

NBAA Regional Forum

Welcome



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Van Nuys Airport

Buyer's Guide to a Successful Aircraft Transaction

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The Team

- Aviation Attorney
- Buyer's Aircraft Broker
- Management Company
- Technical Representative
- Tax Professional
- Lender
- Insurance Broker
- Escrow Agent



Aviation Attorney

- Why
 - Specialized area of the law which is highly regulated
 - Organizational structure
 - Must meet needs of owner
 - Must comply with laws and regulations
 - Team leader who is not motivated by if the sale closes or not
 - The unknowns that can happen will
 - Need an experienced leader who can handle the unknowns
 - Examples: Snowplows, lost original export papers, backorder parts



Buyer's Aircraft Broker

- Understands the market
 - Best aircraft for the best price (not necessarily least expensive aircraft on the market)
- Understands the Aircraft type being sought
 - Different brokers specialize in different aircraft. Hire a broker that knows the aircraft type sought
- Handles logistics, timing and adds an urgency to transaction



Management Company

- Safety Culture
- Service Culture
- Aircraft type managed
(is it the right fit)
- Compatibility
 - Buyer and Management company personalities
- Roles and responsibilities
 - Can do as much or as little as needed
- Charter?



Technical Representative

- Depending on the team this role may be able to be filled by a broker who has a technical background, the management company or a separate third party
- At the inspection facility for the entire pre-buy
- Familiar and friendly with the inspection facility
- Understand the contract and who pays for what when items found during pre-buy.



Tax Professional

- No team is complete with out a knowledgeable aviation tax professional
- With advanced tax planning prior to purchase significant tax savings can occur
- Maximize deductions based on organizational structure
- Sales Tax, Use Tax, Property Tax, . . . !!!



Lender

- Specialize in certain dollar values and aircraft ages
 - Not all lenders will lend on older aircraft
 - Not all lenders will lend under a certain dollar amount
- Finding the best terms based on the aircraft being purchased will require contact with various lenders depending on the aircraft selected
- Not all terms are the same. Regional lenders and banks used for other business by buyer should not be overlooked



Insurance Broker

- Role can be filled by management company
- Adequate insurance must be in place prior to closing
- Not about the least expensive insurance product available
 - Best policy coverage available based on needs at the best price



Escrow Agent

- Documents must be filed with the FAA registry in Oklahoma City
- Escrow agent in Oklahoma City will file documents
- Title searches
- FAA Registry now accepting digital signatures on all documents which will be filed
- International Registry



Best Practices

- Clearly identify roles and responsibilities
 - Often various team members can do same tasks, be clear on who is doing what
- Checklist
 - List of all tasks which must occur prior to closing and who is responsible for each task
- Team Quarterback
 - Must be a team leader. The leader on each team can vary, but team leader must have best interests of Buyer in mind and never be focused on just getting to the closing



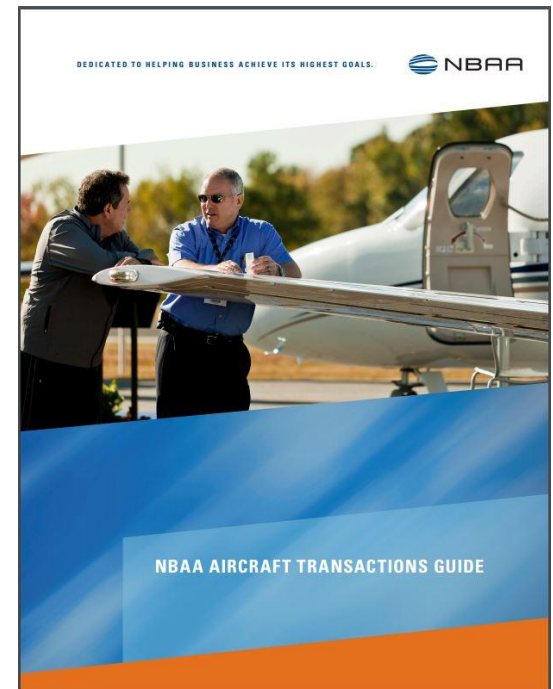
Pitfalls

- Signing LOI before team is in place and being stuck with the terms of the LOI
- Agreeing to an aggressive closing schedule that can't be accommodated when adequately planning organization structure and tax
- Using the same team members as a friend who bought a different aircraft type



Useful Tools

- NBAA together with tax committee put together a 24 page Aircraft Transaction Guide. It can be accessed by all NBAA members through its website at nbaa.org



NBAA Aircraft Transaction Guide

- Assembling the team
- FAA/DOT Regulatory Considerations
- Taxes
 - Federal Income Taxes, FET and State and Local taxes
- Financing
- Ownership and Operational Structures
- Contract and Title Issues
- Closing Process
- Post-Closing items





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Thank you