

November 2005

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ISTAT in **Hamburg**
12th European Conference

Jetrader

OpEDs

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Jetrader is a bi-monthly publication of ISTAT, the International Society of Transport Aircraft Trading. ISTAT was founded in 1983 to act as a forum and to promote improved communications among those involved in aviation and supporting industries, who operate, manufacture, maintain, sell, purchase, finance, lease, appraise, insure or otherwise engage in activities related to transport category aircraft.

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Thanksgiving should be a time for reflection and for appreciating our family, friends, our health and all that we are blessed with. As an industry, we are very busy people, often jumping on planes and traveling to the four corners of the globe on very short notice. This reality puts us at greater risk of contracting exotic diseases and illnesses.

Through a recent personal experience, I learned that not only had I been delinquent in protecting my health when traveling, but most people I checked with were guilty of the same.

How many of our ISTAT members have been immunized for hepatitis, typhoid or influenza? Have you had a tetanus shot in the last ten years? Do you even think about taking malaria pills when traveling to high risk cities? What do you have in your briefcase in case you get food poisoning?

We all have an obligation to ourselves and our families to be more careful and those ISTAT members that are employers have an obligation to make sure that their employees are protected. As a result of a couple of incidents of travel related illness at ILFC, ILFC brought a travel medicine specialist into the office to educate everyone on the risks that are out there and what we can do about them. About 50 employees then received 3 or 4 shots each in our company lunchroom. Many of us were also given prescriptions for medications to carry with us in case we get sick on the road.

Every company that sends its employees into high risk areas can easily make similar arrangements.

ISTAT is here to serve our members and what better way to do it than to try to give you the information you need to stay healthy. With this issue we begin a series of articles on travel medicine. We plan to cover immunizations, avian flu risk, what to eat and not to eat on the road, what medications to take with you just in case you get sick away from home, and other relevant topics.

At every Board meeting we are all very aware that the Board is here to serve the membership and we appreciate your guidance, suggestions and even your criticisms so that together we can make ISTAT even better.

As they used to say at the briefings on Hill Street Blues, "Be careful out there!"

Michael Platt

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The European Conference was all that we could have hoped for and more. We owe a special "Thank You" to Peter Huijbers who had an outstanding line up of speakers and extraordinary events for the four days we were in Hamburg. We saw many associates and friends and made many new ones. Thanks to our conference sponsors Lufthansa Technik, Lufthansa, GOAL, HSH Nordbank, and the City of Hamburg for helping us make this the largest European Conference ever with over 225 attendees.

We planning a reception to be held in conjunction with the Asian Aerospace Exhibition to be held February 2006 in Singapore. We have not held one in Asia since our February 2000 reception. The continued interest of expanding ISTAT's international presence and desire to encourage new membership from the Asia-Pacific region makes this a perfect time to venture out again. We plan to hold the reception at Raffles Hotel Singapore, on February 21st.

We are now accepting nominations for the election of three open Board seats at this coming year's Annual Conference. If you are interested in serving, please email your CVs to any of the board officers (see page 23). We need your submissions no later than February 15, 2006. I would also like to encourage you to volunteer for any of the other opportunities to assist/support ISTAT or the Foundation in different areas (membership growth, raffle tickets, silent auction items, or JETRADER articles).

Our next Annual Conference is being held on March 26 – 28 at the Omni Orlando at ChampionsGate, Orlando, Florida. Sign up early and take advantage of the Early Bird sign up discount. We are still on the lookout for sponsors and there is plenty of exhibitor space available. You can contact either Board member and Conference Sponsor Chairman Alan Coe or Executive Director Dawn Foster.

We are always looking for new authors to write for the JETRADER. Just call Dawn or me or the publishers to arrange for a submission schedule. If you have any questions, comments or ideas you wish to share, please don't hesitate to contact me at my email address istatpres@aol.com or Dawn Foster, our Executive Director at istat@istat.org.



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CALENDAR

February 21, 2006

Reception in conjunction with the Asian Aerospace Exhibition, Raffles Hotel, Singapore - by invitation

March 26-28, 2006 :: 23rd Annual Conference
Omni Orlando Resort at ChampionsGate
Orlando, Florida

July 17, 2006 :: Reception in conjunction with the Farnborough Air Show Science Museum, London - by invitation

COVER :: South African Airways striking livery

Aircraft Structural Damage Surveillance

by Manuel Kliem, GOAL
Bombardier Fleet Manager

The newly developed Aircraft Structural Damage Surveillance software package is a web-based application to follow and trace structural damage, dents and repairs within your aircraft fleet.

Old-style lengthy search and sort processes to get a complete airframe repair assessment picture are now a thing of the past. The new software blends seamlessly with your structural work planning and engineering operations.

The application is based on a server-hosted database allowing data entry via the

Internet from any maintenance location in the world. Data is recorded and entered at the location where the information is generated. Structural defect reports including supporting documents and related photos can be uploaded into the database via common PDF files. In addition, a download feature allows operating the system in offline-mode for example from a local hard drive or CD-ROM.

The link between the data entered and the respective aircraft model is established after a quality control check. Once the link has been established between the aircraft model and the dataset, it cannot be deleted or modified by unauthorized personnel. Accidental data manipulation is virtually impossible. All scanned PDF files are immediately accessible while clicking on the relevant dent/repair number box in the screen. A navigation box (above) enables the user to move conveniently within different screen presentations. Zooming and short overviews are provided for each dataset.

Go to Page
Plan OUT

Pan and Zoom

Details
Shape Name: Damage Plan Out.316

Label	Value
Damage No.	43
Description	RUBBING CORROSION AT MANHOLE PANELDOOR SUPPORT BETWEEN RIB 1 AND RIB 14
Part	L/H Wing
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Inspection Interval	
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Report No.	0552003046
Date of Report	21.8.2001

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More information email: Manuel.Kliem@goal-leasing.de

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Travel Health – staying well abroad

By Elizabeth Rogers RN CNS PMH-NP

Despite the comforts and safety that a first class hotel can offer, a visitor can still become ill when traveling.

So what is the actual risk of contracting an infectious disease while traveling abroad? Enough that entire medical journals are devoted to the issues of prevention, identification and treatment of diseases and illnesses common to developing and developed countries. Sanford (2004) notes that while 'excess mortality abroad is mainly due to traffic and swimming accidents', up to 75% of travelers become ill during their time abroad. Infections most often involve diarrhea or respiratory illness – however, malaria, typhoid, yellow fever, hepatitis A, tuberculosis, and dengue fever are easily transmitted in crowded urban settings specific to a country or region.

Some areas are well known to carry an identified health risk, as in Asia and Africa, where urban malaria is widespread. Brazil, Venezuela, and Colombia's urban settings and crowded living conditions transmit meningitis, leishmaniasis (a disease transmitted by sand flies in tropical and temperate regions) and dengue hemorrhagic fever. Dengue fever is well documented among tourists; in 2002, Brazil alone reported 95,000 cases of dengue fever within the general population of Rio de Janeiro municipality, leading to 31 deaths.

The small but real danger of falling ill while traveling should never prevent us from experiencing the overwhelming benefits of overseas travel. A few steps taken before travel, and a few precautions exercised while abroad can minimize risk of serious infection and maximize the enjoyment and profitability of the trip.

First and most importantly, make an appointment at the nearest international travel clinic, often found in University settings. Steffen and Conno (2005) offer the following guidelines in the Journal of Travel Medicine. Ensure that a discussion of the following takes place: the location to be visited; the hygienic standard of the site; duration of travel; the reason for travel; expected activities; and the general health and risk factors of the traveler. This information will guide the health care provider to choose which vaccines are most appropriate for you as an individual. Furthermore, discuss which vaccines are required, routine, and recommended – it may be that the particulars of your trip will lead to vaccinations otherwise not necessarily given.

Thus far, the main required vaccine is against yellow fever, a disease commonly found in tropical Africa and northern South America. Cholera vaccination is required for those traveling to Palau or Sudan, and immunization against meningococcal disease is a requirement for visitors or workers in the kingdom of Saudi Arabia. U.S. citizens are generally protected

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Monday evening's dinner at the Kempinski was capped by John Vitale of Avitas dodging ping pong balls as Paul Morocco (from the U.S.), Antonio Gomez (Cuba) and Guillermo de Endaya (Spain) performed in a most unpredictable, zany and spectacular show. Virtuoso guitar, pop musical parodies, spitted ping pong balls, juggled fruits and eggs thrown by the audience, and lightning speed flamenco dance were all part of the evening entertainment. For those who'd seen "it all" really hadn't after all—'til now.

<http://www.paulmorocco-ole.com/index.php>

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against diphtheria, polio, tetanus, measles and hepatitis B – those not vaccinated as children should ensure that these vaccines are given prior to international travel.

Given the current concern about Avian flu and SARS, travelers should be aware that the risk of contracting influenza increases with trips taken in the northern hemisphere between December and February, and lasting for then 30 days. Weller (2005) points out that risk of influenza exists year round in the tropics. Persons over 50 should receive the influenza vaccine if: the vaccine was not received the year before; if travel involves the tropics; if travel involves large groups of tourists; or if travel is planned when influenza is prevalent in that area.

Any further specific discussion of vaccinations is beyond the scope of this article, and the reader is directed to a travel health clinic, or to the articles in the source list. However, just as a note of interest, typhoid fever is found most often in Southeast Asia, and morbidity (illness) is relatively rare, with an incidence of 30 cases per 100,000 travelers. A vaccine does exist, but is considered appropriate only for high-risk individuals, for example, those who are immunocompromised or highly susceptible to infection.

Secondly, the traveler must pack with prevention in mind. Insect repellent, a portable water filtration kit, a tube of antibiotic ointment, and some over the counter anti-diarrheal (Imodium, for example) will go far in terms of illness prevention. Make plans to stay in reputable hotels that are aware of the needs of international travelers.

TD, or traveler's diarrhea (Connor and Landzberg, 2004), affects 20 to 50% of those visiting developing countries. It is self-limiting and lasts less than a week, but is very inconvenient and uncomfortable. Prevention is key. Once at your destination, a few almost universal guidelines are recommended. One should always avoid tap water. Most homes and restaurants will offer either filtered, treated water, or bottled water. Steer clear of salad, ice, unpasteurized milk, sauces, salsas, chutneys, uncooked seafood, and undercooked meats. Also, avoid 'street food' – while fresh and colorful, food from street vendors may be a source of parasites, bacteria and other viruses such as Hepatitis A, and is the most common source of TD. Fruits with skins are deemed safe after washing thoroughly or skinning. When dining out, insist that



food is cooked thoroughly and served very hot, not warm. Drink teas made with boiling water only. Dry foods such as breads and cereals are generally safe to consume.

Reasoning that experience is often the best teacher, I spoke with colleagues from India, Kenya, Pakistan and Laos who regularly visit their home countries. In addition to the above recommendations, they also advise

the avoidance of spicy foods – the spices used may be contaminated. Generally speaking, the less processed the food, the safer it is. 'Eat house food and drink house water', provided by hosts who have taken every precaution to prevent illness. They suggest avoidance of those who are obviously ill and frequent hand washing to prevent exposure.

Insect repellent is a necessity, especially in the coastal areas. Agnes, from Kenya, stressed that rural areas should not be avoided for fear of inadequate sanitation, pointing out that villagers have become necessarily adept at disease prevention as a matter of course, unlike many urban dwellers.

Lastly, a word from this author's own experience in working with patients who routinely travel to their home countries. It is so important to let your health care provider know in advance that a trip is planned, not only for the discussion of the above, but for another reason entirely. Medications may need to be picked up and mailed ahead, and blood tests drawn while traveling, both requiring advance preparation and notice. Some countries require that bottles have identification labels, ruling out samples; some also require written prescriptions for each medication. Be aware of where the nearest U.S. embassy is and where to find the best health care. Carry a list of your medications, medical conditions and allergies with you at all times. Finally, share your itinerary with those who love you at home, and carry emergency information on your person.

Preventive measures both before and during your travel experience will increase the chances of your return to your home country healthy, wealthier, and wiser. Stay well and bon voyage!

Source List

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Speaker Vladislav Filev,
Siberian Airlines

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Below right, Adam
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The benefit of investing in an Airbus inventory

By A.J. Walter Aviation

In recent years, Airbus has taken a firm hold of the world aviation market. In 2003, for the first time since Airbus began in 1972, they delivered more jet-powered airliners than Boeing. For many years Boeing had the majority share of the market, and while they remain a market leader, several major airlines worldwide are now favouring Airbus aeroplanes. Furthermore, with the recent high profile launch of the A380 in January, Airbus firmly established themselves as the current market leader. In the intensely competitive arena of maintenance, repair and over-haul, spare parts stockists are now clamouring to stock their inventories with a complete range of Airbus parts.

Whilst many spare parts stockists have tailored their inventory to provide a comprehensive parts service for airlines who operate Boeing aircraft, few have ensured they have the same level of service for Airbus operators. While many parts suppliers will undoubtedly have Airbus spares amongst their inventory, they have not invested as fully in the Airbus spares market, as many failed to see (or indeed believe) that Airbus would be able to provide a significant challenge to Boeing, especially in such a short timeframe. It has taken only 10 years from the early nineties when Airbus had approximately 20% of market share, to a point of parity in 2002 when both manufacturers shared the marketplace in terms of new aircraft orders. Even then, most stockists continued to concentrate on Boeing parts, given the size of the existing Boeing operator base. Also Airbus support was not as good as that provided by Boeing. This was due to the fact that Airbus is a consortium, not a single company, and manufactures many diverse aircraft, albeit with a small vendor base.

Those spare parts stockists who have built up and invested in Airbus spares are set to reap the rewards of their investment over the next few years. Of course the market for Boeing spares is by no means dying, they are still very much a main player, if not the main player. It is simply that the market is ever evolving as more 'low-cost' carriers set themselves up, and existing airlines expand as the demand for air travel continues to increase. The market has grown to an extent that there is room for two main players, ultimately benefiting the consumer through the provision of competition.

One of the most important developments for the aviation MRO industry of recent years has been the rise of the low cost carrier (LCC). The nature of their business model requires them to very closely manage structural costs to keep them at a minimum so that they are able to offer 'low fares'. For LCC's it is almost a vital necessity to outsource their operational management (exchange, repair, supply) of airframe rotatable components to a third-party specialist, such as A J Walter Aviation, on a power-by-the-hour basis. Operating in this manner is the most effective financially speaking as they can fix costs of spares for a period of 2 years or more. For a fixed agreed fee, based on annual aircraft utilisation, the third-party specialist will manage all documentation and supply of spares. This significantly lowers costs for the airlines as they no longer have to own/lease a warehouse to hold spare parts or employ a workforce to manage this aspect of the business. Furthermore, a significant part of the airline's operational cost is known and fixed in advance and will therefore not increase and force them to adjust their fares.

Operators of aircraft look upon their inventory as a depreciating asset, only there to ensure on-time departures and to enable them to obtain the licences required to operate. Therefore they prefer to employ a third-party parts specialist to carry the risk of investment for them (e.g. should parts prices rise then this will not affect the airline but the third-party specialist). The advantage of third party parts specialists' increases when they acquire existing and often supply used spare parts to satisfy AOG, lease and power-by-the-hour requirements. Because they are willing to inject cash and transform non-performing assets into valuable resources, these parts supply specialists are making a growing contribution to improving the bottom line of operators.

If we are to assume that, along with the rest of the market, the majority of LCC's will soon be favouring Airbus aeroplanes, then it makes sense for the MRO specialist to equip themselves with the correct inventory to supply this trend. Over the last few years, spare parts stockist, A J Walter Aviation, has foreseen this trend developing and have adjusted their inventory accordingly. They continue to stock a comprehensive range of Boeing spares and parts for sale or lease, and recognise that, while the success of Airbus is paramount, Boeing still have the larger share of aircraft in operation, but at the same time have acquired a wealth of Airbus parts which has led them to become the largest approved supplier of Airbus parts in the world.

In September 2001, AJW began to focus on a programme of acquiring a complete Airbus inventory. Managing Director, Christopher Whiteside was quoted as

Inventory continued page 20

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Hamburg Rathaus, site of reception hosted by Senator Gunnar Uldall, Ministry of Economics, City of Hamburg pictured below with ISTAT president, Thomas Heimsoth





Conrad "Connie" Kalitta's aviation career started in 1967 when he used a twin engine Cessna 310 to transport parts for the automotive industry. That one plane operation became American International Airways, Inc. (AIA), a worldwide airfreight, air ambulance and charter passenger operations. In 1997 he merged AIA, (with revenues of over \$400 million and ranked in the world's 25 largest airlines) with Kitty Hawk, Inc. By April 2000 Kitty Hawk International (the former AIA) ceased operations. The operating certificate was transferred to Connie and received its DOT and FAA authority to begin operations as Kalitta Air in November 2000.

Better known to the public as champion NHRA top-fuel drag racer, Connie was inducted in the Motorsports Hall of Fame in June of 1992.

Special "thank you" to the Jetrader Editorial Board for preparing and editing questions for this interview.

Interview conducted by Stephen Iverson, Ajax Newservice, Publisher



Connie Kalitta
President, Kalitta Air

Q » What is your forecast for fuel prices over the next 18 months and what impact will this have on the aviation industry?

A » This is an amazing coincidence. I just got out of a 4-hour meeting about the cost and structure of fuel hedging. That is going to be the dominant issue for the next 18 months. Fuel prices have been coming down over the last 5/6 months and are now near \$2.00 per gallon from their high of \$2.60. But I don't think now is the time to lock in prices since we have not seen the lows yet. We're going to take a look again in the spring. As you know jet fuel is close to heating oil and we won't see the lows there until after the winter heating season is over.

Q » What is the competitive environment for pass through pricing of fuel price increases?

Freight contracts don't generally have pass through fuel pricing clauses as a rule. We have been inserting them on some routes mainly from the Far East but they are month specific such as December when we come out of Hong Kong. It is more difficult to have them because it is a matter of negotiation. But as prices increase we are seeing them included more frequently.

A » Given rising fuel costs, how does your equipment acquisition strategy change? Is there a future for the freighter version of the 747-400 and the 747-8s in your organization?

Kalitta Air is debt free. Do you know how important that is? You understand that gives us great flexibility. If the market slows we can park the aircraft, as we don't have mortgage payments. We buy airplanes strictly as a financial decision. We fly 15 747-100s and 200s and they burn about 600 gallons more an hour than the newer models. Because we bought them well, it will take a lot of flights to bring our operating costs up to the total cost for operating the newer aircraft. Our model gives us the greatest operating flexibility. The 400 freighter and the -8s are stretched models with 231 inches and 260 inches inserted in the fuselage. We think that they will be mainly niche aircraft.

Q » Where do you see growth in the next couple of years?

A » We see growth continuing at about existing levels. The high trade imbalance with China is not going away and we see manufacturing continue to move away from the United States.

Q » What role does an organization such as ISTAT play for you and the industry?

A » ISTAT is an important organization and offers its members a great deal of value. The conferences are a good opportunity to stay in tune with what is happening in the industry. But the really important advantage is all of the meetings that are taking place throughout the conference area. It's a good place to meet people and stay on top of business and learn about new opportunities.

Q » What are the challenges facing the industry over the next couple of years?

A » Fuel is going to be the determining factor as we go forward. We burn a lot of it and managing that cost and that exposure is the challenge. Kalitta Air is on the look out for equipment. The supply of reasonable good quality freighters has dried up. The converters aren't producing a lot and are booked up for the next few years. Kalitta Air outlook is strong and we see the risks as manageable. We don't plan on anything greedy but we are looking to grow. If 4 or 5 good aircraft came to us we would be interested.

Q » Finally, outside of this industry, it's not widely known that SARS had a harsher impact on aviation that did the start of the 2nd Gulf War. What is the potential impact on the aviation industry if we see a bird flu pandemic?

A » I remember flying a 747 to Taipei for a meeting and there were only 25 people on board. When we arrived at the Taipei terminal, it was deserted, no body. All of the officials wore masks and were disinfecting all areas of the airport. Everyone was tested for any sign of illness, emergency personnel was everywhere. Everybody was trying to protect themselves. At the Sheraton hotel where I stayed, there were only 2 Westerners and the downtown was almost deserted. When I returned to the US it was like another world. No lines, no precautions, no emergency personnel, nothing. It was business as usual. Lets hope that the next time we are better prepared.

Re-equipping African airlines

The challenges and opportunities

By Nick Fadugba *African Aviation*



Nick Fadugba, is President & CEO of African Aviation Services Limited & Publisher of AFRICAN AVIATION, Africa's Aviation Industry Journal

RECENT orders and acquisitions of new Airbus and Boeing jetliners by African carriers highlight the on-going gradual transformation of the African airline industry. Trend-setter Ethiopian Airlines has once again set the pace by becoming the first African carrier to order Boeing 787 Dreamliners, closely followed by Moroccan flag-carrier Royal Air Maroc. Air Algérie is busy adding Boeing 737-600s and 737-800s; and TAAG-Angola Airlines is to acquire Boeing 737-700s and 777-200ERs.

Meanwhile, high-flying Kenya Airways is now operating Boeing 737-700s and 777-200ERs; Air Mauritius has chosen Airbus A319s and A340-300s; South African Airways (SAA) has taken delivery of 26 Airbus A319s, A340-300s and A340-600s; and newcomer Air Senegal International is operating Boeing 737-700s. On the turboprop front, ATR is leading the way in Africa in terms of aircraft orders and deliveries.

This positive trend of fleet modernisation in Africa is set to continue judging by Airbus and Boeing market forecasts. Airbus predicts a demand in Africa for 641 new jetliners worth US\$60 billion between 2004-2023, to accommodate traffic growth and the replacement of older, less efficient aircraft. Boeing less-bullishly forecasts deliveries of 425 new jet aircraft to Africa between 2005-2024, worth a total of US\$34 billion. According to Airclaims, 589 jetliners were operated by African carriers in 2004, of which 162 were new, 111 were in mid-life and 316 were old.

Financing fleet renewal in Africa remains a challenge for many carriers due to real and perceived credit and political risks. This notwithstanding, aircraft transactions brought to the international market by well-known African airlines with a good track record, such as Ethiopian Airlines, SAA, Kenya Airways, Air Mauritius, Tunis Air, Air Algérie and Royal Air Maroc, are usually oversubscribed by lenders.

Traditional sources of financing for African airlines include equity, cash flow, sale and lease-backs, commercial loans, export credit agency (ECA) funding and, increasingly, operating leases. The recent introduction of the Cape Town Convention has provided greater comfort to aircraft lenders and lessors doing business in Africa, who hitherto have dreaded the twin perils of contractual default and aircraft repossession. The cost of aircraft funding and aviation insurance is a sore point in Africa, where operators often feel that they are being unfairly penalised.

Wet-leasing - on an Aircraft, Crew, Maintenance and Insurance (ACMI) basis - is often preferred by new airline start-ups in Africa, such as Virgin Nigeria which wet-leased

African Airlines continued page 14





With the demise of several bankrupt national carriers in Africa over the years, including Zambia Airways, Air Zaire, Air Afrique, Nigeria Airways and Ghana Airways, there has been a proliferation of privately-owned passenger and cargo airlines on the continent.

Some have fared well, while others have got into difficulties due to the lack of a cogent business plan, professional management and adequate financial resources.

African Airlines continued

two Airbus A320s to launch its services this Summer. Wet-leasing to gain short-term lift is also increasingly popular in Africa, such as Air Gabon's recent deal with Air Atlanta Icelandic.

Top-tier aircraft leasing companies, such as International Lease Finance Corporation (ILFC), GE Commercial Aviation Services (GECAS), AWAS and, recently, Singapore Aircraft Leasing Enterprise (SALE) are all active on the continent of Africa placing aircraft with airline customers.

For example, SALE, the leading Asia-based aircraft leasing company, signed an agreement with Kenya Airways in September this year for the lease of three new Boeing 737-800s, powered by the latest CFM56-7B engines from CFM International. The aircraft will be delivered to this successful African carrier in late 2006 for eight years each.

With the demise of several bankrupt national carriers in Africa over the years, including Zambia Airways, Air Zaire, Air Afrique, Nigeria Airways and Ghana Airways, there has been a proliferation of privately-owned passenger and cargo airlines on the continent. Some have fared well, while others have got into difficulties due to the lack of a cogent business plan, professional management and adequate financial resources, etc.

It is widely acknowledged that aviation can be a vital catalyst for Africa's economic and social development if properly harnessed. Some progress has been made in recent years, but much still remains to be achieved. The words of Steven Udvar-Hazy, Chairman and CEO, ILFC, still ring as true in 2005 as they did when he first uttered them in 1992 at the Aviation Finance Conference held in Cairo, Egypt, by AFRICAN AVIATION Magazine.

"Today, Africa, probably more than any other continent needs aviation and a strong airline industry to grow and prosper," said Mr Udvar-Hazy. He added that some of the most pressing issues facing African airlines included the critical obstacle of funding their commercial jet requirements, lack of airline management proficiency and continuity, frequent government interference in the commercial affairs of airlines, lack of emphasis and resources on airline staff training, and the lack of airline co-operation.

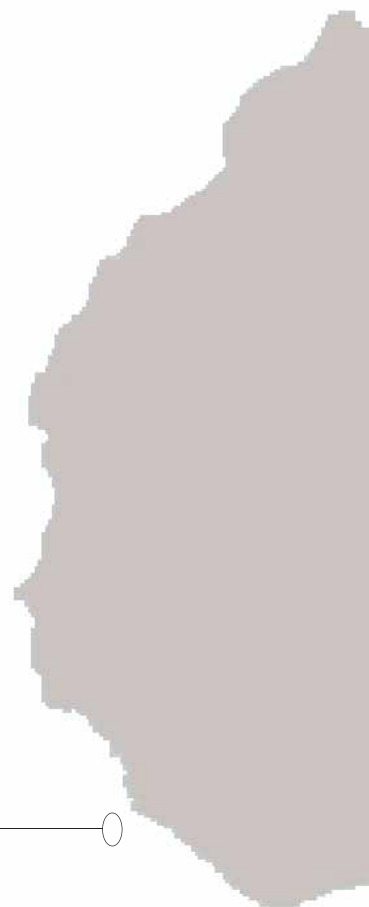
However, concerted efforts are now underway across the African continent to harness the full economic potential of air transport through liberalising aviation policies and modernising aviation facilities and services. The 'Yamoussoukro Decision' was adopted by African Ministers in charge of Civil Aviation in November, 1999, in Yamoussoukro, Côte d'Ivoire, with the clear objective of liberalising intra-Africa air services. The Decision became legally binding on all member states of the African Union in August, 2000, but is yet to be meaningfully implemented.

The African Airlines Association (AFRAA), based in Nairobi, Kenya, has expressed alarm at the increasing domination of the air transport market in Africa by non-African carriers, particularly strong European and cash-rich Middle East airlines. This view is shared by the Airline Operators of Nigeria (AON)

organisation which says that foreign airlines collectively remit over US\$600 million net profits annually from Nigeria while financially struggling local operators are starved of profitable routes and vital revenues.

The perennial problem of air safety in Africa was thrust to the fore again in October with the fatal accident near Lagos, Nigeria, involving a Bellview Airlines Boeing 737-200 aircraft leased from GECAS, in which 117 lives were lost. Ironically, Bellview Airlines is regarded as one of the leading and safest private carriers in Nigeria and has one of the largest fleets and widest route networks operated by a private airline in Africa. It has the distinction of being the only member in Nigeria of the International Air Transport Association (IATA) Clearing House and is the only airline in Nigeria certified by the European Air Safety Agency (EASA). An official investigation, with the assistance of the US National Transportation Safety Board (NTSB), Boeing and

Pratt & Whitney, is currently underway in Nigeria to discover the cause of this accident.



Air Senegal



Air Seychelles



Ethiopian



Kenya Airways



South African Airways

AFRICA

Size:
30,065,000 sq km
11,608,000 sq mi

Coastline:
30,539 km
18,976 mi

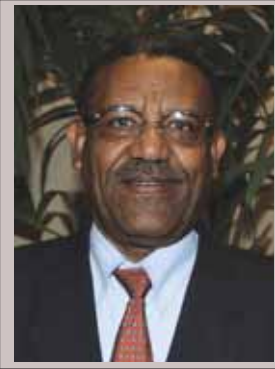
Percent of Earth's
Land: 20.2%

Population:
877,500,000

Algeria
Angola
Benin
Botswana
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Republic
Chad
Comoros
Congo Republic (Brazzaville)
Congo Democratic Republic (Zaire)
Cote d'Ivoire (Ivory Coast)
Djibouti
Egypt
Equatorial Guinea
Eritrea
Ethiopia
Gabon
Gambia
Ghana
Guinea
Guinea-Bissau
Kenya
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Zambia
Zimbabwe



Above, Alan Mulally, President & CEO, Boeing Commercial Airplanes (right) with former Kenya Airways Chairman, Isaac Omolo Okero, at aircraft delivery ceremony in Nairobi; Top left, Kenya Airways CEO Titus Naikuni; Left, Ethiopian Airlines CEO Girma Wake; Below, SAA CEO Khaya Ngqula



Barely two weeks before this accident, IATA's Director General and CEO, Giovanni Bisignani, announced in Johannesburg, South Africa, a four point agenda for the revitalisation of African aviation based on 1| enhanced safety efforts, 2| infrastructure development, 3| liberalisation and 4| simplifying the business.

"With only 4.5% of total traffic, 25% of total accidents in 2004 occurred in Africa. Our industry is built on safety and Africa must do better," said Bisignani. He urged African governments and carriers to take up the IATA Operational Safety Audit (IOSA) which is the global benchmark for airline operational safety management.

"Developing and sustaining safe and reliable transportation systems across the African continent is key to expanding economic opportunities," says US Deputy Secretary of Transportation, Maria Cino.

"A safe and seamless aviation network is increasingly recognised as the underlying backbone of economic growth and development."

Without doubt, this is the desired goal of the African aviation industry today.



Linhas Aereas de Angola



Air Algérie



Egypt Air

Right, Winners I/r Marjin Kappen, Lionel Van Buylaere, and Claud Poulain.

Where's the beef? With the pork platter I/r Tom Heimsoth, Peter Huijbers and John Vitale.

Below, Valerie Wheeler and Dawn Foster dressed well for racing.

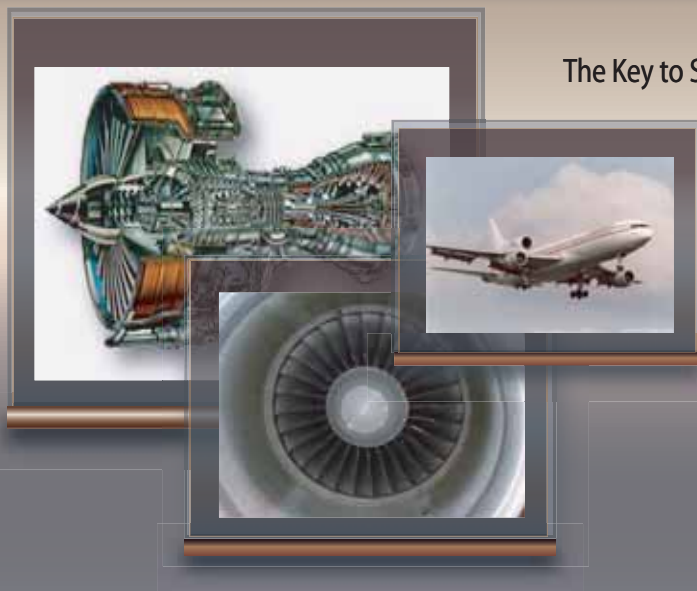


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ISTAT Foundation Raffle

by Nick Popovich

Andre Schmidt receives his scholarship check from ISTAT Foundation Trustee David Sutton at the Gala Dinner during the 12th European Conference in Hamburg, September, 2005. Also pictured is Scholarship recipient, Ascan Aldag with ISTAT President Thomas Heimsoth, and Thomas Hiniker, ISTAT Foundation Immediate Past Chairman.



The ISTAT Foundation presented these Scholarship winners at the Annual Meeting in Scottsdale in March. Pictured l/r Ryan Wilson, Kate Zaranke, Kristin Brown and Kelly Rentschler with FedEx's Fred Smith.

PERHAPS MORE THAN ANY OTHER ISTAT MEMBER, I HAVE HAD THE OPPORTUNITY TO SEE FIRST HAND THE DRAMATIC IMPACT ON THE LIFE AND CAREER OF AT LEAST ONE OF THIS YEAR'S FOUNDATION SCHOLARSHIP GRANT BENEFICIARIES. IT IS THAT KNOWLEDGE AND INSIGHT THAT COMPELLED ME TO ACCEPT THE CHAIR POSITION FOR THE 2006 FUND RAISER, WHEN BOB BROWN CALLED.

I doubt that anyone reading this can dispute that we are a very blessed group. Please take a moment to ask yourself where else or what other industry would afford the close personal friendships, the challenges and rewards, on a global basis. In return, we have an absolute obligation to give something back. Individually and as a group, we are entrusted to make certain

that we prepare this industry for the future, whatever that may bring.

I think we can all look to that defining moment in our lives where we became captive to the romance of flight, and knew that we had to be a part of it. I know that I certainly can. For me it came at an early age, while boarding a TWA Starliner for a cross-country trip. That experience was enhanced by a group of World War II veteran pilots recalling the "old days" while sitting around my father's dinner table. I was hooked then and knew I had to fly.

I know you are saying that things have changed - the romance is gone, the industry has been in turmoil, and has undergone changes of a magnitude that cannot be reversed. No longer do people get dressed up to fly, no longer is flying part of the va-

cation, but just an end to the means. How true, and I think that is all the more reason we as an association have to work all the harder to promote education and bring the best and brightest into this industry. For most of us, we found the industry sexy, rewarding, fun and it beckoned to us until we came running. In the chaos of the last few years, I have lost touch with why I am here, and it wasn't until recently on a late night when we climbed out of the clouds into the moonlight and glitter of stars that it all came back to me.

This, however, is not the case for most young people today. In our work with a couple of Aviation Schools at the University level, I still see those few who are overcome by the love of flight, but those numbers are dwindling; most are there for other reasons.

While we are working diligently to create a spectacular prize package for the raffle, I can't help but think that we need to concentrate on the real issue, that being raising the money required to award some very deserving young people with a helping hand, and a compelling reason to join us in this industry.

I know that ISTAT and the Foundation have repeatedly come to the membership to support various causes and events, and as a whole, this group has been very supportive. I also know that budgets are tight everywhere, and that as a group we have donated to some very worthy causes, such as Katrina relief. I also know most of you, and that you all have your own personal charitable causes that you support outside of ISTAT. Nevertheless, to reach our goal, each member needs to purchase at least one raffle ticket for the 2006 benefit. To put that in perspective, the price of a ticket in most cases is less than one round of golf, an average bottle of wine, one dinner on the road in a nice restaurant, and substantially less than a box of Cuban cigars.

I know if you had the chance to talk to any of our past scholarship recipients and realized how you and the ISTAT Foundation changed their lives and enhanced their career goals, this would be an extremely easy decision for you.

We urgently need your help. Sign up to assist with ticket sales, buy a handful of tickets as holiday gifts, or buy just one ticket. We need the membership to step forward and respond to the call; trust me it is worth it.

Contact Stephanie Rogers in my office, Bob Brown, any member of the Foundation Board, or this writer to help out.

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PW4000-94 Part 2 Management Issues

by Oliver Stuart-Menteth, Managing Director,
Fintech Aviation Services

The first part of this article, printed in the September 2005 edition of *Jetrader*, outlined the requirements of the PW4000-94 Airworthiness Directive 2003-19-15, which ultimately requires the incorporation of a modified compressor ring case. The ring case is deemed mandatory by the FAA and to date has resolved the historical problems associated with surging.

This second article briefly explores the costs and surrounding issues likely to arise when complying with the requirements in the context of an operating lease. Although based on the PW4000-94 engine the general issues highlighted below could be applied to any type of engine subject to similar requirements.

When to Comply?

Lessee's powerplant departments should have incorporated the compliance requirements of AD 2003-19-15 into their engine shop visit schedule and now be part of the workscope template. The most economical time to comply is when access to the areas identified within the relevant service bulletin are naturally required in order to minimize any additional dismantling and therefore cost. However, with the industry progressively experiencing longer on-wing times through each product iteration, planning future engine maintenance



Photo source :: Boeing

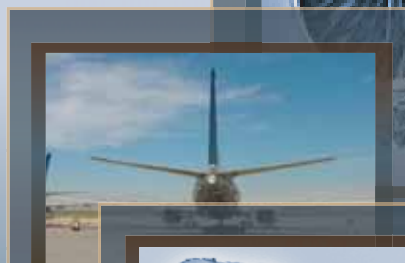
in the context of lease return conditions, whilst minimizing costs, is a skill that some powerplant departments are still developing. PW4000-94 operator's typically gauge, amongst other pertinent indicators, the engine status by the number of cycles accumulated since the last shop event, rather than the number of hours. Depending upon the airline's hour to cycle ratio, an engine may well undergo a performance restoration after having accumulated approximately 2,500 -3,500 cycles. Based on the fleet average hour to cycle ratio this equates to an average hourly interval of 15,000 to 21,000 hours. Of course there are exceptions to this range and it is heavily dependent upon the operator's inherent maintenance schedule, which will have been tailored to their particular operating environment.

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Assuming a fleet average cyclical utilization for the PW4000-94 of 650 cycles per annum it is clear that the engine is an infrequent visitor to the shop, which is why long term planning is key to minimizing costs whilst still complying with the return requirements of a lease. The operating profile therefore dictates that a number of engines could undergo unscheduled removals in order to comply with the AD, effectively increasing the overall cost of compliance.

Any long term engine shop visit planning scheduled by a lessee should be verified by the lessor not only to ensure compliance with the lease but to permit an understanding of the likely status of the engine at lease return. This will assist in deciding whether the original lease return conditions are still suitable or whether, possibly as a result of the external market forces, the lessor by mutual consent would prefer to alter the return maintenance conditions.

For those lessees with operating leases which have a number of years remaining the need to undergo unscheduled visits will be viewed as a significant inconvenience, but they will also present opportunities to incorporate fleet wide campaigns, as well as amend any future shop visit plan. The situation is of greater interest for those lessors that are to take delivery of subject equipment within the next 6 months, and have relied solely on the lessee's interpretation of the return requirements to determine the planned end of lease status.

Cost of Compliance

The minimum cost of incorporating the ring case will be incurred when the engine is already scheduled to undergo maintenance in the high pressure compressor section. The ideal scenario is for the ring

Description	% Cost By Module		
	Labour	Parts	External Re-Work
Engine Overall	18.03	9.84	0.00
Low Pressure Compressor	7.43	0.26	0.00
Coupling	1.31	0.00	0.00
Fan Case Assembly	3.77	0.88	0.61
Intermediate case	4.77	2.18	0.96
High Pressure Compressor	13.19	31.67	15.60
Core	2.30	0.31	0.00
Diffuser Combustor	12.04	4.33	0.95
Turbine Nozzle Stg 1	2.70	3.28	18.64
High Pressure Turbine	4.53	36.49	39.27
Low Pressure Turbine	6.83	0.67	16.09
Turbine Exhaust Case	4.07	0.27	0.63
Main Accessory Gearbox	2.64	2.39	0.38
Angle Gearbox	1.04	0.54	0.00
QEC Mechanic	1.79	0.73	0.00
QEC Electric	2.09	0.59	2.95
Final Assembly	2.08	0.82	0.45
QEC and Components	9.39	4.74	3.45

case to be incorporated during a performance restoration of the high pressure compressor, combustor and high pressure turbine module. This workscope will largely permit access to the areas that require modification thus minimizing any additional costs incurred.

In this particular case, almost all of the direct costs of compliance are derived from the purchase of the new ring case. Currently Pratt and Whitney are the sole supplier of the ring case, but their consent to release pricing information could not be obtained. From a budgetary perspective prospective purchasers should allow 15-20% of the cost of a typical performance restoration for the purchase of the kit.

The incorporation of the case, once physical access has been obtained, is straightforward and requires little in the way of additional man-hours. As a result of the installation of the replacement case various items of hardware become obsolete, including a bleed valve and various stators. The MRO is typically requested by P&W to return these items.

The table above identifies, in percentage terms, the proportion of costs allocated to material and labour during a typical performance restoration of a PW4060 engine when the ring case is incorporated. Those readers already familiar with these percentages will note that the additional costs relating to the installation of the ring case has a marginal affect upon the figures. The chart below is a useful guide to the expected charges on a module by module basis, though the condition of the turbine hardware will be the primary cost determinate.

Return Conditions

The requirement for a lessee to comply with forthcoming ADs will be partly dictated by the return conditions. Those operating leases that are due to expire prior to the compliance dates stated within AD 2003-19-15 will be of most interest as the lessee may not be under any obligation to incorporate the AD. According to AD 2003-19-15 an engine, if inducted into a shop, for any reason after 7th July 2003 will need to comply with certain minimum build standards prior to release. However the build standards vary according to the workscope undertaken and do not necessarily require that the AD be complied with prior to release from the shop. Hence lessors that are due to take delivery of the subject engine within the next 6 months should establish the re-delivery workscope without delay and work towards a solution that will permit the asset to be transitioned un-inhibited to the next lessee with the minimum of exposure.




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- Sale and lease back, or lease purchase, contracts with guaranteed residual values
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Boeing: 737 Classic, NG, 757, 767, 777

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saying in 2003 “60% of our customers operate Airbus aircraft and over the longer term, we can see Airbus taking an increasing share of the world market. Airbus recently extended A J Walter’s contract as an approved stockist and distributor until 2008, and they now hold inventory for the A300-600, A310, A320, A330 and A340 and are negotiating to become a distributor for A380 spares.

One of the key factors for Airbus, and indeed for any aircraft manufacturer, is to keep its aircraft operational and cost effective, this is done by ensuring that their spares and related services are available 24/7 on a worldwide basis. Airbus currently has over 1,500 suppliers in 30 countries, ensuring that airlines and operators who use their aircraft have access to an MRO service wherever they are in the world.

For MRO specialists to keep at the forefront of their industry they not only have to keep up-to-date with the ever evolving market, but they also have to foresee or predict the direction of the market to ensure they are ready to supply the demand. If we look at the current situation, Boeing do still have the larger number of aircraft in operation (currently there are around 3,800 Airbus aircraft in service compared with over 4,000 Boeing 737s alone), however Airbus are gaining over 50% of new aircraft orders against Boeing and the Airbus order book of deliveries currently surpasses that of Boeing. In the near future, Airbus will match Boeing’s number of in-service aircraft. A J Walter have foreseen this trend and have aligned themselves as market leaders in the supply of Airbus parts.

The Bankruptcy Abuse Prevention and Consumer Protection Act Of 2005

Aircraft Finance-related Revisions To The Bankruptcy Code

By Douglas J. Lipke, Esq., Vedder Price



On April 20, 2005, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (the “2005 Bankruptcy Revisions”) became law. Although largely focused on consumer issues, certain of the 2005 Bankruptcy Revisions involve commercial issues in Chapter 11 cases. Several revisions to the United States Bankruptcy Code (the “Bankruptcy Code”), which became effective on October 17, 2005 (unless otherwise noted) and which aircraft finance parties may have an interest, are discussed below.

Exclusive Period for Debtors to File Plan of Reorganization

The 2005 Bankruptcy Revisions limit the bankruptcy court’s ability to extend the exclusive periods for the debtor to file a plan (initially set at 120 days) and to solicit acceptance of the plan (initially set at 180 days). Historically, bankruptcy judges have almost automatically extended the 120- and 180-day periods “in the best interests of the estate.” Section 1121 of the Bankruptcy Code is amended to provide that the 120-day exclusive period deadline may not be extended beyond a date that is eighteen (18) months after commencement of the case and the 180-day solicitation deadline may not be extended beyond a date that is twenty (20) months after commencement of the case. The bankruptcy judge’s discretion to extend these dates has been eliminated. Although this amendment may have little effect on smaller Chapter 11 cases, creditors’ committees gain significant leverage in larger cases with their ability to propose their own plans of reorganization or liquidation eighteen (18) months after the commencement of the case.

Unexpired Leases of Nonresidential Real Property

The treatment of landlords in large Chapter 11 cases, like K-Mart, has been under much scrutiny, and Congress made certain revisions to benefit lessors. Time periods in which the debtor must assume or reject unexpired leases of nonresidential real property have been further restricted by the 2005 Bankruptcy Revisions. Whereas under the pre-amendment Bankruptcy Code, the debtor had 60 days from the date on which the bankruptcy petition was filed, plus such additional time as approved by the court, to assume or reject unexpired leases, Section 365(d)(4)

of the Bankruptcy Code now increases the former period to allow the debtor 120 days from the filing of the commencement of the case to assume or reject unexpired leases. More importantly, the revised Bankruptcy Code eliminates unlimited court-approved extensions, instead providing for one ninety-day extension period “for cause,” with no further extensions available unless the lessor consents.

Prior to the amendments, debtors and their assignees successfully argued that only monetary defaults must be cured. Section 365(b)(1)(A) of the revised Bankruptcy Code eliminates the obligation of the debtor to cure defaults relating to the failure to perform nonmonetary obligations under an unexpired lease of real property that are impossible to cure. If, however, such defaults arise from a failure to operate in accordance with a nonresidential real property lease, then the defaults must be cured by performance at and after assumption of the lease in accordance with the lease; in addition, the debtor must compensate the lessor for monetary losses resulting from such nonmonetary defaults.

In a related provision, a newly added paragraph to Section 503(b) grants administrative expense priority, in connection with a nonresidential real property lease that is first assumed and then subsequently rejected, for all monetary obligations due for the two-year period following the later of the rejection date or the turnover date. A claim for any remaining amounts due beyond this two-year period is subject to the cap currently applied to such claims under Section 502(b)(6).

Equipment and Personal Property Leases and Other Executory Contracts

Generally, a debtor may assume an equipment or personal property lease or executory contract only if it cures or provides adequate assurance that it will promptly cure any defaults. Prior to the 2005 Bankruptcy Revisions an exception under Section 365(b)(2) of the Bankruptcy Code excused the debtor from curing a default that was a breach of a provision relating to “the satisfaction of any penalty rate or provisions relating to a default arising from any failure by the debtor to perform non-monetary obligations.” Some courts interpreted this exception to excuse performance of all nonmonetary obligations. The Ninth Circuit Court of Appeals in *Worthington v. General Motors Corp.* (In re *Claremont Acquisition Corp.*)¹, however concluded

Bankruptcy continued

that nonmonetary defaults, which were not penalty provisions, were not excluded and must be cured. The 2005 Bankruptcy Revisions merely added "penalty" immediately prior to "provision" in the above-quoted exception, codifying the conclusion in Claremont.

Query: Did Congress create a new issue in its attempt to solve the nonresidential lease penalty rate and penalty provisions issue discussed above? Could an equipment lessor now argue that even nonmonetary obligations that are impossible to cure (other than ipso facto provisions like the commencement of a case, insolvency or financial conditions specifically excepted in Section 365(b)(2) of the Bankruptcy Code) preclude assumption, because Congress only excepted such impossible to cure obligations in Section 365(b)(1) for nonresidential real estate leases?

Section 1110 Aircraft Equipment

The 2005 Bankruptcy Revisions did not amend Section 1110 relating to certain aircraft equipment and vessels. However, do the amendments to Sections 365(b)(1) and 365(b)(2) (discussed in the two previous sections of this Bulletin) provide a stronger argument for lessors of aircraft that an airline may not effectively make a Section 1110(a) election if it is unable to cure all nonmonetary defaults, even those that are impossible to cure? Section 1110(a) excepts only those defaults specified in Section 365(b)(2), typically referred to as ipso facto provisions, from an airline's obligation to cure to retain the aircraft.

Query: Can an aircraft lessor now argue that nonmonetary cross-defaults in other leases and financial covenants that do not fit within the ipso facto exception of Section 365(b)(2) preclude a Section 1110(a) election, even if such nonmonetary provisions are impossible to cure?

Aircraft Terminal and Aircraft Gate Leases

The 2005 Bankruptcy Revisions also eliminate the restriction on assignments of aircraft terminal and aircraft gate leases, which appeared in Section 365(c)(4) of the pre-amendment Bankruptcy Code.

Forward Contracts, Repurchase Agreements, Etc.

The Bankruptcy Code currently offers protections for parties to securities contracts, commodities contracts, forward contracts, repurchase agreements, and swap agreements in the event that the other party to such contracts files for bankruptcy protection. The 2005 Bankruptcy Revisions add a new Section 561 to the Bankruptcy Code that offers similar protections for parties to master netting agreements and cross margining contracts.

Cross-Border Insolvency Cases

A new Chapter 15 has been added to the Bankruptcy Code that governs cross-border insolvency cases. These provisions seek to provide a more effective mechanism for dealing with cross-border insolvency cases by facilitating cooperation between U.S. courts, trustees and debtors, on one hand, and non-U.S. courts and other competent authorities, on the other hand.

Douglas J. Lipke, Esq., of Vedder Price may be reached by E-mail dlipke@vedderprice.com

Aviation History

By Bill Bath

IN 1848 what came to be known as the America's Cup race was initiated off the Isle of Wight on England's south coast; it was open to yachts of all nations and Queen Victoria authorized a solid silver cup to be made, known as the "One Hundred Guineas Cup". In 1851 the New York Yacht Club entered a sleek schooner christened "America", which it had built in City Island just north of Manhattan, specifically for the race. The builder refused payment unless the yacht won. That's self confidence!

When the America crossed the finish line the other yachts were just smudges on the horizon. Queen Victoria asked her aide de camp, "Who is second?" Her aide replied, "Your Majesty, there is no second". In the great air race from England to Melbourne, Australia in 1934, there was both a second finisher and a third, both of which showed men of vision that the airplane could revolutionize travel around the globe.

DeHavilland DH - 88 COMET The Great Race



At Oshkosh lined up with other beautifully restored classic aircraft, is a reproduction of a twin engine racing machine, a DeHavilland DH-88 Comet. It is so sleek of line that like a Derby thorough-bred standing in the paddock, it takes no stretch of the mind to imagine it moving at some incredible speed. It is painted a bright red and its registration is G-ACSS; the original was the winner of the 1934 race from Mildenhall, England to Melbourne, Australia. Its stable mate, G-ACSR was fourth overall. The second aircraft overall was also first in the handicap section; with the rules stating that an entrant could only pick one class for its finishing position, its team chose the handicap class which automatically moved the third place finisher into second place overall. Both of these aircraft were American designs with American engines.

Powered by two newly designed 185 hp. de Havilland "Gipsy-Six" II engines, up-rated to 223 hp. the "Comet" had a top speed of 237 m.p.h. at 10,000 ft. and cruised at 200 m.p.h. for 2,580 miles. Its maximum weight was 5,550 lb., of which more than 2,000 lb. was fuel and oil.

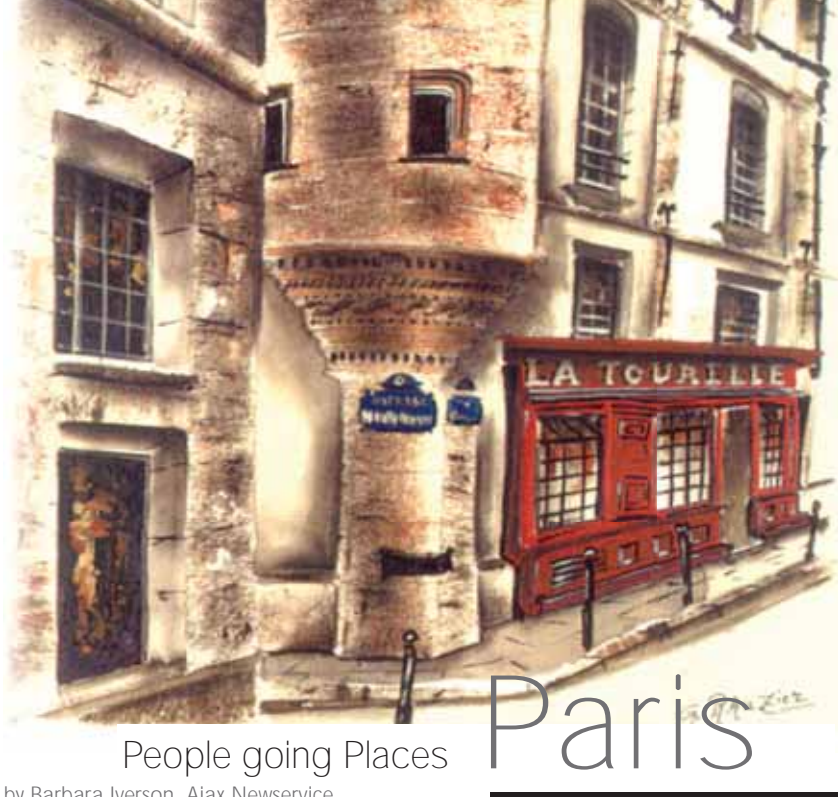
Harold Smith, the mayor of Melbourne, had suggested that to celebrate the coming centenary of the state of Victoria and its capital, Melbourne, an air race linking England to Australia be organized; Sir Macpherson Robertson, a wealthy confectionary manufacturer, agreed to sponsor it with a prize of 10,000 Australian pounds. The date for take-off was to be October 20, 1934. The route chosen was that flown by Jim Mollison in 1931 when he broke the former solo time record set by Francis Chichester in 1930, who at the time only had 100 hours in his log book, followed by the first woman to make the flight, Amy Johnson. All three flew de Havilland Gipsy Moths, the most popular light airplane in England at the time; de Havilland was turning them out at a rate of three a day to keep up with demand.

There were five compulsory stops and a total of 22 optional stops were included; Shell provided the fuel at all of the airports which had to be upgraded; ground navigation aids were mostly absent.

Geoffrey de Havilland decided that no British aircraft could mount a credible challenge to the American entries and announced that provided he received three orders by the end of February 1934, he would build an aircraft capable of flying at least 2,600 miles at 200 mph. The three orders were received and de Havilland set to work building the aircraft with less than ten months to get them finished and tested before the race.

(Side note. In 1948 Avro went one better when they designed, built, flew

COMET Continued page 22



People going Places

by Barbara Iverson, Ajax Newservice

Traveling to Paris often enough precludes the need to photograph and maybe visit some of the more famous sites. Instead, look to see some of the other things going on in the city.

Café de La Tourelle, 5, rue Hautefeuille - 6, a very short walk from the Place St-Michel Metro Station (Latin Quarter)

Originally the residence hall of the Abby of Fecamp it was rebuilt in the 1400s. Full of local color, it represents all the best of a Paris restaurant. With terrific food, charming ambiance, warm hosts all at a reasonable cost, the restaurant offers good food made with very fresh ingredients. Try their Terrine aux Foie de Volaille (duck livers), pork chops made with plums, and finish with a cheese cake and cream. Don't forget the wine cellars with many less well known but no less delicious French wines. The champagne is especially nice; it's hard to make a choice. Afterwards walk to Place Saint Michel and experience the student quarter, especially alive in the evening.

Observations: Smart Cars and bicycles occupy about the same space, Paris Metro poster greets travelers, and Pizza Hut delivery scooters make perfect sense.



COMET Continued

and crashed in less than ten months their delta wing one-third size test article named 707A, for the Vulcan bomber).

The DH 88 Comet was built of wood, except for the landing gear and engines. It was the first British designed airplane with retractable gear, split flaps and variable pitch propellers. The first aircraft to have all three of these innovations was the Douglas DC1. Because the Comet's weight was so critical to its performance, the American variable pitch propeller was too heavy and a French Ratier 2-position unit was used; preset to fine pitch before take-off, it automatically changed to coarse pitch at 150 mph. There were flight controls in both front and back cockpits, so that the pilots could spell each other during the estimated seventy hours elapsed time to complete the race.

With its thin wings, all of the 2000 pounds of fuel had to be carried in a long fuselage nose extension in front of the cockpit; as a result the pilot had no forward visibility while taking-off and landing; furthermore the engine nacelles blocked most of the peripheral view of the runway. To reduce drag the wing tips were elliptical; this made the airplane prone to severe wing-tip stalls which could snap it over on its side or yaw wildly after touchdown. (Try landing the Microsoft FS2004 Comet in a cross-wind). The story goes that a highly skilled de Havilland test pilot had so much difficulty landing one day he ended up at the far end of the field. He got out, walked back to the flight office and told them that if they wanted their airplane back they could bloody well fetch it themselves.

There were delays in building the three aircraft and the Gipsy Six II engines were boosted from 185 horse power to 223 HP by increasing the compression ratio and modifying the cylinder heads. This caused overheating at rated power; the setting that the pilot would have to use for the whole flight after take-off to stand a chance of beating the more powerful American entries. Eleven days before the race, G-ACSS, named "Grosvenor House" after its sponsor, flew for the first time. The two pilots, C.W.A. Scott and Tom Black had a total of three and a half hours and seven practice landings between them, and the mechanics were still fiddling with the engines right up to race time.

At dawn on October 20th it was raining lightly and the estimated 60,000 spectators kept spilling over on to the ramp where the 21 entries were lined up. With the area finally cleared of spectators, the aircraft taxied out and took-off at 45-second intervals. First off were the favorites, Jim Mollison and his now wife, Amy Johnson, in a black Comet G-ACSP, named "Black Magic". They were followed by Roscoe Turner in his Boeing 247-D airliner "Warner Bros. Comet".

The Mollisons Comet landed at Baghdad and took off for Karachi just as the Grosvenor House Comet arrived at Baghdad. Scott and Black had run into atrocious weather and by night fall over Syria they were lost and almost out of fuel. Fortunately Scott spotted airfield lights, which turned out to be a British Royal Air Force emergency strip at Kirkuk in Iraq. After Baghdad, with a refueling stop at Allahabad, they set off for Singapore; the weather was so bad both pilots had to handle the controls to keep the

aircraft on course and upright. When they arrived at Singapore they were so tired that Scott landed down wind. One hour and eleven minutes later they took off for Darwin. By this time the Mollisons were way back in the pack; having set a new record to Karachi, they were forced to return for repairs when their landing gear would not retract.

Having previously flown the nine hundred miles over the Timor sea to Darwin, Scott knew that in the event they had to ditch sharks would have them for dinner, so one can well imagine his thoughts when near the midway point, flying at 1,000 feet to stay below the clouds, the port engine oil pressure fell to zero and the engine was shut down. However, they were then light enough to stay airborne until landing at Darwin. Finding a clogged oil filter, the mechanics got the engine running so they could take-off with it set at reduced power. Setting course for the thousand mile leg to Charleville their fatigue was such they could only take ten minute turns each at the controls. Although Scott had flown over the route many times, they were soon lost; however, they finally spotted the rail line and followed it to the landing strip, where mechanics spent two hours working on the balky engine. Meanwhile, their closest competitor was just approaching Darwin, so once more the Comet got airborne with only partial power from the port engine to fly the final leg with it shut down; crossing the finish line at Flemington, Melbourne, at 3.33 pm; 70 hours, 54 minutes and 11,323 miles after departing Mildenhall.

So who were second and third? The second overall was a KLM DC2, carrying mail and some passengers. It had no additional fuel tanks, and its Wright Cyclone engines power settings were those used in regular airline service. On the last leg to Melbourne an electric storm forced it to make a landing in heavy rain on the racecourse at Albury, which the local inhabitants had illuminated with their car headlamps. The next morning, the citizens hauled the DC2 out of the soft turf with ropes onto a crude runway they had laid with planks of wood. The KLM captain, Koene Dirk Parmentier, off-loaded two crew, three passengers and the mail; they took the train to Melbourne. The DC2

was first in the handicap section and chose that for its finishing position, so that the third overall moved into second place. This was the Boeing 247-D, piloted by Roscoe Turner and Clyde Pangborn. They had also suffered low oil pressure but pushed on from Darwin, only to be forced to land 40 miles from Melbourne with oil dripping onto the hot exhaust manifold from a cracked line. With the engine smoking Turner took off again hoping to catch the slower DC2, but arrived two and a half hours behind the Dutch.

The fourth finisher was the green DH-88 G-ACSR piloted by Cathart-Jones and Waller; they had lost a lot of time at Karachi with a serious oil leak and getting lost on two occasions. Upon arriving at Melbourne they lost no time turning around to head back to England and set a new round-trip record of just over thirteen days. The Mollisons in G-ACSP had run short of fuel en route to Allahabad and landed at Jobbolpore, where there was no aviation fuel so they filled up from a local bus; this resulted in a seized piston and they had to withdraw from the race upon reaching Allahabad. Amy Johnson vanished over the Thames estuary in 1941 ferrying a twin engine Avro Anson from the factory to an RAF airfield.

Later a reporter asked Scott what was the worst part of the trip. "All of it" he replied and walked away.

References: John D. Anderson Jr. The Airplane, a History of its Technology, American Institute of Aeronautics and Astronautics, 2002
www.avsim.com
www.dc3airways.com/1934-1
<http://dh88cometracer.mysite.wanadoo-members.co.UK>

Multiple other sites for historical confirmation of events
 MS FS2004 DH-88

START

financials

To keep the membership of ISTAT better informed, the ISTAT Board of Directors has elected to begin publishing summary financials for ISTAT in the Jetrader. In this publication we are providing copies of the audited balance sheet, income statement and cash flow statement for 2004.

A complete copy of the audited financial statements for 2004 is held on file at the ISTAT offices and can be requested for review by active members. Look for the audited financials for 2005 to be published next spring.

Gregory May
 ISTAT Vice President
 Treasurer

Please see Financials
 next page

WANTED :: NOMINATIONS FOR OPEN SEATS ISTAT BOARD OF DIRECTORS

We are now accepting nominations for the election of three open Board seats at this year's Annual Conference. If you are interested in serving, please email your CVs to any of the board officers.

Nominations must be received no later than February 15, 2006.

You can volunteer for any of the other opportunities to assist/support ISTAT or the Foundation in different areas, for example, membership growth, raffle tickets, silent auction items or JETRADER articles.

Thomas Heimsoth theimsoth@willowaviation.com
 John Vitale john.vitale@avitas.com
 Gregory May gmay@qaviationgroup.com
 Michael Platt mplatt@ilfc.com

**INTERNATIONAL SOCIETY OF TRANSPORT AIRCRAFT TRADING
INTERNATIONAL SOCIETY OF TRANSPORT AIRCRAFT TRADING FOUNDATION**

**COMBINING STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2004
WITH SUMMARIZED COMBINED FINANCIAL INFORMATION FOR 2003**

ASSETS

	2004				2003
	The Society	The Foundation	Eliminations	Total	Total
Cash and cash equivalents	\$ 56,560	\$ 35,722	\$ -	\$ 92,282	\$ 250,310
Investments (Note 2)	1,141,057	821,105	-	1,962,162	1,139,168
Due from Foundation	5,558	-	(5,558)	-	-
Accounts receivable	15,461	-	-	15,461	12,219
Prepaid expenses	27,731	-	-	27,731	42,103
Property and equipment, net of accumulated depreciation of \$14,263 and \$14,399 in 2004 and 2003, respectively (Note 3)	<u>10,842</u>	<u>-</u>	<u>-</u>	<u>10,842</u>	<u>7,894</u>
TOTAL ASSETS	<u>\$1,257,209</u>	<u>\$ 856,827</u>	<u>\$ (5,558)</u>	<u>\$2,108,478</u>	<u>\$1,451,694</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 13,926	\$ 1,008	\$ -	\$ 14,934	\$ 25,858
Due to ISTAT	-	5,558	(5,558)	-	-
Deferred income:					
Membership dues	132,653	-	-	132,653	126,113
Conference Fees	51,025	-	-	51,025	36,140
Sponsorships	3,000	-	-	3,000	18,300
Other	<u>-</u>	<u>8,090</u>	<u>-</u>	<u>8,090</u>	<u>2,601</u>
Total liabilities	<u>200,604</u>	<u>14,656</u>	<u>(5,558)</u>	<u>209,702</u>	<u>209,012</u>

NET ASSETS

Unrestricted net assets:					
Undesignated	1,056,605	146,258	-	1,202,863	846,769
Board designated (Note 5)	<u>-</u>	<u>695,913</u>	<u>-</u>	<u>695,913</u>	<u>395,913</u>
Total unrestricted net assets	<u>1,056,605</u>	<u>842,171</u>	<u>-</u>	<u>1,898,776</u>	<u>1,242,682</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,257,209</u>	<u>\$ 856,827</u>	<u>\$ (5,558)</u>	<u>\$2,108,478</u>	<u>\$1,451,694</u>

**INTERNATIONAL SOCIETY OF TRANSPORT AIRCRAFT TRADING
INTERNATIONAL SOCIETY OF TRANSPORT AIRCRAFT TRADING FOUNDATION**

**COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004
WITH SUMMARIZED COMBINED FINANCIAL INFORMATION FOR 2003**

	<u>2004</u>				<u>2003</u>
	<u>Unrestricted</u>				
	<u>The</u>	<u>The</u>			
	<u>Society</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>	<u>Total</u>
UNRESTRICTED REVENUE					
Membership:					
Individual	\$ 185,822	\$ -	\$ -	\$ 185,822	\$ 179,149
Corporate	189,794	-	-	189,794	180,651
Contributions	-	335,307	(50,000)	285,307	83,991
Advertising	18,975	-	-	18,975	-
Conference	657,125	-	-	657,125	483,450
Sponsor income	243,275	-	-	243,275	227,150
Golf Tournament	-	62,725	-	62,725	61,505
Silent Auction	-	76,651	-	76,651	-
Special fundraisers	-	58,397	-	58,397	-
Appraisal	1,570	-	-	1,570	1,450
Investment income (Note 2)	28,863	40,939	-	69,802	69,447
Other revenue	<u>6,738</u>	<u>-</u>	<u>-</u>	<u>6,738</u>	<u>332</u>
Total unrestricted revenue	<u>1,332,162</u>	<u>574,019</u>	<u>(50,000)</u>	<u>1,856,181</u>	<u>1,287,125</u>
EXPENSES					
Program services:					
Conferences	612,548	-	-	612,548	561,075
JETRADER Magazine	57,737	-	-	57,737	47,868
Air Show Receptions	63,696	-	-	63,696	60,619
Scholarships and Grants	50,000	60,000	(50,000)	60,000	28,000
Membership Directory	1,196	-	-	1,196	39,022
Appraisal Program	38,232	-	-	38,232	44,562
Golf Tournament	-	57,153	-	57,153	38,941
Silent Auction	-	28,358	-	28,358	37,227
Special Fundraisers	<u>-</u>	<u>27,608</u>	<u>-</u>	<u>27,608</u>	<u>-</u>
Total program expenses	823,409	173,119	(50,000)	946,528	857,314
Management and general	<u>216,490</u>	<u>37,069</u>	<u>-</u>	<u>253,559</u>	<u>208,615</u>
Total expenses	<u>1,039,899</u>	<u>210,188</u>	<u>(50,000)</u>	<u>1,200,087</u>	<u>1,065,929</u>
Change in unrestricted net assets	<u>292,263</u>	<u>363,831</u>	<u>-</u>	<u>656,094</u>	<u>221,196</u>
CHANGE IN NET ASSETS	<u>\$ 292,263</u>	<u>\$ 363,831</u>	<u>\$ -</u>	<u>\$ 656,094</u>	<u>\$ 221,196</u>



EXHIBIT D

**INTERNATIONAL SOCIETY OF TRANSPORT AIRCRAFT TRADING
INTERNATIONAL SOCIETY OF TRANSPORT AIRCRAFT TRADING FOUNDATION**

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004
WITH SUMMARIZED COMBINED FINANCIAL INFORMATION FOR 2003**

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 656,094	\$ 221,196
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,470	3,981
Unrealized gain	(39,980)	(120,627)
Realized gain	(454)	-
Loss on disposal of assets	-	1,012
(Increase) decrease in:		
Accounts receivable	(3,241)	47,155
Prepaid expenses	14,370	(32,005)
Increase (decrease) in:		
Accounts payable	(10,922)	5,477
Deferred conference registration fees	14,885	26,940
Deferred membership dues	6,539	22,050
Deferred contributions	5,490	2,600
Deferred sponsorships	<u>(15,300)</u>	<u>18,300</u>
Net cash provided by operating activities	<u>633,951</u>	<u>196,079</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(2,811)	(4,739)
Proceeds from sale of investments	709,184	(569,486)
Purchases of investments	<u>(1,498,352)</u>	<u>-</u>
Net cash used by investing activities	<u>(791,979)</u>	<u>(574,225)</u>
Net decrease in cash and cash equivalents	(158,028)	(378,146)
Cash and cash equivalents at beginning of year	<u>250,310</u>	<u>628,456</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 92,282</u>	<u>\$ 250,310</u>



International Society of Transport Aircraft Trading
23rd Annual Conference March 26-28, 2006
Omni @ChampionsGate Resort • Orlando, FL USA

CONFERENCE REGISTRATION FORM

Complete and fax this form with payment information to:

ISTAT in the USA: Fax #: 001.703.503.5964

Tel: 001.703.978.8156 • Email: istat@istat.org • Mail: 5517 Talon Court, Fairfax, VA, 22032 USA

Registration confirmed only with payment. Registration Fees must be paid in advance to gain entrance to the Conference. Membership dues must be current to receive member rates. Must be listed on the corporate membership to receive member rate. Substitutes must be members to receive member rate. **Refund Policy:** \$200 processing fee after 5:00pm EST March 17, 2006
No Refunds after March 23, 2006 Midnight EST • Cancellations must be in writing to receive refunds

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- Dues must be current to receive Conference Member Rates. Contact ISTAT office to check your membership status.

MEMBERSHIP DUES: (✓) Check to pay Individual or Corporate

INDIVIDUAL Membership: \$ 400 USD	
CORPORATE Membership: \$ 1,750 for 6 (\$200 each after 6)	

CONFERENCE FEES: (✓) Check one that applies

REGISTRANT TYPE	✓	UNTIL Jan 31 2006
Member:		\$ 675 USD per registrant
Per Registrant		
Airline Personnel		\$ 425 USD per registrant
Non Member		\$ 1,350 USD per registrant

REGISTRANT TYPE	✓	Feb 1 2006 ONWARD
Member:		\$ 875 USD per registrant
Per Registrant		
Airline Personnel		\$ 425 USD per registrant
Non Member		\$1,350 USD per registrant

Golf Tournament Mar 26**		\$170
Club Rentals (left) (right)		\$ 65

Spouse Monday tour, Receptions, Tues. Dinner		\$300
Spouse w/out tour		\$150

Spouse golf		\$170
Club Rentals (left) (right)		\$65

Must Fill In



Membership dues to be charged or enclosed: \$ _____
Conference Fees to be charged or enclosed: \$ _____
Total Amount to be charged or enclosed: \$ _____

GALA DINNER: (✓) Check if YES

I/we will attend the Gala Dinner on Tuesday March 28th (included in above fee)	
Please contact me about reserving a table at the Gala Dinner (Cost: \$1,500)	

PAYMENT METHOD: registration not complete without payment

☐ Check ☐ Bank Wire* ☐ MasterCard ☐ VISA ☐ American Express

Credit Card Number: _____ Exp Date: _____ (mm/yy)

Cardholder Name: _____

Cardholder Signature: _____

*Bank Wire Instructions: Please contact the ISTAT office for instructions

**DISCLAIMER: ISTAT will seek sponsors for the golf tournament, and to the extent successful, a portion of the fee for golf will be contributed to the ISTAT Foundation.



23rd Annual Conference

March 26 - 28, 2006 · Orlando Florida

OMNI  ORLANDO RESORT
AT CHAMPIONSGATE

Speakers confirmed to date :: Wolfgang Mayrhuber, CEO Lufthansa; Vijay Mallya, CEO Kingfisher; Richard Aboulafia, Teal Group; David Fei, CEO Air Macau; Ngoc Minh Pham CEO Vietnam Airlines; Li Hai, Director Chinese Aviation Supply Corporation; Steve Hazy, ILFC; Henry Hubschman, GECAS; Steve Hannahs, Aviation Capital Group

Registration + Hotel Reservations
forms available online
www.istat.org

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