

## Buying a Corporate Jet? Talk to Us First!

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With airplane prices dropping recently, we have seen an uptick in purchases of corporate aircraft by our clients around the footprint. Clients have realized the benefits of owning their own airplanes, such as being able to control their travel schedules, save money and time by avoiding crowded airports and commercial flights, and keep work trips efficient and productive by minimizing hotel stays and other travel expenses. Before purchasing a corporate aircraft, however, businesses should make sure that they have an experienced business aviation lawyer involved in the process in addition to any broker that may be handling the purchase. An experienced aviation attorney will be knowledgeable in the differences between aircraft purchases and other asset purchases, will be familiar with federal aviation regulations and state tax rules, and will understand the FAA and International Registry registration processes.

An aircraft purchase transaction generally involves the following steps, all of which may be handled by an experienced business aviation attorney:

- *Letter of Intent:* Often purchasers enter into a Letter of Intent with sellers before getting an attorney involved, which can result in unfavorable binding terms. Be sure to discuss the terms of the purchase and the language of the Letter of Intent with your attorney at the outset of the deal so that the attorney can ensure certain protections are in place.
- *Purchase Agreement:* The agreement to purchase the aircraft should be entered into prior to the official inspection of the aircraft. Your attorney will ensure that the provisions of the agreement follow current aviation rules and regulations, protect your legal and economic interests, and allow for proper inspection and repairs, if needed, prior to the close of the purchase.
- *Loan Documents:* If the purchaser is financing the purchase of the aircraft, loan documents may be needed. Your attorney should review the loan documents before closing on the purchase to ensure that the loan terms fit with how you intend to use the aircraft.
- *Closing of the Purchase:* Closing the purchase of an airplane involves more than just an exchange of funds and the aircraft; it will involve registration with the FAA and International Registry and coordination with buyer, seller, a title company, escrow agent, brokers, and, if financing is required, a bank. Closing is not an easy process and is best handled by an attorney familiar with all requirements.

- *Dry Lease, Management Agreement, Charter Agreement, etc.:* The closing of the purchase is not usually the end of the process, as most purchasers will need dry leases to operate the aircraft, management agreements with management companies, and/or charter agreements with charter companies. An experienced business aviation attorney can draft and negotiate all of these agreements, help you figure out whether you are a Part 91 (non-commercial) or Part 135 (commercial) operator, and help you minimize liability and be protected under current aviation rules and regulations.

The airline industry is highly regulated and an experienced business aviation attorney can help businesses navigate their way through the many traps and pitfalls for aircraft purchasers, sellers, and owners. We have had considerable experience helping clients buy and sell their corporate aircraft and are here to help you if you decide owning an airplane is the right choice for your business. We can assist you with corporate formation and formalities for purchasing and owning an aircraft, negotiating and finalizing the purchase of the airplane, and protecting your business from future liability should anything happen during your ownership of the airplane.

**If you would like more information, please contact:**

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