

November 26, 2008

Please RSVP to Attend the Annual GWBAA Holiday Reception (and Annual Meeting)

GWBAA Annual Holiday Party – December 5th



YOUR OFFICIAL INVITATION TO GWBAA'S ANNUAL HOLIDAY RECEPTION

WHEN? Friday, December 5th from 5pm to 7pm.

WHERE? Signature Flight Support @ IAD (note the new location this year!).

WHAT? Come and enjoy heavy hors d'oeuvres and wash them down with a glass of holiday cheer with your fellow GWBAA members. (This will also serve as the annual general meeting for GWBAA, with some quick updates on the past year's activities and the road ahead.)

DOOR PRIZES? Sure! We have a few things in GWBAA's closet to give away, but let us know (via email at info@gwbaa.com) if you or your company want to provide a door prize. We will give you all the credit!

PARKING? Available (at no charge) adjacent to Signature.

Please **RSVP** to Kyle Herbig at kyle.herbig@signatureflight.com.

TSA Extends Deadline for Comments on Security Rules

We reported last month that the Transportation Security Administration has proposed new security rules that would apply to all aircraft with a MTOW above 12,500 pounds and all airports that serve these aircraft. It is known as the "Large Aircraft Security Program" (LASP), and the program also includes requirements for security training for flight crews and periodic security audits for operators. Comments are now due on February 29, 2009. More information is available NBAA at <http://www.nbaa.org/lasp>. The proposal also can be downloaded from <http://www.regulations.gov/fdmspublic/ContentViewer?objectId=090000648078071b&dispositio n=attachment&contentType=pdf>.

Inauguration Flight Restrictions

NBAA has posted information about restrictions that can be expected in the greater Washington area before, during, and after the presidential inauguration on January 20, 2009. There will be increased traffic and heightened security, and operators can expect Temporary Flight Restrictions (TFRs), traffic management initiatives, and aircraft parking issues. For more information, visit <http://web.nbaa.org/public/ops/airspace/2009presidentialinauguration.php>.

DHS Publishes Final e-APIS Rule for International GA Flights

Beginning on May 18, 2009, all general aviation flights departing from or arriving in the United States will be required to provide passenger manifest and aircraft owner/operator information 60 minutes prior to departure or arrival. Customs and Border Protection (CBP) first proposed this requirement in September 2007; while the final rule still requires the submission of passenger and aircraft information using the Electronic Advance Passenger Information System (eAPIS), comments filed by NBAA and other industry representatives led to changes that will assist operators in complying with the rule. For more information, please visit the NBAA website at <http://web.nbaa.org/public/ops/intl/apis/private.php>.

Regional News Round-Up

We reported last month that the Loudoun County Board of Supervisors is considering a significant increase in its tax on aircraft for FY2010. The current rate is \$0.01 per \$100; the new rate could be as high as \$4.20 per \$100. Specific proposals are expected to be published in February before budget hearings in March. Any increase likely would have a significant effect on operators based at both **Leesburg Executive Airport** and **Washington Dulles International Airport**. As a result, operators therefore may want to start expressing their concerns to the Board **now**. Profile of the Supervisors and their contact information can be found online at <http://inter4.loudoun.gov/Default.aspx?tabid=990>.



Carroll County Regional Airport held an open house on November 18 to discuss the environmental effects of proposed development at the airport. The open house is the last scheduled session before a draft of the environmental assessment, which is being conducted by Delta Airport Consultants, is scheduled to be completed and forwarded to the FAA for review. The study is required by the FAA before development can take place at the airport.

A disaster drill was held at **Salisbury-Ocean City-Wicomico Regional Airport** on November 1. The airport's fire crew was joined by outside response teams in a drill to evacuate passengers and put out a fire on a commuter aircraft. Bob Bryant, the Airport Manager, stated that: "Today this exercise allows us to look at what works in the plan, what may not work in the plan, what needs to be corrected, amended, and we'll put all that together."

GUEST VIEWPOINT:
Unusual Issues in Used Aircraft Import Transactions

GWBAA is pleased to present the following discussion of tax issues by Keith G. Swirsky, a partner and tax specialist concentrating in the areas of corporate aircraft transactions and aviation taxation at the law firm of Galland, Kharasch, Greenberg, Fellman and Swirsky, P.C. (kswirsky@gkqlaw.com, (202) 342-5251):

Our article published in October's issue of World Aircraft Sales Magazine addressed the unusual issues that arise when owners of U.S. registered aircraft sell used aircraft abroad. This month we address the unusual issues that arise when U.S. buyers purchase non-U.S. registered used aircraft.

Historically, the world's corporate jet fleet has consisted primarily of aircraft registered in the United States. Consequently, U.S. companies that purchased corporate jets usually purchased them from other U.S. companies, and it was unusual for a U.S. company to purchase an aircraft that was not already registered in the United States. However, as Bob Dylan once said, "the times, they are a changin'."

Recent years have seen unprecedented numbers of new and used corporate jet aircraft being sold to buyers outside the United States. As more used aircraft are exported from the U.S. to other parts of the world, and as manufacturers deliver increasing numbers of new aircraft to customers outside the U.S., the percentage of aircraft in the worldwide corporate jet fleet that are non-U.S. registered will continue to increase. And, as this percentage of non-U.S. registered aircraft increases, the percentage of non-U.S. registered aircraft that are for sale in the used aircraft market at any point in time will also continue to increase. It is therefore becoming ever more necessary for U.S. buyers (and their brokers) entering the used aircraft market to expand the scope of their search for suitable used aircraft to include non-U.S. registered aircraft. GKG Law has already represented many U.S. buyers in the ac-

quisition and import of non-U.S. registered aircraft, and is well versed in identifying and resolving unusual issues that arise in the course of conducting such a transaction.

Perhaps the most significant concern when representing U.S. buyers of foreign registered aircraft is to be certain that the aircraft will qualify for a U.S. Certificate of Airworthiness (C-of-A) before the deposit becomes nonrefundable. There is a "chicken-or-the-egg" problem involved, because the FAA will not issue a U.S. C-of-A until after the aircraft is registered in the U.S. (which of course typically occurs after the closing), but the U.S. buyer would not be happy to close, take title and register the aircraft in the U.S., only to then discover that some technical issue will prevent obtaining a U.S. C-of-A immediately (and at some additional expense).

In one transaction we conducted, the U.S. buyer required the foreign seller to obtain a U.S. C-of-A for the aircraft prior to closing. In that case, the foreign seller transferred title to his U.S. broker, who then registered the aircraft in the U.S. and obtained a U.S. C-of-A. At closing, the broker conveyed title to the U.S. buyer.

The more common scenario is to have a Designated Airworthiness Representative (DAR) inspect the aircraft and records prior to the closing. The DAR inspection would typically occur concurrently with the prebuy inspection, and the purchase agreement would have as a condition precedent to the obligation of the buyer to close, that the DAR issue a letter saying that he has inspected the aircraft, is satisfied that the

aircraft meets the requirements for a U.S. C-of-A, and that he is prepared to issue the U.S. C-of-A as soon as the aircraft is registered in the U.S. If the pre-purchase inspection occurs outside of the U.S., either the buyer or the seller will incur the travel costs and daily per diem of the DAR to conduct this inspection. Who pays such costs is, of course, negotiable, although most often they are paid by the buyer.

Another important issue that needs to be addressed is the timing of deregistration of the aircraft from the applicable foreign registry. The deregistration process sometimes takes a day or two, and could take longer in some countries. The FAA will not register the aircraft in the U.S. until they receive word directly from the applicable foreign registry that the aircraft has been deregistered. Consequently, the U.S. buyer usually wants the aircraft to be deregistered from the foreign registry and the notice of deregistration to be delivered to the FAA prior to the closing, so that at the time of closing the aircraft can be immediately registered in the U.S.. However, foreign sellers frequently refuse to deregister their aircraft until the purchase price has been paid in full at closing. This is most likely to occur if the seller is concerned that the buyer may default or back out of the deal after the aircraft has been deregistered. If this happens, the seller could be unable to move the aircraft until it is re-registered in their home country, which can take several days, or possibly longer, depending on the country. In such cases, an acceptable compromise could be to have the entire purchase price placed in escrow prior to deregistration, together with an irrevocable escrow instruction letter, jointly executed by buyer and seller, requiring the escrow agent to deliver the purchase price to the seller as soon as the foreign registry delivers a notice of deregistration to the FAA.

Another question that can arise is whether the aircraft and records have been

maintained in such a manner as to permit the aircraft on a Part 135 certificate. In the event the U.S. buyer desires the aircraft to be chartered post closing, the buyer should have the Part 135 certificate holder's representative involved in the prebuy inspection to determine that there are no equipment issues or gaps or questionable entries in the aircraft's records that would prevent the aircraft from being placed on the certificate holder's Part 135 certificate.

Several other issues may arise in the course of negotiating the purchase agreement. For example, a significant issue may relate to foreign sellers' customary requirement that buyers insure the seller for some period after closing. In other words, the seller requires the buyer to place the seller on the buyer's insurance policy, as an additional insured, for two or three years post closing, to cover the potential that the buyer's operations post-closing could lead to litigation which names the seller as a defendant. In addition, the amount of coverage may be relevant as well. It is our experience that foreign sellers often want more coverage than U.S. buyers customarily place on their aircraft.

Choice of law may also become an issue, relating to which country's laws govern the purchase agreement, and which courts will have jurisdiction in the event of a dispute. Naturally, each party will want the laws of their own country to apply and each party will want conveniently located courts to have jurisdiction in the event of a dispute. There is no easy resolution to this issue.

Lastly, we have seen currency fluctuation issues affect a transaction. In particular, if the transaction is denominated in U.S. dollars, and U.S. currency weakens relative to the foreign currency, the foreign seller will be yielding a lower purchase price for the aircraft. This provides a significant incentive for the seller to default and refuse to deliver title to the aircraft. As it is most common

that a seller's default will only cause the seller to be liable to reimburse the buyer for its out-of-pocket expenses, the seller incurs very little cost in defaulting on a contract. However, if the transaction is denominated in U.S. dollars, and the U.S. currency strengthens against the foreign currency, there will be no added cost to the buyer. Nevertheless, a sophisticated buyer will realize that the seller is yielding a higher purchase price than anticipated, and might desire to "negotiate" the deal further prior to closing. Other variations on this theme are clearly possible.

These are some of the issues that may arise in a used aircraft import transaction.

Certainly, there may also be other issues not addressed in this article, and as the used aircraft import (and export) market continues to mature, custom and usage between and among the U.S. and other countries will cause purchase negotiations to evolve into a more homogenous product. Until such time, U.S. buyers will experience these and other difficulties in finalizing a purchase agreement negotiation and coordinating the logistics of inspection and closing. The lawyers at GKG Law are experienced in advising on these transactions and anticipating the unusual business issues. Thus, we can increase the likelihood of a successful closing.

Upcoming Aviation Events

- **December 1-3:** FAA 5th annual international aviation safety forum at the Omni Shoreham Hotel in Washington, DC. For more information, visit http://www.faa.gov/news/conferences_events/2008safetyforum/.
- **December 2:** The FAA Safety Team will sponsor a seminar on "Mastering Takeoffs and Landings" at the Holiday Inn Towson at 7pm. For more information, visit http://www.faasafety.gov/SPANS/event_details.aspx?eid=21418.
- **December 4:** Airports Council International-North America International Aviation Issues Seminar at the Westin Embassy Row. For more information, please visit <http://www.aci-na.org/conferences/detail?eventId=118>.
- **December 5:** GWBAA's annual Holiday Party at Dulles – see above for more details!
- **December 6:** The FAA Safety Team will sponsor a seminar, "That Looks About Right: Practical Performance Planning for GA Pilots," at Leesburg Executive Airport at 9am. For information, visit http://www.faasafety.gov/SPANS/event_details.aspx?eid=22152.
- **December 11:** International Aviation Club holiday reception at the German Embassy. For more information, please visit <http://www.iacwashington.org>.
- **December 12:** Aero Club of Washington annual Wright Memorial Dinner, which will honor Norm Augustine. For more information, please visit <http://www.aeroclub.org/Luncheons/08%20WMD%20flyer.htm>.
- **December 18:** Committee for Dulles' annual "Dulles Airport Update," featuring Airport Manager Chris Browne, at the Washington Dulles Hilton. For more information, please visit <http://www.committeefordulles.org>.

- **January 14:** Aero Club of Washington luncheon featuring Mary Peters, Secretary of Transportation. For more information, visit <http://www.aeroclub.org/luncheons.htm>.
- **February 3-5:** NTSB hearing on Helicopter Emergency Medical Services operations. For more information, please visit <http://www.nts.gov/Pressrel/2008/081110.html>.
- **February 17:** ATW 2009 Airline Industry Achievement Awards. For more information, please visit http://www.atwonline.com/events/awards_washington09.html.
- **February 21-22:** Adventures in Travel Expo at the Washington Convention Center. For more information, please visit <http://www.adventureexpo.com>.
- **February 24-25:** Air Charter Safety Foundation Symposium, at the NTSB Training Center in Ashburn, Virginia. For more information, please visit <http://www.acsf.aero>.
- **May 26-28:** ATW Eco-Aviation Conference at the Marriott Metro Center. For more information, visit <http://www.atwonline.com/events/ecoAviationConference09.html>.
- **October 20-22:** NBAA's 62nd annual meeting and convention in Orlando, Florida.

GWBAA Offers Online Benefits

We continue to add member information for GWBAA's electronic membership directory – <http://www.gwbaa.com/directory.html>. This service is available to GWBAA members at no cost. Please contact Bob Blouin (bob_blouin@hawkerbeechcraft.com) if you want to post your company's information.

GWBAA Contacts

GWBAA President Bob Blouin (bob_blouin@hawkerbeechcraft.com) and GWBAA Secretary Jol Silversmith of Zuckert, Scutt & Rasenberger, LLP (jasilversmith@zsrllaw.com) write and edit GWBAA News. GWBAA's success and ability to make a difference depends on the breadth of its support and your participation – so please send any ideas or comments for future newsletters, or for GWBAA, in general, to Bob or Jol, or any of the following people:

Mary Miller, Treasurer: mary.miller@signatureflight.com

Bob Rockwood, Membership Chair: racersblue@earthlink.net

Jim Lumley, Operations, Safety and Security Chair: jpilot3@aol.com

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