on the inside cover of the newsletter.

In addition to the actual meeting, ASA with the assistance of Deb Maier, invited the local members to attend two presentations: 2004 Boeing Commercial Aviation Outlook and Integrated Material Management Program. Approximately 40 people attend the presentations and reception. Members were able to gather information about the changing market and determine how to position their company.

The ASA Board is made up of Richard Levin (A.J. Levin Company), Deb Maier (The Boeing Company), Terry Bond (M&M Aerospace Hardware), Karen Odegard (Pacific Aero Tech), Mike Molli (Scandinavian Airlines System), Roy Resto (Tracer Corporation), Brent Webb (Aircraft Inventory Management & Services) and Mitch Weinberg (International Aircraft Associates).

FAA Finds that ASA Exceeds Expectations on Accreditation

(Continued from page 104)

- AC 00-56 is a well-written guidance material that has helped industry to police itself in-lieu of regulatory requirements.
- Distributors that choose to participate in the Voluntary Industry Distributor Accreditation Program, and the Accreditation Organizations that audit them are meeting a self-imposed higher standard than is required by AC 00-56.
- ASA, as an Accreditation Organization, has a quality system that far exceeds the requirements of AC 00-56.
- The two accredited distributors that were audited have quality systems that exceed the standards and requirements that apply to them.

The FAA noted that even though participation in the program is voluntary, AC 00-56 is proving to be successful. The FAA stated that the AC 00-56 program demonstrates that collaboration

between industry and the FAA has improved the level of certitude in aviation parts, and, therefore, has raised the level of safety through a cooperative effort.

The FAA audit team made the following recommendations concerning the AC 00-56 program:

- Consider updating/revising AC 00-56 to reflect a change in paragraph 10e, which states “The database manager will remove the information from the database within two business days from the date that the certification expires, or upon notification from an Accreditation Organization that it has revoked a distributor’s certification or that the certificate has been surrendered.” A more reasonable period for removal from the listing might be within 30 days.
- Remove appendix 2, Sample Database Letter, from AC 00-56, as it is

misleading and confusing.

- Continue to monitor the Voluntary Industry Distributor Accreditation Program by conducting audits of both the Accreditation Organizations and the accredited distributors every two years. The lead for future audits should be the Maintenance Division, AFS-300, with the Production & Airworthiness Division, AIR-200 in a supporting role.
- FAA should promote the Voluntary Industry Distributor Accreditation Program by working with industry to encourage participation.

ASA is very proud of these results, and the ASA membership should be too. ASA continues to promote the safety benefits of accreditation, and ASA is looking forward to working with the FAA in the future to continue these promotion efforts.



DO HAZARDS IN AIRCRAFT PARTS HAVE YOU CONFUSED?

TWO WAYS ASA CAN HELP YOU:

1. **Get Educated—Attend an ASA Hazmat Training Course**
 - **Recurrent Training (one day) — December 10, 2004 in Los Angeles, CA**
 - **Initial Training (two day) - December 13-14, 2004 in Phoenix, AZ**
2. **Request an ASA Hidden Hazards in Aircraft Parts poster for your facility**

For updates on training locations and registration visit ASA's website at www.aviationsuppliers.org. For a copy of a Hidden Hazards in Aircraft Parts poster contact ASA via e-mail at info@aviationsuppliers.org or call (202) 347-6899.



Bush Wants to Expand U.S. Aerospace Exports

(Continued from page 106)

months, we've seen the system come together."

Walker expressed a personal goal – he would like to see air traffic management become "robust enough that we could actually have the use of unpiloted airplanes by the year 2025."

Air traffic management plans mean nothing without the funding to implement them, and Walker made it clear that the President intends to fully fund the air traffic management system. He explained that observers should look beyond the FAA Budget to understand the full measure of air traffic management funding. Both the Air Force and the Department of Homeland Security will have aspects of their budget devoted to supporting the FAA's air traffic management system, because both of those entities gain from a robust air traffic management system. The infrastructure for this sort of inter-agency cost sharing has already been established, as the Department of Defense has committed to supporting FAA certification projects that benefit Defense interests. Walker suggested that this sort of cross-agency funding for air traffic control would first be seen in the 2007 budget.

Although the funding is still a few budgets away, FAA and DoD have already begun working together on projects. FAA has already committed personnel to the civil certification of military aircraft project. FAA also completed several years ago the FSCAP program, under which the DoD only sells critical aircraft parts as surplus when they can document the parts according to common industry standards. This highlights the importance of the Department of Defense as a growing market for ASA members selling aircraft parts.

Research and Development

Both FAA and NASA research and development plans are important to the aviation industry, because both have lead in the past to advances that ultimately reflected improvements in civil aviation products. Walker explained that the President's Space Vision (which includes the Moon, Mars and Beyond program) is a significant part of the Administration's aerospace strategy, and it is expected to generate significant research and development activity. Walker explained that the implementation policy, based on the President's Vision and due to be released in December, will further refine the R & D benefits of the program.

Export Controls

In recent years, the United States has been called to task by our European trading partners for apparent subsidies of aerospace exports via the tax system. In fact, the President signed the law that corrected this issue on Friday, October 22.

The Bush Administration recognizes that competition in the global marketplace is fierce, and is committed to supporting the competitiveness of U.S. aviation companies. To this end, Walker explained that the Bush Administration plans to make our European counterparts answer to the U.S. in the area of Airbus subsidies (in an effort to promote Boeing products). At the same time, Walker noted that the Export Control Act has not been substantially revised because of polarization in Congress, and he explained that President Bush feels we need an Export Control regime that better supports aviation exports while at the same time better promoting international trade.

Educating Our Children

One question posed to Walker was whether the Administration would commit resources to promoting aerospace in grade schools, in order to promote interest in the field among young people. Walker explained that President Bush remains committed to the 'No Child Left Behind Program,' and that he would be backing core curriculum items like math and science. Walker did feel that with a stronger background in these areas, more graduating students would be prepared for the highly skilled jobs of the aerospace industry.

Paying For It All

How will the Bush Administration pay for its commitments to aerospace infrastructure and R&D? Walker noted that the current deficits are largely due to previously unanticipated Defense spending and Homeland Security spending. While Walker believes that these two budgets will continue to be significant in the coming years, he explained that one way that the president intends to 'hold the line' on spending is by limiting – or even freezing - the growth of government spending on non-priority items.

Walker explained that George Bush feels we need to "develop a leaner government that does meet the budgetary needs of the nation." He believes that government has failed to follow the lead of the private sector by increasing efficiency. Walker explained that increased efficiency, particularly through better use of technology, would permit the government to 'do more with less,' as many in the aviation industry have already done. Although it was not discussed in the meeting, Walker's ideas reflected a logical follow-up to the

(Continued on page 112)

Product Liability Reform Unlikely Under Either Candidate

(Continued from page 111)

changes started under Al Gore during the Clinton Administration.

Walker even stated that the President might seek to limit the growth of spending on some entitlements, although he did not specify which entitlements. The threat to limit entitlements is often stated by Republicans, but can rarely be implemented because of the difficulty in getting such proposals through Congress. Walker also explained that the Bush Administration will depend on economic growth to sustain the United States' budget.

Tort Reform

After the President's announcement during the Convention that tort reform would be a major component of his legislative agenda in his second term, it was appropriate to ask Congressman Walker whether he felt that product liability reform was realistic.

The traditional formulation of product liability reform includes a "seller's exclusion clause." Under current law, a plaintiff in a product liability lawsuit is allowed to sue the seller of a product for manufacturing or design defects, even if the seller had nothing to do with the manufacturing process. The law presumes that the seller will then sue the manufacturer for indemnity. The result of this system has been that it is traditional for distributors to obtain product liability insurance – and distributors with OEM contracts are often required to obtain product liability insurance that names the OEM as an 'also insured party.' The seller's exclusion clause would generally require that product liability lawsuits be brought against the manufacturer directly.

As a former members of Congress who

supported product liability reform, Walker understands the importance of product liability reform. He knows that not only would it save ASA members from unfair lawsuits, it would also decrease product liability insurance premiums for distributors. Walker explained that the President remains "heavily committed to tort reform as a way to reduce the costs" of doing business. The tort reform proposals that have been considered in Congress in recent years tend to be quite reasonable – only limiting unreasonable cases and unwarranted awards.

Unfortunately, after explaining how much benefit the aviation community could realize from such reform, Walker explained that real reform would be unlikely until the Senate could capture a genuine 60 vote supermajority in favor of reform. The current make-up of the Senate means that a vote to end a filibuster would fall just short of the needed votes, so the measure can be effectively bottled up forever. ASA asked Walker if he thought that the President, with his current statements of commitment to reform, might be willing to twist arms in order to get the votes needed, but Walker felt that the issue was currently too polarized, and that only with 'new blood' in the Senate could industry stand a chance of seeing real reform. Should the new elections bring that sort of new blood, though, Walker made it clear that the President would sign reasonable reform laws if they passed Congress.

Kerry on Aerospace

Regrettably for our interests, the Kerry campaign did not send a statesman with Bob Walker's breadth of experience and vast understanding of his candidate's positions. Nonetheless, the Kerry representative, Lori Gardner, is widely acknowledged as one of the

leading experts in the regulation of commercial space. Gardner, a former NASA Associate Administrator, is a long-time advocate for space policy issues in Washington, and was able to discuss the Kerry space policy.

Problems with the Bush Space Vision

Gardner began by explaining what was wrong with the current Administration's space policy. She criticized its costs, expressing doubt about where the money will come from in light of the country's current debts. "You are going to be several billion dollars short if you play out all of NASA's priorities," Gardner predicted. However she seemed to respond to her own criticisms later in the meeting when she criticized the Bush Administration for budget cuts that have lead NASA to cancel several programs.

"One of our main concerns about the Vision is the future of R&D," said Gardner as she criticized the Bush Administration. She stated that aerospace research and development budgets have been cut and that the true measure of the cuts are not visible to the public. She explained that infrastructure costs are not being cut when the aerospace budgets are cut, so R&D is the logical place to remove the money. She said in some cases the actual cuts to R&D are as much as 40%. Gardner explained that John Kerry will make sure that America's research dollars will be spent with a "greater focus on those kinds of technologies that will benefit humanity ... aeronautics and space [research] are a hallmark of that."

Gardner also criticized the Bush vision in light of the fact that it had not been coordinated with the United States' foreign trading partners. Gardner explained that "John Kerry would provide a respect for our international partners

(Continued on page 113)

Protecting Yourself Before a Customer Bankruptcy

(Continued from page 108)

2) Retain a Security Agreement

Retaining a security interest in the goods being sold (or in some other valuable asset used as collateral) can be a useful strategy to protect some of your interest. When you retain a security interest in goods, it allows you to be paid from the sale of those particular goods in the event of a buyer's insolvency. One problem with a security interest is that you are only paid what the goods fetch at auction – the remainder of the debt then becomes unsecured debt. For example, if you sell an engine to an operator for \$1,000,000 on terms and retain a security interest, then you are protected if the operator goes through liquidation (and in some cases even without a bankruptcy filing

you may be able to force a judicial sale of the asset to pay off the debt). The engine will likely be sold at auction. Let's say that in our hypothetical situation, the operator liquidates and all assets are sold at auction. The engine fetches \$750,000 at auction. You will be paid the \$750,000 from the proceeds of the auction; but remember that the actual debt owed to you is \$1,000,000. The remaining \$250,000 of the debt is considered unsecured debt, and you will be considered an unsecured creditor for this portion of the remaining debt. You may see penalties on the dollar for this remaining debt or you may see nothing, depending on whether there are any unsecured assets that may yield funds to distribute to the unsecured creditors. While \$750,000 is not as much as the original expectation on the transaction, it is

certainly better than getting nothing.

A problem that arises with many large companies that go bankrupt is that they already have existing liens on most of their assets. Often, this includes one or more liens against the inventory, including liens with 'after-acquired inventory' clauses. In next month's installment of this series, we will continue examining security interests by looking at the issues of how to properly record a security interest (called "perfecting the interest") and how to deal with prior-filed and competing liens.

Bankruptcy issues can be very fact-specific, so be sure to get a lawyers' advice about *your particular* facts to make the best decision possible.

POLITICAL UPDATE

Kerry Plans to Focus on Innovation

(Continued from page 112)

that has not been given in recent years."

Kerry Policies that Will Affect Aerospace

Gardner explained some of the Kerry priorities that will affect the aerospace industry, detailing them as sound bites, but she didn't provide many details on how the new Administration would meet these goals (except for the last one in this list).

- Kerry will encourage innovation;
- Kerry will train a workforce for the jobs of the 21st century;
- Kerry will use technology to create a better life;
- Kerry will create high wage jobs in

science and technology.

The Kerry Space Vision

One key element of the Kerry space vision that Gardner presented was the proposition that Kerry would release much of the United States' space technology to the private sector, with the intention that the private sector take the lead in space research. This would allow the private sector to absorb the costs of that research and development (allowing the government to better leverage its spending in this area) while also reaping the financial benefits. In light of the long term horizons for return on such research investment – longer term than most companies can afford – Gardner explained that Kerry will tempt the private sector to invest in space R&D by offering prizes to tempt

companies to pursue and implement R & D milestones. Gardner did not offer any other incentives for performing significant theoretical research that might lead to new aerospace technologies.

Conclusion

While it was a shame that Gardner was unable to provide ASA with answers on aviation issues, her comments on space issues were adequate to contrast the Kerry approach to aerospace with the Bush approach enunciated by Congressman Walker. Like many issues, which aerospace policy you prefer likely depends on your feelings about the future of aerospace, including aerospace exports, as well as your trust of each candidate to make good on his promises.

UNAPPROVED PARTS NOTIFICATION

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



U.S. Department
of Transportation
**Federal Aviation
Administration**

UPNs are posted on the Internet at <http://www.faa.gov/avr/sups/upn.cfm>

No. 2004-00051
September 22, 2004

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

AFFECTED PRODUCTS

Bendix central air data computers (CADC), part number 1903925-X, possibly installed in Boeing 747-100, 747-200, and 747-SP aircraft.

PURPOSE

The purpose of this notification is to advise all aircraft owners, operators, manufacturers, maintenance organizations, and parts distributors regarding unapproved hose clamps installed in CADCs.

BACKGROUND

Information received during a Federal Aviation Administration (FAA) suspected unapproved parts investigation revealed that improper maintenance was performed on Bendix CADCs. Evidence indicated that tie-wraps (also known as zip-ties), instead of the required clamps, were used to secure internal pneumatic hoses.

The current manufacturer addressed the unapproved hose clamps in Honeywell Service Bulletin (SB) 1903925-SB8, which was issued May 5, 2004. The SB provides the following information regarding the correct hose clamps:

Approved clamps are made of spring steel and painted black. They look like Figure 1.

Figure 1:



RECOMMENDATIONS

Regulations require that type-certificated products conform to their type design. Aircraft owners, operators, manufacturers, maintenance organizations, and parts distributors should inspect their aircraft, aircraft records, and/or parts inventories for the above-referenced CADCs. If a CADC (part number 1903925-X) has been installed in an aircraft without compliance with SB 1903925-SB8, contact the FAA Flight Standards District Office (FSDO) listed below for guidance.

FURTHER INFORMATION

Further information concerning this investigation, and guidance regarding the above-referenced parts, can be obtained from the FAA FSDO given below. The FAA would appreciate any information regarding the discovery of the hose clamps, the means used to identify the source, and the actions taken to remove the parts from service. This notice originated from the Portland Flight Standards District Office, 1800 NE 25th Ave., Suite 15, Hillsboro, OR 97124, telephone (503) 681-5500, fax (503) 681-5555; and was published through the FAA Suspected Unapproved Parts Program Office, AVR-20, telephone (703) 668-3720, fax (703) 481-3002.

Issues of the Update Report Are Now Online!

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 shortly after they are published.

UPCOMING EVENTS * = Look for ASA Personnel on the speaking program or on the Trade Floor. (For additional information on each event, click on the appropriate link below.)

2004

- Nov. 5** * **ASA Regulatory Workshop**, Phoenix, AZ. See <http://www.aviationsuppliers.org> for details.
Nov. 7-9 * **MARPA Annual Conference**, Phoenix, AZ. See <http://www.pmamarpa.com>
Nov. 30 * **ASA Regulatory Workshop**, Ft. Lauderdale, FL. See <http://www.aviationsuppliers.org> for details.
Dec. 2 * **ASA Regulatory Workshop**, Newark, NJ. See <http://www.aviationsuppliers.org> for details.
Dec. 7 * **ASA Regulatory Workshop**, Seattle, WA. See <http://www.aviationsuppliers.org> for details.
Dec. 9 * **ASA Regulatory Workshop**, Los Angeles Area, CA. See <http://www.aviationsuppliers.org> for details.
Dec. 10 * **ASA Recurrent Hazmat Training**, Los Angeles, CA. See <http://www.aviationsuppliers.org> for details.
Dec. 13-14 * **ASA Initial Hazmat Training**, Phoenix, AZ. See <http://www.aviationsuppliers.org> for details.

2005

- June 26-28** * **ASA Annual Conference**, Boca Raton Resort & Club, Boca Raton, FL
See <http://www.aviationsuppliers.org> for details.

ASA Workshops are coming up this Fall – topics will include supporting the customers' regulatory obligations, documentation, traceability, approved/unapproved parts and export issues. Have you reserved your seat yet by registering?

Aviation Suppliers Association
734 15th Street, NW, Suite 620
Washington, DC 20005
Telephone: (202) 347-6899
Facsimile: (202) 347-6894

October 29, 2004