



AIRCRAFT FINANCING: 5 PITFALLS TO AVOID

When purchasing an aircraft, resist the temptation to guess on aircraft financing. Aircraft transactions and the legal financing documents are intricate, complex and contain many concealed restrictions. Such transactions should never be initiated without qualified, professional support.

Consulting with an aviation attorney or technical advisor will help identify and solve potential complications or restrictions related to overflight restrictions, maintenance, POA stipulations, insurance and timing considerations. Failure to realize or negotiate the transaction financing terms will likely trigger costly default provisions.

FIVE FINANCING COMPLICATIONS TO CONSIDER BEFORE SIGNING:



1. Overflight Restrictions.

Finance documents typically contain overflight restrictions which could substantially increase travel time and expense. **Carefully consider where the aircraft will regularly fly before entering into negotiations.**



2. Maintenance Requirements.

Like going to the dentist - but less painful - a periodic aviation regulatory checkup with outside aviation counsel can help determine whether your operation requires an update. Many loan documents require the aircraft to be maintained to a higher standard than required by the Federal Aviation Regulations. The documents may also contain annual flight hour limits. **Overflying the limits may result in substantial monetary penalties or default.**



3. Power of Attorney Provisions.

Power of Attorney provisions tend to be overly inclusive and of excessive duration. **Give these documents and attorney-in-fact language your full attention.**



4. Stay Covered.

Insurance documents work in tandem with finance documents. Always have your insurance provider review the financing document's insurance requirements to avoid triggering a default provision through a simple miscommunication.



5. Sufficient Financing Prep.

Start the financing process early in the transaction to allow sufficient time to review and revise the documents. **Failing to budget adequate review time leaves the borrower between a rock and a hard place:** sign one-side financing provisions or risk defaulting under the aircraft purchase agreement's delivery time frame.

Discuss all financing documents with an experienced attorney and allow extra time to negotiate provisions before the closing. Protect your investment by contacting the offices of Jackson & Wade, LLC. Call 913-338-1700 or search jetlaw.com

Consult an attorney experienced in corporate aviation structuring to help ensure FAA and IRS regulatory compliance and add value by creating a tailored corporate aircraft structure for your aircraft.

Michelle M. Wade is an attorney with the law firm of Jackson & Wade, L.L.C. and counsels clients on the acquisition, financing and operation of corporate jets operated under Part 91 and Part 135 of the Federal Aviation Regulations. Jackson & Wade, L.L.C. can be found at: 913.338.1700 or www.jetlaw.com.