

MARKS & WEINBERG, P.C.

AIRCRAFT LEASING ISSUES

1. Lessee should maintain FAA registration and airworthiness certificate. It will be necessary to use an Oklahoma City title search/insurance firm to check title (both FAA and Capetown) and advise you on the filing package for the Lease AND any security agreement.
2. Lessee should maintain aircraft in accordance with FAA requirements and make all required modifications.
3. Lessee shouldn't be permitted to use aircraft outside US or, if it does, not in an area excluded from insurance coverage OR an area of recognized hostilities (a war zone). Many lessors want aircraft to return regularly to US, make only to-and-from trips, etc.
4. Return provisions can be a problem. Lessee should return to U.S. airport site designated by lessor, provide storage for a period allowing inspection, and return with a limited amount of time remaining on engines and airframe until the next regularly-scheduled overhaul. The precise terms of this provision may vary with the type of aircraft and anticipated residual value (half-time or zero-time deals are common, as are statements regarding a minimum number of hours of operation remaining until the next overhaul or



"D" check, etc). You will need to check with a vendor or operator for particulars. Some lessors require lessee to pay for complete overhaul so that engines and airframe have maximum time remaining on redelivery to lessor.

5. Engines are sometimes permitted to be interchanged and generally must be replaced if suffering a casualty (so airframe may continue to operate).
6. Of course, you need a strong indemnity and insurance language.
7. Special provisions will be needed for charters and other commercial use. If it's a consumer deal, truth-in-leasing language must be inserted.

Marks & Weinberg, PC is law firm with significant experience in dealing with virtually every type of equipment and facility lease financing. The lawyers of the firm have participated in leasing financings for more than a billion dollars of equipment and are recognized throughout the industry. If you would like more cases or articles on leasing, or have any questions or comments about this Article or other leasing issues, please visit www.lease lawyer.com or contact Barry Marks at 205-251-8303 or Ken Weinberg at 205.251.8307.

