

Recorded Statement

Q = Various Unidentified Voices
A = Lynn Tilton
B = Unidentified male voice
C = Andy Logan

B: Good afternoon. Welcome to the MD Helicopters press briefing. We appreciate your attendance. Today what we thought we'd do is Lynn Tilton will take some time, make some comments. And then we'll take questions and answers. If you would, please, when we go into the question and answer period, if you would identify yourself and what publication you're with, we would appreciate that. I'd like to introduce Lynn Tilton. She's CEO of Patriarch Partners and Chairman of the Board of MD Helicopters.

A: The pictures are gonna begin huh? Without the high definition film, okay? The ones near the helicopters never come out real well when you're in your mid-40's. I appreciate everyone's attendance today and I think we've got some exciting things to talk about. We're making some changes at the company that have been sorely needed as well as within the industry paradigm which in my humble opinion is also sorely needed. I want to say that I am truly honored to own MD Helicopters in spite of the disappointments that this company has caused many of the operators and the suppliers in the past. I bought this company because it has tremendous products and tremendous

technology. And I wanted to ensure that someone brought these products to the world. I thought it would be an easy journey. I thought a matter of capital and building efficiency. And boy was I mistaken. It has been a test of my courage of conviction, of my global wisdom, of my energy, and of my strength of character. And we've only just begun the journey. Patriarch, which is the company that I founded back in 2000, is a \$5 billion investment fund and if I ever leave Mesa and get back to New York, by the end of March we'll be a \$6 billion investment fund. And all we do is acquire companies or lend large sums of money to companies during periods of operational transition or industries undergoing pervasive change. So I am not frightened by the journey. This is what I do. And yet I will tell you that this journey at MD Helicopters is definitely taking me to new heights in terms of testing me on what I know and my ability to dream the dream and take difficult steps and infuse tremendous amount of capital based on a vision of what this industry needs to be for the long term. I own 67 companies around the world, so I have a breath of industry knowledge, of company indigenous knowledge. I know how to drive efficiency and I know how to create innovation. There's one driving force that I always follow across the board in every company. And that is the customer is the central core of every company. And we work

backwards from that customer to understand our business, past, present and future. And so when I say that my number one duty of loyalty is to my installed customer base, to my operators, I mean that. Because it is from them that I am learning this industry. And it is that operator who has stood by MD through all its frailties, through all its disappointments, and yet still writes me and calls me and comes by to say hello and says thank you for bringing MD Helicopters back. And are we back? No, but are we on our way? Absolutely. When we acquire companies, we walk dual paths. We walk a path of building efficiency, and that's through supply chain and systems, and lean manufacturing and financial consolidation and metrics and processes. And then we walk a second path simultaneously of driving innovation, because you may build an efficient product, but if nobody wants it, it's still finished goods inventory. And so you can't just create profitability by driving efficiency. You've got to create long lasting enterprise value by following your customer and driving innovation towards the customers' needs. And so we walk those two paths at MD Helicopters. My dream for MD and the dream that I try to get our people to dream every day is to be first and foremost number one in customer service. And right there next to it, the safest helicopter in the world. The gift we start with is the NOTAR technology. Just by having that

technology for those who want it, we start with a helicopter that is 25 percent safer than the industry. Why? Because 25 percent of all accidents are caused by tail rotor mishaps. So eliminating that and eradicating that from our helicopter first gives us a head start. The second thing is it's a much more quiet helicopter. And I think that as we move into the future I think there are gonna be a lot of places where one will not be able to fly until the noise reduction takes place. We've got a head start there too. Adding to our safety initiatives, we have volunteered, or I have volunteered, and the reason I'm stating it today is so that you hold me to it, if I say it, if I write it, I need to deliver it. We have volunteered to be the poster child for the International Helicopter Safety Team. And that means that by the beginning of 2007, we will have in all our helicopters the four new safety features. And we will take the fifth, you're confused, you haven't heard this yet? Did you not go to the FAA conference? We will have the fifth safety feature in our training program. And that's wire cutters on every helicopter. That's terrain avoidance systems. That's Hum's cockpit video and audio recorders. And in our training we will start with fly safety training. And I made that promise to David Downey when we, he taught me tough love early on in that it's not easy to get the FAA to follow your vision. But has been a great mentor of mine

and has truly helped me learn this business and helped me innovate in this business. And so that is my commitment to the FAA, to the Safety Team as well as to my operators. We truly want to make our helicopter the safest helicopter in the world and we want everyone to follow us, even if we are the small, step-child. If we're willing to do it, hopefully everyone will follow our lead. We need to give the perception that this industry is a safe industry and that will start in training and in insuring that each helicopter's equipped with the right safety features. Who did I forget? Mike Zaccaro(sp?). Andy. who's with David Downey?

C: David Downey and Mike Zaccaro.

A: Mike Zaccaro. I need to give kudos to the two men bringing this to the industry's attention. The second thing in terms of being customer centric and having the best customer service, that's probably where our innovation will be called on most heavily. And it's probably the most difficult steps that we are taking. But what I have learned in the most painful way is that it was not just that MD's supply chain was broken from failure to meet production limits, from failure to pay suppliers on time, but that the industry supply chain is indelibly flawed because I've paid back suppliers. And did I think that those, I would be embarrassed for paying off the liabilities of the past? Uh

hum, 'cause I didn't need to. I could have bought this company through a bankruptcy or a foreclosure. But not only was I not embarrassed for paying off the liabilities of the past, I was not treated as a new company but held accountable for the sins of the past. And even those suppliers that did stand shoulder to shoulder with us and did appreciate really do not have the capability to meet our constant requirements to ensure that we meet our operators' needs every step of the way. Why? This industry is capital intensive with a capital C and a capital I. That means small suppliers don't have the ability to survive. And with the global material shortages, they can't buy on the spot market. They can't ensure that they get the first deliveries. And so they cannot deliver to the OEM regardless of their intent. And so we suffer, because in the end, excuse me, shit rolls uphill. It's my fault no matter what happens. In the end, if someone can't get the material, someone doesn't deliver to me on time, my customer just doesn't care. And so how do I deal with the fact that I am so indelibly dependent upon hundred of suppliers to build what should be easy, to assemble a helicopter. The larger suppliers are so busy that they might run my product once every three months or once every six months. So if I am to have a surge in a need for parts or a surge in production, I have no parts. And they'll get to it when

they get to it. So in the end, it's somewhat, "Frankly, my dear, I don't give a damn." So I thought about it and realized that I can never be a responsible OEM if I live dependent upon the supply chain. And so I have made it clear that if they will not do it for me, I will do it myself. And in everything you've got to go back to the beginning to look at where you are to move into the future. And so I put my head down and I said, how did this used to get done. Well, use tools. From whence MD is born. Simple tooling, simple metal bending, metal rolling, production. Well, guess what. Patriarch owns a \$500 million tier one automotive supplier. That's gonna be a multi-billion global automotive supplier over the next year. We metal bend, metal roll, metal form, stamp, weld, for tier one, OEM, for OEM's all throughout the automotive industry. Daimler, Nissan, GM, Ford, you name it. So I sat down with Andy Logan, Padre NOTAR, Chief Technology Officer and one of my guides and mentors in this business, and I said, "Are you telling me that with 30 year old fuselage technology I can't build this myself?" And he said, "I'm absolutely not telling you that. Of course you can." So one of the things you will see in a press package today is we are announcing that our single-engine fuselage and parts will be built in Monterey, Mexico, at Global Automotive Systems, which is Patriarch's automotive platform. And we expect to be in production by

the fourth quarter of this year and marching forward. We are continuing down that path in that we will purchase aerospace suppliers that are core to our business, who need our help. We just recently acquired Heritage Aviation, a majority share in Heritage Aviation. We have found so many synergies in terms of what they can do for our supply chain as well as our ability now to offer all kinds of executive completions and we are mixing our engineering and our financial as well as our supply chain initiatives. Monterey, Dallas, Mesa, we are gonna try to create efficiency going forward from there. We have been working very closely with composite solutions, putting our people on the premises, purchasing materials, perhaps entering into a joint venture where our tail booms are created. And it is our vision to continue to bring the supply chain in house everywhere we cannot find that supplier who will work shoulder to shoulder with us to meet our needs. I'm very seriously considering right now the majority purchase of a Chinese aviation supplier. Working with the FAA to ensure that we do everything properly. Upon doing that we would set up a second production line of both the 500 fuselage, the single-engine fuselage as well as the twin fuselage, to be able to service that part of the world where we're seeing tremendous demand in Asia, Africa, and the Middle East where infrastructure is truly being rebuilt. There is also a

better supply of materials over there 'cause they're doing it better than we are here. And so it will allow us not only to double our production, but also to access materials that we might not otherwise be able. So we are every day being more creative and more innovative in our vision, because I don't want mediocrity to be accepted. And I don't want late deliveries to be the norm. I wanna change that. And the only way for MD to change that is to depend upon themselves. And so it will be costly, and it will be much more difficult. But in the end, I'm not here for the quick fix or the quick sale. I'm here with my devoted and talented management team to build the spectacular. Any questions?

Q: Wow. (Applause)

A: You should have gone to the FAA presentation. Yes sir?

Q: Lynn, how important is this LUH contract to you and how do you see your position in that?

A: Okay, and I'm gonna answer that question. But I forgot to say one thing. Where I am unable to answer a question because I am still a novice in this industry, I'm gonna point at my team. And where I am wrong, they actually have permission to have the courage to correct me. Okay? 'Cause I really only want the truth proliferated here and I don't know everything. In terms LUH, I did not, okay, go ahead give your name.

Q: Maury Smith(sp?), Pro Pilot Magazine.

A: Okay, Maury. I did not make this company for the LUH contract. I mean everybody knows the story that Lockheed approached Patriarch as we were purchasing this company to team up together in as the subcontractor and that was what I thought was an honor at the time and something that we would move forward on. But it was never behind the purchase of this company. As we went through that process with Lockheed, I realized that there were layers of bureaucracy and expense that would be added onto the MD Helicopter if we went in as the subcontractor. And so in my normal crazy attitude and courage of conviction, we decided eight days before the RFP was due to go it solo. And we did that for two reasons. We did that because we really felt that the U.S. Army pilots deserve to be in the safest helicopter in the world and that this was the right helicopter for the mission. And we could only deliver it at the price needed by ourselves. But I also did it because it would force me and my team to live true to our commitment and rebuild this company with great alacrity. So in part it was just to force us to get our acts together quickly. And so if we are to win LUH, I think it takes us from good to great very quickly. But if we're not to win LUH, with or without it we will never forget that we are a commercial helicopter company here to serve the commercial market. And it may be

the only company I have ever owned where I can sell everything I can produce. I just need to be able to produce. And so of course it would be a great honor and it would excite us, but it has nothing to do with the future of this company or the actions that I'm taking to serve the commercial base. How do I...

Q: Good answer.

A: Good answer. Well it's the truth. You'll always get the truth from me. And how do I see us fairing? We're cautiously optimistic and humble knowing that it's a miracle that we even stand here in this position and that anything can happen, but we will always you know drive forward to build this company quickly to be the best it can be so that we can either serve our commercial customer quickly or the U.S. Army if we're honored with that award.

Q: Lynn, in big big pictures, what is wrong with this industry?

A: I think what happened was as in most companies, supply chain has been become outsourcing. Efficiency is in most industries is truly driven by the outsourcing model because with production in lower cost labor parts of the world, it is much easier to create profitability by outsourcing production of high labor content. And it works, and I do it in many other industries. But, as I said, because of the capital intensive nature of this industry, you don't have a supply chain that can serve you to meet your needs. Small

suppliers can't survive or can't order you know sufficient materials to meet needs. And large suppliers are over-worked and run your production lines. And if you are not completely correct on what you need, I can tell someone, which I'm doing right now, which is more embarrassing to me than anything that I don't have a flex beam to deliver to get their aircraft in the air. And you know what, my supplier is not gonna do anything about it. Now they say they cannot. But you know what, I don't want to ever be in that position again. So in most industries, outsourcing works. In this industry, outsourcing everything causes mediocrity. And truthfully, late deliveries and mediocrity has become something accepted by the operators. And it's just a matter of who does it better than the other. Instead of truly understanding that each one of our customers makes his or her living in that helicopter. And every day that helicopter is on the ground is a day that they are not working. And ultimately I want to achieve a model that will allow us to either power by the hour or ensure reliability. You know days down based on parts delivery. Am I there yet? Absolutely not. I've got to get my supply chain where I want it to be so that I know I can do it. And I need to get more and more statistics because in the end it becomes a mathematical model. And we're reaching out to our operators to give us that information on what is normal wear and tear

and how often and what is something that we might not be doing as well as we should be doing so that we can innovate on anything that's less than perfect and basically ensure that wear and tear is in inventory. And so my pricing will go up, and I said it to my distributors and our service centers. I can't bring a supply chain in house and not have my costs go up. But I'm willing to give something back for that which will be spare parts on call at all times. It will take me 'til 2008 to get to that point. Maybe sooner, but I'd rather in a company that always over promised and under delivered, to under promise and over deliver. Yes?

Q: Lynn, (Inaudible), Helicopter International. Are you not concerned that the LUH is in a sense a double edged sword, because from what you're saying, I mean bear in the mind the U.S. Army is looking for a high rate of deliveries very quickly on (inaudible), are you not doing a good job of forcing yourself out of it bearing in mind the supply problems you've been (inaudible)?

A: No, because what I've said is you know when I take over a company, I actually bring in two management teams. I bring, I hire a permanent management team of high, high quality. And then I bring in my Patriarch Management Team from my Operations Group. And what we do is we walk dual paths. And they work parallel paths and they interact. And as senior management team drives that business forward and

trriages what is to meet the needs of the business and our deliveries. And that second team goes back to the beginning and basically rebuilds to what is the long term vision of creating long lasting consistent enterprise value. So we have committed to the U.S. Army that we can meet those needs as well as we will meet all our 2006 orders on time. Right guys? Failure is not an option. So we are not taking any additional orders for '06. If we can deliver sooner, we will. We are already prepared to meet the delivery needs of '07. I'm talking to you about a longer term vision that builds an infrastructure that creates value for our customer base for the long term. I'm talking to you about a longer term vision that allows this company to be a 300 helicopter a year company. People often think that by delivering the truth, I'm too negative. Don't underestimate how quickly we've moved to triage this company. My reputation goes far beyond MD Helicopters. If I do not deliver what I promise here, I impair every other one of my 66 companies around the world, which is why I'm standing here and leading this team myself right now because failure is not an option. So we are prepared to meet all the needs of the LUH contract, but I'm honest with you as I am honest with the U.S. Army. We are triaging our supply chain right now and we are prepared to meet deliveries on time. Will I march into the future with this supply chain and think that I will have a great

company? Absolutely not. But my commitment to the U.S. Army as well as my commitment to the commercial operators is the same. Where we've said we will deliver, we will.

Q: Yes, ma'am, Ronnie Stevens(sp?), Rotor and Wing Magazine. Is the company looking at the 600? It seems to have been the probably the weakest link in the MD product line.

A: The company is. It is the weakest link, and now I'm gonna hand it over to Andy Logan who is empowered with making sure that we longer hear about our weakest link.

C: Yes we're committed to the large cabin single market and the 600 and we've been frankly disappointed that it hasn't gotten a better reception. But we also realize that reception (inaudible) by some very (inaudible) issues with the aircraft. And we've formed a customer advisory team. We've had a review of the (inaudible). They've us some pretty frank (inaudible) feedback from the aircraft and we're taking that apart and we're crafting the plan now to move forward in that. We're working on control system to make the aircraft more user friendly. A little more domesticated, a great performance. We're looking at enhancing that performance. And we're looking at a series of creature comforts that make it more acceptable to the passengers and the crew. So we have a plan, we're moving out on that and we're trying to get the details and craft it so it's responsive to the customer. And we always approach

every issue like that with some concept of what you want with the aircraft. But you really have to touch base with the customer to make sure if you're right and have him challenge your thinking. And we're in this process of challenging our thinking so we can have the right set of directions and specifications on it.

Q: Thank you.

A: Tim.

Q: Tim McCatter(sp?) with Rotor and Wing. You mentioned your management team's philosophy. What was the rationale behind the departure of Mr. Rene and (inaudible)?

A: And that was all my fault. I'm pretty good at raising my hand. They, Rob Rene was a tremendous strategic thinker, but he was not an operations expert. And Randy Kesterson, although brought a breath of experience, was somewhat paralyzed by the prospect of what needed to get done. And I was being the face of this firm out in... (end of side one, tape one)

A: (Side two, tape one begins) began to gather metrics that did not prove that this company was where I thought it should be. And as in all things, it's all my fault. So I stepped in. But I'd like to tell you a little bit about the people we do have here. And that is a combination of Patriarch Operations people as well as my MD team right here. And it's spectacular. And it's not easy working for a crazy

lady who turns everything upside down and shifts everything 180 degrees and says whatever you knew before, just hold onto your tool belt and sign on for the ride on the magical mystery tour. So I give them complete and utter kudos for holding on for the ride. I'd like to introduce Jeff Snyder first of all who has taken over for service and spare parts. And he probably was the first one to really get his act together around here. He is, I gave him my mission which was to get aircraft off the ground at all cost. He may have gone a little bit too far in tearing apart new helicopters, but he did, he did help us reduce AOG's by 70 percent. And the reason that we are not completely where we need to be is not time, it's not money, it's not passion, it's not drive, it's the inability to procure parts. And I am embarrassed about those who we cannot get into the air, which is why I am willing to make the significant supply chain changes I need to so it never happens again. We also have spare parts flowing up to 80 percent and again that's been Jeff and his team. And we're proud of the progress we've made, but until it's 100 percent I don't expect anyone to be happy. Do I get to introduce the rest or only Jeff counts?

Q: (Inaudible).

A: I'd like to introduce David Oglesby(sp?) who we recently announced it here that will now be the Director of Sales and Marketing working closely with John Batton(sp?) who is a

Patriarch employee who came in at first to help drive the business forward. And John will probably be around at least 'til year end, probably as long as I'll be sitting at the helm to help him through the transition. And Dave brings a broad experience with the military, with the police and as a helicopter pilot. So he can stand shoulder to shoulder with our customer every day. We have Peter Hokanson who's our CFO. Bring fixed wing background experience but a brilliant financial man, helping me through dealing with limited revenues and large expenses. And has to deal with my wrath each day. And then of course Andy Logan, Padre NOTAR, who came in to answer an engineering question for me and I chained him to the seat and never let him leave by the promise that I would bring his great technology to the world. And he has been a mentor, a guide and really a lot of the new life and blood of this firm and I'm indelibly grateful. And back in, and then of course John Batton standing right here who is a Patriarch operational team member who has helped us drive this from day one and will stay around until we are safe on our way until he transitions to another company but will always be part of this portfolio. Back in Mesa where we are driving the business every day, a name from the past, Chuck Vehlow, has come in and he has joined Patriarch Partners to help me build this entire global aerospace platform. For those of

you who don't know him he is West Point MIT military man who ran the Apache line at Boeing and then was the CEO of two small aerospace companies and he has rebuilt our production line and gotten us to look like a true manufacturer. And we're working on lean and he brings tremendous credibility, and does Andy, because those who are retired who have reputations don't come back to ride a wave to be under the wave, but only atop the wave. And they see the vision and they see the strength. We have two Patriarch supply chain specialists, Barry Schooneville(sp?), who is from Patriarch and has 35 years of global supply chain experience who is helping us to turn this industry 180 degrees. And Sam Coleman from West Point and GE, (inaudible) supply chain and we stole one of Jeff's best, Mike Stahl(sp?). And we've made supply chain a separate entity onto itself that reports directly to the CEO because it is the blood and the life of this business. And we will only fix MD and the industry through supply chain changes that are drastic. And then Dave Langenhuizen, who's around somewhere, is Director of Manufacturing. Who did I miss, 'cause who's gonna kick my ass later?

Q: (Inaudible) and I think that was it.

A: Okay, that's it. I said Dave. I'm not gonna forget him again. Okay, and then Gary Smith, who most of you know is our General Counsel. He has been at MD back from the Boeing

days and he was supposed to be here, but had a death in the family. Okay, now that I've given the kudos that will make my team feel like I love them before I drive them back into oblivion.

Q: Thank you. I'm Tony with (inaudible) Magazine. Do you foresee any kind of collaboration with European companies or Asian companies for the development of your own? We have (inaudible) new ideas like (inaudible). So you are breaking new ground in the industry organization. What's the future in your opinion?

A: Well we will go global. I mean I actually, I own a very large company in Europe called Ensaldo Systeme Industriali(sp?)...

Q: Uh hum.

A: Which is 150 year old Italian in- you know industrial company with great history. It's in France, it's in Germany, we're in Romania, we're in Russia, and we're actually right now creating in Budapest another facility. So there is no doubt in my mind that we will continue to globalize MD. And as I said we are already working on the purchase of a Chinese manufacturer where we would be a majority owner from a voting perspective and 49 percent from an economic perspective to meet the needs of China. But because I am a novice in this industry I am ensuring that the FAA signs off on this and that we go through the state

department to ensure that I don't stumble all over myself when it comes to something like this. But if we get the clearance and it is embraced, we will be, 'cause you know one of the things that I've had here is tremendous demand from the Asian community and Hungary. And we will not be not be able to serve all our customer demand from what we have right now. And so, but I want to ensure that if we begin to build in Europe and build in Asia that those helicopters are interchangeable 'cause they make their way back one way or another. And so they need to be FAA certified and they need, we need to have our own people on the premises and we're moving in that direction. I love Eastern Europe for manufacturing. I think there is an incredible engineering intellect and work ethic where there's still a meritocracy based on hard work and intellect to drive people's lives to be better. And so I have found that it is incredibly productive to expand to Eastern Europe. I've had my time with the Italian unions. I'm bringing lean manufacturing to Italy. How's that for courageous? It was an oxymoron before I got there. So we are always willing to collaborate with anyone who wants to have a loyal, mutual, appreciative relationship with us. We are a small company in the industry. We've got three product lines right now. We just want to be the best that

we can be at what we do. So we are completely open to strong relationships. But I don't want anyone to ever...

(Transcriptionist's note: At this point the remainder of side two, tape one is blank).

Q: (Tape two, side one) (Tape begins) the pilots do like the MD 500. Unfortunately even your distributor can't afford to get fix these parts, but they're not serviced. You don't get them with service so obviously they serve us no useful purpose at all. They were used one time and I believe (inaudible) people will verify this. We couldn't circulate those parts and get them recertified hence getting the certification for those parts on shipment. Secondly, when you...

A: Yeah, okay how long are you going go on, 'cause do I need to take notes?

Q: There were publications. When one of your fellows, Andy Schaderela(sp?) by name, was dismissed from your company, we know now he owned publications (inaudible) helicopters out there in Mesa. What should we expect for an improvement there?

A: Okay, first of all let me answer...

Q: Parts and publication.

A: Well let me answer the question around parts. It is my intent to ensure that no one suffers from the absence of parts and service. Intent is not enough, okay? I'm, what I've tried to explain is the great lengths that we need to go to to ensure that that does happen any more. So we are making the changes to bring the 500, the single-engine production, under our own roof so that we are making our own fuselage and a lot of our own parts. We bought Heritage Aviation, which will begin to make as many of our parts as they can. And I've made it very clear to our supply chain that, if they do not want to serve us such that we can serve our customer, that I will find alternatives. I'm not worried about certification issues, I'm not worried about qualification issues. We'll get it done. I need to have the flow of parts. So as I'm saying to you, as I stand here, we will get this fixed. How quickly I can get it fixed depends on two things. Our current supply chain and whether they frankly give a damn. And the supply chain that I am creating. But would it be worth your weight to hold on since you've lived through the pain of the past? I think so. 'Cause we will be number one in customer service when I'm finished. And you will not blink when you need supplies, when you need parts, when you need service. Everyone sitting there is dedicated first and foremost to parts and service. And for most people, just to clue you

in, everyone's an elephant hunter. We don't make much money on producing helicopters, okay? A lot of money goes out the door. There's a high cost to capital. And you work below margins. Parts on the other hands, it's the heart and soul of every business. Parts and service is how every company smoothes its cash flows and makes margins. So for any company that doesn't want to service its helicopters, not only is it foolish 'cause you're not in front of your customer, it's the stupidest economic decision I've ever heard of. It is the heart and soul of a business, okay? I buy brand names with installed bases for the parts and service business. So believe me, it is in our best interest as well as your best interest so I don't sound like an altruist to ensure that parts and service are the core of this business. Second thing, publication...

Q: In your publication question (inaudible) in July and August there was previously about 12 people in the (inaudible) department that got into it and there was actually three left from the previous management. In the last month we've hired a new illustrator, new pub person. We've also looked at some of the other company factors (inaudible).

Q: Wanna take one more?

A: As many as they want to give. I'm not in a rush.

Q: So that's one of the three issues for the next quarter so. (Inaudible) and have actually spent a little of time and

effort into it. All our pubs are on line, free to all the service centers. They actually get out a hard copy (inaudible) network. So that you'll see improvement in the whole 900 series. That's part of the LUH contract (inaudible) so.

A: I mean the reality is the last management was the one that when they did the head count reduction took out everyone out of the department. So we're trying to rebuild it but we're trying to rebuild it intelligently.

Q: What did they do wrong (inaudible)? Just again be...

A: You're gonna get me into trouble.

Q: (Inaudible).

A: No I mean look, the reality is they were paralyzed by the prospect. Okay? I mean I think they, you know I wasn't there every day. But there was no metrics put in place, there was no process put in place. Supply (inaudible) wasn't addressed. They were willing to sort of delegate down and let people do what they continued to do in the past without any oversight to whether things were getting on, getting going. Rob Rene had no background in the business. Nor do I, but I certainly spend a lot of time learning it. And I just think that this is a job for a woman like me. I mean this is difficult and even for me. So I think it was a matter of somewhat paralysis by the depth of the challenge and somewhat that the fact that it needed to change so

drastically that one needed to have the global and industrial breath and vision to see exactly what needed to get done. But there was a lot of effort on marketing. There was a lot of effort on LUH. But that's all well and good if you can't produce a helicopter. So I think that the delivery of helicopters on time was not the focus and in the end that's our business. Yes sir?

Q: (Inaudible) Vertical Magazine. Just wondering, you're saying that so many in the industry didn't embrace you for the effort you made to make up for any of these past sins. Now...

A: Past liabilities.

Q: Past liabilities.

A: It's past sins I can't be accountable for.

Q: As far as making up for that, trying to erase that stigma, do you think that the stigma is gonna last longer than anticipated, that's gonna hamper the re-establishment?

A: No because I've already made the changes where everybody knows I no longer need 'em. So they will either stand shoulder to shoulder with this team, or they will serve someone else. Like I said, I needed to see the absence of appreciation or an alacrity in their movement, and in the end someday I will thank them all because they have forced me to make these paradigm shifts that I would otherwise not have done. And so in the end I truly believe that

everything happens for a reason and there are no coincidences. The pain that they have caused has forced me to think outside the box to care not how others do it, but just to be a solution provider and fix what is. And I think our supply chain is getting a clear message that if you don't do it, and you don't do it fairly, and you don't wanna be our partner, that's okay 'cause we'll do it ourselves or we'll find someone who does. So, no I don't think it will hamper us. I think moving the single-engine to fuselage to Monterey, Mexico, and buying Heritage and working with Composite Solutions in a joint venture has sent a very clear message. And I guarantee over the next eight weeks the message will resonate even more clearly. You think I'm angry? I am. Okay, yes, sir.

Q: (Inaudible) with Rotor and Wing. Talk a little bit about the Heritage purchase because there's a lot of different ways that can go. It can be a completion center. You talk about it like it's almost an engineering skunk works in some ways. Will that grow as its own company? Or be (inaudible).

A: We're, well they're MacGyver's. I mean I have, there are a lot of them. They're not nego-, well I'm not gonna say that. They're MacGyver's. They bring incredible creation and innovation to the industry. I mean these guys make anything out of anything. I mean there is nothing these

guys can't create with their hands. I don't think they think about, you know, cost or economics or financial models. But they are craftsmen. And actually they bring something that we haven't had at MD for a long, long time, and that is incredible creativity and resourcefulness. I mean they are the guys who hook onto something with their teeth as I'm trying to teach my supply chain, and don't let go even if the blood is flowing until it's done. And so they add something spectacular to our operation. And I think it will go anyway that makes sense that we can weave the two together. Will they, you know and they asked me the question on Friday, what happens if you want us to do something and we already have a customer ahead of you. And I said I would never ask you to put us ahead of a loyal customer. And I mean that. In the end I do not choose for them to become a pure MD completion center or you know supplier. I want them to live true to the commitments they've made. But they have a lot of bodies, they have a lot of space, they have great engineering talent and what we're going to do is capitalize upon that and utilize it and mix our groups together. And what I have said to Heritage is let's come up and look at our production line. Walk through it. And when has an OEM said to you, whatever you want is yours to build if I don't have a long term contract and a commitment? So not until we all walked through there

did we see how much of what we do do they make. I mean they make flat screen you know integration systems. They make auto pilot. They make a lot of the metal parts that we use. You know so we will grow with them as is. I mean one of the things that I'd like to do is bring some of their skill set down to Monterey, Mexico, where we're producing our fuselage so the wire harnesses are integrated and installed there, any flat screen panels are integrated and installed there. Anything they do to that helicopter will be done right on site and then shipped directly to Mesa. So we're gonna grow together. We're gonna see. And we now will have the sexy executive interiors for those who want, because truly the 902 is a great executive helicopter. And in a lot of places where you're not gonna be able to land because of noise controls, it will turn out to be a terrific one. I'm on line for one, but I'm way in back of all the customers so I don't know when I'm gonna get mine but we are gonna bring a fuselage down to them, one of the older fuselages, for them to complete so that we can have it on display going forward. But they are some of the most talented craftsmen I've seen and I think it brings a tremendous advantage and we will teach them a little bit about efficiency and we'll help add to their volumes and their revenues. So no I don't expect it to be integrated. In part, we only own a majority share and the old owners as part of our deal still own their

equity. But we will continue to complement each other. And the Patriarch owns the majority share of Heritage, not MD, no.

Q: Not MD? Okay.

A: Okay. So but for right now all we're doing is supporting each other and helping each other grow into the future. And they've helped us tremendously with some of our short term supply chain issues. And I expect that they will help you know with more of them and then become a permanent supplier over time. So we have immediate issues they're solving for us. We have short term issues they will solve for us. And then we have long term future initiatives together. And Andy Logan's gonna work very closely with their engineering staff, which is robust and talented. I'm just throwing a few shots at how many bodies they have but that's okay. I love 'em, they're mine. Yes?

Q: Two questions, if I could. One, what happens in eight weeks? You mentioned they'll know in eight weeks.

A: No, I'm throwing out a number. I just know that there are many moves that we will make over, the things that I have in place in terms of bringing more and more in house and making those announcements on the in house production as well as the potential Chinese purchase depending on clearance, that will set the tone of the fact that this little company is willing to change the industry and go back to its roots of

serving the customer even if it means making the parts
itself. And I have the ability to go global and I have the
money to buy what I need to buy to do so, and that's how
committed I am to the operator. This is not the easy way,
but this is the right way.

Q: Talk a little bit about the training changes that are
(inaudible). For instance, are you working on simulators
(inaudible)?

A: Well I'm actually you know one of the purchases I'm looking
to make is actually, and I can't announce it, but it does
have a big training school and does have simulators
attached, so yes we are looking either to purchase
something, add it ourselves, or to work in a joint venture
with a large training school on site to make sure that we
have the best of everything. And we you know in that safety
initiative comes training, training, training. And you
can't talk about safety if you don't train well. And so we
need to upgrade that. We know it. We're looking at it and
we're on our way. The other thing about Heritage is they
will take on our four safety initiatives. That will be part
of their completion. They will be putting that into our
aircraft, right Andy?

C: Right.

A: Yeah, okay.

Q: That was by the end of what?

A: It's by the beginning of 2000. In 2000, our he-, well maybe before, but in 2000 our helicopters will all...

Q: (Inaudible).

A: 2000 and okay I'm tired guys. 2007 thank you.

Q: I thought I was 10 years younger all of a sudden.

A: Yeah, I only wish for both of our sakes. I didn't mean you, I meant me. I apologize. Yes sir?

Q: (Inaudible).

A: My first fan.

Q: Yeah. We've talked a little about the past and what you're doing now. My question is the industry's moving on at an incredible pace at the moment and (inaudible) are trying to catch up, but my question is where do you see the innovations going (inaudible) in the future. (Inaudible). Where do you see innovation coming from in the future?

A: I'm gonna give you my short answer and then I'm gonna let Andy finish. I mean we already have worked to with the tail boom extension among other things to you know increase the weight load in our helicopters as well as you know upgrade the NOTAR system in terms of thrust. And we've done the first changes and that tail boom extension will be available starting in the near future 'til all 900 and 902, is it 902 or 900?

C: It's 900.

A: 900 and 902 operators. Because we want everyone to have access to the new technology. We are also working on you know bringing the new flat screen panels, the IFR that we brought into the LUH helicopter has been embraced by the U.S. Army. People are thrilled with it, so that will become part of our commercial configuration in the 902 as well as we're looking to put that into the single-engine as well. And that's why I talked Heritage being able to do that for us. Also the glass cockpit, you know the extended glass cockpit, we want to put that into the single-engine as well as the 902 especially for single pilot, you know using it for utility and workload. The better vision, the better ability to look around. So we are definitely looking at innovation. I mean it's the real, it's the reason Andy came back was truly to listen to the customer and to innovate. And we have an entire NOTAR system upgrade that is our second step that includes you know more powerful fan, more you know wind tunnel technology and you know closer veins within the tail boom. Andy I'm about out of what I know about your ergonomics system so.

C: Well as I mentioned earlier (inaudible) customer advisory team to look at all of our products and advise us which way to go. Most immediately we can capture value to our customer through the efforts we put into the LUH (inaudible). And that's the beauty of the LUH program to us

as a commercial provider. The LUH will be an FAA certified aircraft. Anything that's on that aircraft is FAA certified. It'll be controlled and (inaudible) through the FAA system. Which means the (inaudible) LUH are available to our commercial customers. And you see today as far as our commercial offering the 902 users, the Chelton EFIS system, (inaudible) sky, all the wonderful things you see on that Chelton system are now available on the 902. And the dual pilot IFR system. The next step we're gonna take is to then marry that with a (inaudible) to allow us to evolve that to a single pilot IFR system. And then we're gonna take that same technology and work it down to our customer set between the 600 and (inaudible) 500 E users to see what's appropriate for them. 'Cause we have such a broad spectrum of users and customers, you gotta be really wise on how you do this. You go all the way from the very sophisticated (inaudible) 902 or twin engine category A operating (inaudible). They are really attracted to this. You get down into the other end of our user group, the (inaudible) 500E for its simplicity, its high reliability, its versatility, its maintenance free operations, you know the first thing they ask is well how does that enhance those characteristics if you lost money. So we gotta be wise as we move them down and then in between with the 520 and the 600 (inaudible) that you know are somewhere in between. So

we're working that way through them. But with the 902 (inaudible). As a matter of fact, (inaudible) LUH is available commercially, and it's an attractive system for those of you who want the (inaudible) responder type capability (inaudible). We've expanded the hoist (inaudible) for those people who like to do hoisting. The hoisting is more robust than ever. That's available. We've extended (inaudible) over the aircraft. (Inaudible). All available for our commercial customers. And then we talked about how we're working our way down to the 600 M listening to them, (inaudible) on what their concerns are. We've also looked at the 520 M and the 500. So there's a whole host of things we have, but we don't want to (inaudible). Now we have too much challenges before us. Number one, (inaudible) parts.

A: Are my messages clear?

C: Yeah, oh yeah.

A: Okay.

C: Oh yeah, (inaudible). And as I say you know it's just wonderful (inaudible) to get parts. So we're getting that out, we're getting that fixed and that's sort of the baseline (inaudible). And then from that baseline we then moved into improvements to assert and prevent supply (inaudible) customer. And we're gonna (inaudible). I'd like to see (inaudible) that David Downey (inaudible) get

that out very quickly. And it's relatively you know very minimal cost and we (inaudible).

A: Yes.

Q: (Inaudible). You said that you are not taking any more orders for 2006 delivery. Would you tell us how many helicopters you plan to deliver in 2006 and how many did you in 2005?

A: Well I can't, I can't tell you all of 2005 because I basically didn't step in until August and I don't know what was done before. 2006 I think we are looking to deliver 20 helicopters. Now since we maybe have our 500 or single-engine production up by the third quarter of 2006 we will be able to deliver more but that is all that we have promised because I refuse to be late on any deliveries. Okay? Good? Thank you very much for your time. I appreciate it.

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