

# **Non-Citizen Trusts and FAA Registration**

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## I. INTRODUCTION

In 1979 a large number of helicopters owned by Bristow Helicopters were registered in Iran and performing oil services work. During the revolution the Iranian government threatened to nationalize the helicopter fleet. Owner Alan Bristow personally flew to Tehran and coordinated a daring simultaneous dash across the Persian Gulf of the entire fleet. Upon feigning emergency landings in the Gulf States the pilots promptly repainted the tails with newly obtained British registration numbers.<sup>1</sup>

Informed by this episode and many others where the owner lost the aircraft, many owners are taking steps to protect their aircraft. It is estimated that Russian individuals and corporations own 400 to 450 corporate jets. However, of this number approximately 25 are registered in Russia<sup>2</sup>. It is likely that those jets have been registered in the United States of America by a non-citizen trust (NCT).

The NCT is a legal mechanism where non-US aircraft owners can register their aircraft with in the US. This provides greater transparency, predictability and legal protection than registration in many other countries.

Trusts are commonly used by non-US citizens to meet the citizenship requirements for registering aircraft in the U.S. Ten thousand of 300,000 US civil aircraft are registered to owner trustees with non-US citizen beneficiaries.<sup>3</sup> In the

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<sup>1</sup> <http://www.telegraph.co.uk/news/obituaries/finance-obituaries/5245637/Alan-Bristow.html> and *Whirlwind* by James Clavell

<sup>2</sup> "Where to Register an Aircraft" Capital Legal Services website: [www.cls.ru](http://www.cls.ru)

<sup>3</sup> Federal Aviation Administration, Public Meeting, Oklahoma City, OK, Owner Trusts and Aircraft Registration, June 1, 2011, presentation p. 3

summer of 2010 there were \$300 million in aircraft sales pending involving NCTs and in the first half of 2011 there were \$709 million in sales reported involving NCTs.<sup>4</sup>

## II. REQUIREMENTS

The Owner Trust registration works as follows: The U.S. citizen trustee takes legal ownership of the aircraft (e.g. by an aircraft bill of sale) and the trustee registers the aircraft as owner on behalf of the non-US citizen beneficiary.<sup>5</sup> Frequently the trustee will be a bank such as Wells Fargo or the Bank of Utah.

Pursuant to 49 United States Code 44101 an aircraft must be registered in order for it to be operated. Under 49 United States Code 44102 an aircraft is eligible to be registered in the US if it is not registered in a foreign country and it is owned by a US citizen, a permanent resident alien or certain non-US citizen corporations. If the aircraft is eligible to be registered pursuant to 49 United States Code 44102, 49 United States Code 44103 states that the FAA **must** register it.

For a non citizen trust certain elements are required. The trustee must hold legal title to the aircraft<sup>6</sup>. Each trustee must be either a US citizen or a resident alien.<sup>7</sup> The registration application must include a copy of each document that legally affects a relationship under the trust.<sup>8</sup>

Additionally, certain documents are required. There must be an affidavit from each trustee that it is unaware of any situation or relationship whereby a non-citizen beneficiary would have more than 25% of the power to influence or limit the trustee's

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<sup>4</sup> General Aviation Manufacturers Association statement, FAA Public Meeting Oklahoma City, OK, Owner Trusts and Aircraft Registration, June 1, 2011

<sup>5</sup> Federal Aviation Administration, Public Meeting, Oklahoma City, OK, Owner Trusts and Aircraft Registration, June 1, 2011 p. 4

<sup>6</sup> 14 CFR 47.7(c)

<sup>7</sup> 14 CFR 47.7(c)(1)

<sup>8</sup> 14 CFR 47.7 (c)(2)(i)

authority.<sup>9</sup> A copy of an FAA approved owner trustee's affidavit is attached as Exhibit 1<sup>10</sup>. Furthermore, the trust document itself must specifically limit non-US citizens to no more than 25% of the power to direct or remove the trustee.<sup>11</sup>

The issue of control over the trustee is central to the FAA's approval of a proposed non-citizen trust. In an advisory letter the FAA stated that it viewed "a person's ability to remove a trustee as the pinnacle of power and control<sup>12</sup>." Therefore trust agreements must restrict removal rights to situations involving cause. However this does not limit the beneficiary's ability to terminate the trust<sup>13</sup>. A copy of an FAA approved Non-Citizen Trust Agreement is attached as Exhibit 2<sup>14</sup>.

Finally, many practitioners seek an opinion regarding the acceptability of the proposed NCT from the FAA's Aeronautical Center Counsel prior to submitting the final documents. In instances where the name of the Trustor is similar to the name of the Owner Trustee, the ACC requires a statement in the opinion request letter that the officers, directors, and shareholders of the Owner Trustee are not officers, directors or shareholders of the Trustor<sup>15</sup>.

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<sup>9</sup> 14 CFR 47.7(c)(2)(iii)

<sup>10</sup> Aviation Working Group letter re: Non-Citizen Trust/Meeting of June 1, 2011 – Response to Questions by AWG Consultative Group to FAA dated May 26, 2011, Annex 2

<sup>11</sup> 14 CFR 47.7(c)(3)

<sup>12</sup> FAA letter to Susan H. Haught dated February 8, 2002.

<sup>13</sup> Federal Aviation Administration, Public Meeting, Oklahoma City, OK, Owner Trusts and Aircraft Registration, June 1, 2011, p. 10

<sup>14</sup> Aviation Working Group letter re: Non-Citizen Trust/Meeting of June 1, 2011 – Response to Questions by AWG Consultative Group to FAA dated May 26, 2011, Annex 3

<sup>15</sup> Aviation Working Group letter re: Non-Citizen Trust/Meeting of June 1, 2011 – Response to Questions by AWG Consultative Group to FAA dated May 26, 2011, Annex 6

### III. USES OF THE NON-CITIZEN TRUST

The Aviation Working Group, an association of aircraft manufacturers, financiers, lessors, trustees, lawyers and service providers detailed a list of the uses of the Non-Citizen Trust<sup>16</sup>:

**a. Aircraft in Transition.** Aircraft that are either owned or purchased by non-U.S. citizens are held in trust by owner trustees and placed on the FAA Registry:

(i) while the aircraft is being modified to satisfy airworthiness requirements of another country; (ii) so the aircraft can be ferried to another country; (iii) while the interior is installed on a "green" aircraft after which a U.S. Export Certificate of Airworthiness can be obtained; or (iv) when the aircraft cannot be registered under the laws of a particular country because it is a type not yet certificated by that country. The example in (iv) involves certifications in other countries that can take a significant amount of time during which an NCT is the only way that an FAA certified aircraft can be registered and operated by a non-U.S. citizen.

The use of NCTs in all of the foregoing situations and in numerous other temporary situations not described here facilitates the sales of new and used aircraft by manufacturers (including U.S. manufacturers), dealers and owners to non-U.S. citizens, as many countries highly value the imprimatur of an FAA Export Certificate of Airworthiness when evaluating an aircraft for certification.

**b. Aircraft Leased by Non-U.S. Citizens.** FAA registered aircraft that are owned and leased by non-U.S. citizen operating or financing lessors to their lessee customers are held in trust by owner trustees under NCTs. The beneficiaries of

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<sup>16</sup> Aviation Working Group letter re: Non-Citizen Trust/Meeting of June 1, 2011 – Response to Questions by AWG Consultative Group to FAA dated May 26, 2011, pp 3- 5

these NCTs are often financing sources, operating lessors or passive investor entities, which may or may not have operations in the U.S., but do not meet the citizenship requirements of the Transportation Code. The lessees include air carriers or individuals or business entities relying on aircraft for business purposes, and may be based in or have operations in the U.S. (although this is not required). This use of NCTs fosters air commerce by allowing air carriers and business and general aviation users more choices when considering operating and finance leasing options. Preserving this expanded leasing availability through NCTs is essential to the cost-competitive nature of this marketplace, and thereby stimulates the sale and re-sale of aircraft. This greater availability of quality aircraft benefits the public at large, including reducing the cost of air travel for consumers.

**c. Repossessed or Stored Aircraft.** Aircraft that are repossessed by lenders who are not U.S. citizens, are often placed into trust under NCTs to be eligible to place or maintain the aircraft on the FAA Registry. Obtaining or maintaining U.S. registration is desirable because these aircraft will remain subject to high U.S. maintenance standards thereby maintaining their value and, in many cases, the aircraft will be marketed to U.S. purchasers or lessees or operators, among others. Often these aircraft will be stored in the desert and will be maintained, repaired and modified in the U.S. during this period of repossession and remarketing.

**d. U.S. Corporations with Technical Non-Compliance.** NCTs are very important with respect to those aircraft that are owned by U.S. corporations that

either (a) do not or may not satisfy the U.S. citizenship requirements because their President or the required percentage of other managing officers and directors are not U.S. citizens or (b) they cannot sufficiently determine the citizenship status of their shareholders. Examples such as the President of a large public corporation being a foreign citizen who is not a resident alien are well known. With global business development, these situations occur with some regularity.

**e. U.S. Partnerships with Technical Non-Compliance.** Aircraft that are owned by U.S. partnerships where at least one partner is not an individual would fail the citizenship test because U.S. citizenship of partnerships is limited to those composed solely of individual U.S. citizens. Since few partnerships owning aircraft today are composed solely of individuals, the use of NCTs allows partnerships with non-U.S. citizen partners to beneficially own U.S. registered aircraft.

**f. Aircraft Made in or Brought to the U.S. by Non-U.S. Citizen Manufacturers or Distributors.** Non-U.S. citizen aircraft manufacturers place the titles to their aircraft in trust under NCTs so the aircraft can be used as demonstrators in the U.S. or marketed to U.S. purchasers or non-U.S. Purchasers. Lenders and Finance Lessors required FAA Aircraft Registration. Lenders and finance lessors taking security interests in aircraft owned by non-U.S. citizens frequently require the aircraft to be registered in the U.S. in the names of owner trustees under NCTs. Because of the stricter operational and maintenance requirements of the FAA, the high quality and easy availability of maintenance facilities, certainty of the underlying registration system and the well-developed

case law and judicial system (including the Cape Town Convention), FAA registered aircraft are expected to be safe, well maintained and have a high resale value in the event they are repossessed by the lenders. Lenders and finance lessors also look to maintaining U.S. registration as such registration avoids problems encountered in cancelling foreign registrations after a default and repossession in another country.

**g. Operational Flexibility and Cost Effectiveness.** Operators of U.S. registered aircraft who are not engaged in common carriage are permitted to engage in limited cost-sharing operations under Part 91 of the FARs. These operations may be prohibited in certain cases even if the operator is a "citizen of the United States" in the event that the aircraft is owned by a non-U.S. citizen and not FAA registered through a NCT. Given the cost of large business aircraft, the ability to share the cost, especially among affiliated companies, becomes even more important.

**h. Cape Town Convention Connecting Factor of FAA Aircraft Registration.** Since the U.S. ratification of the Cape Town Convention, parties to certain transactions have required using FAA aircraft registration because that is a basis on which the Cape Town Convention would apply so that the parties would obtain the greater certainty of legal principles that they need.

#### IV. RECENT DEVELOPMENTS

In April 2010 the Federal Aviation Administration stopped issuing new registrations of aircraft for NCTs. The FAA clarified its position in May 2010 stating it would continue to register aircraft involving NCTs. However it had concerns about the use of NCTs and was considering changes based on those concerns.

Under the Chicago Convention the United States has a number of obligations including aircraft airworthiness<sup>17</sup> (initial and continuing), personnel licensing<sup>18</sup> and operations of the aircraft<sup>19</sup>. To ensure that it meets these obligations the FAA has been investigating the use of NCTs and meeting with the industry to discuss its concerns regarding NCTs and potential changes to the regulations. The FAA's specific concerns regarding NCTs include FAA surveillance and enforcement, federal agency enforcement (e.g. DEA, customs), state and local enforcement, ICOA responsibilities, foreign country concerns and national security<sup>20</sup>.

The FAA held a Public Meeting on June 1, 2011 to discuss its concerns and addressed the interests of the aviation industry with respect to the NCT. There have been no formal changes made to the NCT system to date. However, it appears based on the concerns and the proposals by the aviation industry that additional documentation will be required in the future. It is anticipated that information regarding the operator will be mandatory. Furthermore, it is likely that certain operator restrictions be placed in the trust agreement. As a result of this many proposed NCTs are already including this

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<sup>17</sup> Chicago Convention Article 31

<sup>18</sup> Chicago Convention Article 32

<sup>19</sup> Chicago Convention Article 12

<sup>20</sup> Federal Aviation Administration, Public Meeting, Oklahoma City, OK, Owner Trusts and Aircraft Registration, June 1, 2011, p. 10

information in their trust agreements. A copy of the proposed language is attached as Exhibit 3<sup>21</sup>.

#### **v. CONCLUSION**

Going forward the Non-Citizen Trust will continue to be a valuable tool in the sale, financing and operation of aircraft internationally.

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<sup>21</sup> Aviation Working Group letter re: Non-Citizen Trust/Meeting of June 1, 2011 – Response to Questions by AWG Consultative Group to FAA dated May 26, 2011, Annex 7

EXHIBIT 1

FAA APPROVED AFFIDAVIT OF CITIZENSHIP



EXHIBIT 2

FAA APPROVED NON CITIZEN TRUST AGREEMENT

## TRUST AGREEMENT

( )

THIS TRUST AGREEMENT ( ), dated as of , (the "Agreement") by and between , a [corporation organized and existing] [limited liability company formed]<sup>1</sup> under the laws of ("Trustor"), and , a organized and existing under the laws of the ("Owner Trustee");

### WITNESSETH:

WHEREAS, Trustor desires to cause title to the Aircraft (as hereinafter defined) to be conveyed to Owner Trustee;

WHEREAS, Trustor desires to create a trust (the "Trust") and contribute the Aircraft thereto in order to ensure the eligibility of the Aircraft for United States registration with the Federal Aviation Administration (the "FAA");

WHEREAS, this Agreement is designed to create a Trust in order that the Owner Trustee may hold title to the Aircraft until such time as Trustor directs the Owner Trustee to distribute the Aircraft in accordance with Trustor's written instructions; and

WHEREAS, Owner Trustee is willing to accept the trusts as herein provided;

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, Trustor and Owner Trustee agree as follows:

### ARTICLE 1

#### DEFINITIONS

Capitalized terms used in this Agreement shall have the respective meanings assigned thereto below, unless such terms are otherwise defined herein or the context hereof shall otherwise require. The terms "hereof", "herein", "hereunder" and comparable terms refer to this Agreement, as amended, modified or supplemented from time to time, and not to any particular portion hereof. References in this Agreement to sections, paragraphs and clauses are to sections, paragraphs and clauses in this Agreement unless otherwise indicated.

"Affidavit" means the Affidavit of Owner Trustee pursuant to Section 47.7(c)(2)(iii) of Part 47 of the Federal Aviation Regulations.

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<sup>1</sup> Choose the appropriate phrase depending on whether Trustor is an LLC or a corporation.

"Aircraft" means the Aircraft, serial number , FAA Registration Number N together with the engines, bearing manufacturer's serial numbers and , which are transferred to the Owner Trustee in trust under this Trust Agreement.

"Aircraft Registration Application" means AC Form 8050-1 Aircraft Registration Application by Owner Trustee covering the Aircraft.

"Citizen of the United States" means "citizen of the United States" as that term is defined in Section 40102(a)(15) of Title 49 of the United States Code.

"FAA" means the Federal Aviation Administration of the United States or any Government Entity succeeding to the functions of such Federal Aviation Administration.

"FAA Bill of Sale" means an AC Form 8050-2 Bill of Sale for the Aircraft from Trustor to Owner Trustee.

"Lessee" means any lessee under any Lease, or any operator under any Operating Agreement.

"Lease" means any lease from time to time entered into with respect to the Aircraft by the Owner Trustee, as Lessor, and a Lessee, at the direction of the Trustor or any operating agreement entered into between the Owner Trustee and the Trustor.

"Operating Agreement" means any operating agreement entered into between the Owner Trustee and the Trustor.

"Trust Estate" means all estate, right, title and interest of Owner Trustee in and to the Aircraft, the Lease, the Warranty Bill of Sale and the FAA Bill of Sale, including, without limitation, all amounts of the rentals under any Lease, insurance proceeds (other than insurance proceeds payable to or for the benefit of Owner Trustee, for its own account or in its individual capacity, or Trustor), and requisition, indemnity or other payments of any kind for or with respect to the Aircraft, (other than amounts owing to Owner Trustee, for its own account or in its individual capacity, Trustor or any Lessee of the Aircraft).

"Warranty Bill of Sale" means a full warranty bill of sale for the Aircraft, executed by Trustor in favor of Owner Trustee and specifically referring to each engine installed on the Aircraft.

## ARTICLE 2

### CREATION OF TRUST

Section 2.01 Transfer of Control. Trustor shall cause title to the Aircraft to be conveyed to Owner Trustee.

Section 2.02 Acceptance and Declaration of Trust. Owner Trustee accepts the Trust created hereby, and declares that it will hold the Trust Estate upon the trusts hereinafter set forth for the use and benefit of Trustor, in accordance with and subject to all of the terms and conditions contained in this Agreement, and agrees to perform the same, including without limitation the actions specified in Section 4.01 hereof, and agrees to receive and disburse all moneys constituting part of the Trust Estate, all in accordance with the terms hereof.

## ARTICLE 3

### THE OWNER TRUSTEE

Section 3.01 Status. Owner Trustee hereby represents and warrants that it is a Citizen of the United States.

Section 3.02 Removal. Owner Trustee may be removed at any time, but for cause only, by a written instrument or instruments signed by Trustor. Such removal shall take effect immediately upon the appointment of a successor Owner Trustee pursuant to Section 3.04, whereupon all powers, rights and obligations of the removed Owner Trustee under this Agreement (except the rights set forth in Section 3.08) shall cease and terminate. Without any affirmative action by Trustor, any Owner Trustee shall cease immediately to be an Owner Trustee at such time as it ceases to be a Citizen of the United States or at such time as it for any reason is not free from control by Trustor as described in Article 9, and shall give immediate notice thereof to Trustor. Any Owner Trustee shall also give Trustor notice of a possible change of citizenship at the later of (i) 90 days prior to a change in citizenship and (ii) actual knowledge by Owner Trustee that such a change in citizenship is probable.

Section 3.03 Resignation. Owner Trustee may resign at any time upon giving 30 days prior written notice of such resignation to Trustor. Such resignation shall take effect only upon the appointment of a successor Owner Trustee pursuant to Section 3.04, whereupon all powers, rights and obligations of the resigning Owner Trustee under this Agreement (except the rights set forth in Section 3.08) shall cease and terminate.

Section 3.04 Successor Owner Trustee. Promptly upon receipt of a notice of resignation from the Owner Trustee in accordance with Section 3.03, a successor trustee shall be appointed by a written instrument signed by a duly authorized officer of Trustor and the successor trustee shall execute and deliver to the predecessor Owner

Trustee an instrument accepting such appointment. Such successor trustee shall be a Citizen of the United States and shall assume all powers, rights and obligations of such Owner Trustee hereunder immediately upon the resignation of such Owner Trustee becoming effective. Such successor, concurrently with such appointment, shall file an Affidavit with the FAA and all other documents then required by law to be filed in connection therewith. If the Trustor shall not have so appointed a successor Owner Trustee within 30 days after such resignation or removal, the Owner Trustee may apply to any court of competent jurisdiction to appoint a successor Owner Trustee to act until such time, if any, as a successor or successors shall have been appointed by the Trustor as above provided. Any successor Owner Trustee so appointed shall immediately and without further act be superseded by any successor Owner Trustee appointed by the Trustor as above provided.

Section 3.05 Merger. Any corporation into which Owner Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which Owner Trustee shall be a party, or any corporation to which substantially all the corporate trust business of Owner Trustee may be transferred, shall, subject to the terms of Section 3.04, be Owner Trustee without further act.

Section 3.06 Tax Returns. The Owner Trustee shall keep all appropriate books and records relating to the receipt and disbursement by it of all monies under this Agreement or any agreement contemplated hereby. The Trustor will prepare all tax returns required to be filed with respect to the trust hereby and the Owner Trustee, upon request, will furnish the Trustor with all such information as may be reasonably required from the Owner Trustee in connection with the preparation of such tax returns. The Owner Trustee will execute and file the tax returns as prepared by the Trustor.

Section 3.07 Vacancies. If any vacancy shall occur in the position of Owner Trustee for any reason, including, without limitation, removal, resignation, loss of United States citizenship or the inability or refusal of such Owner Trustee to act as Owner Trustee, the vacancy shall be filled in accordance with Section 3.04.

Section 3.08 Fees; Compensation. The Owner Trustee shall receive from the Trustor as compensation for the Owner Trustee's services hereunder such fees as may heretofore and from time to time hereafter be agreed upon by the Owner Trustee and the Trustor and shall be reimbursed by the Trustor for all reasonable costs and expenses incurred or made by it in accordance with any of the provisions of this Agreement. If an event of default under any Lease shall occur, the Owner Trustee shall be entitled to receive reasonable compensation for its additional responsibilities, and payment or reimbursement for its expenses. Owner Trustee shall have a lien on the Trust Estate, prior to any interest therein of the Trustor, to secure payment of such fees and expenses.

Section 3.09 No Duties. Owner Trustee shall not have any duty (i) to see to any insurance on the Aircraft or maintain any such insurance, (ii) to see to the

payment or discharge of any tax, assessment or other governmental charge or any lien or encumbrance of any kind owing with respect to, assessed or levied against, the Aircraft (provided, however, that Owner Trustee shall not create, permit or suffer to exist any lien or encumbrance on any part of the Aircraft which results from claims against Owner Trustee unrelated to its capacity as Owner Trustee hereunder), (iii) to confirm or verify any notices or reports, (iv) to inspect the Aircraft at any time or ascertain the performance or observance by either of any Lessee or Trustor of its covenants under any Lease, or (v) except as set forth herein, to see to any recording or see to the maintenance of any such recording or filing with the FAA or other government agency.

Section 3.10 Status of Moneys Received. All moneys received by Owner Trustee under or pursuant to any provisions of this Agreement shall constitute trust funds for the purpose for which they are paid or held, and shall be segregated from any other moneys and deposited by Owner Trustee under such conditions as may be prescribed or permitted by law for trust funds.

Section 3.11 Owner Trustee May Rely. Owner Trustee shall not incur any liability to anyone in acting or refraining from acting upon any signature, instrument, notice, resolution, request, consent, order, certificate, report, opinion, bond or other document or paper reasonably believed by it to be genuine and reasonably believed by it to be signed by the proper party or parties. As to any fact or matter, the manner or ascertainment of which is not specifically described herein, Owner Trustee may for all purposes hereof rely on a certificate, signed by or on behalf of the party executing such certificate, as to such fact or matter, and such certificate shall constitute full protection of Owner Trustee for any action taken or omitted to be taken by it in good faith in reliance thereon. In the administration of the Trust, Owner Trustee may, at the reasonable cost and expense of Trustor, seek advice of counsel, accountants and other skilled persons to be selected and employed by them, and Owner Trustee shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the actions, advice or opinion of any such counsel, accountants or other skilled persons.

Section 3.12 Owner Trustee Acts as Trustee. In accepting the Trust, Owner Trustee acts solely as trustee hereunder and not in any individual capacity (except as otherwise expressly provided in this Agreement or any Lease), and all persons other than Trustor having any claim against the Owner Trustee by reason of the transactions contemplated hereby shall not have any recourse to Owner Trustee in its individual capacity.

Section 3.13 No Expenses for Owner Trustee. Owner Trustee shall not have any obligation by virtue of this Agreement to expend or risk any of its own funds, or to take any action which could, in the reasonable opinion of Owner Trustee, result in any cost or expense being incurred by Owner Trustee. Owner Trustee shall not be required to take any action or refrain from taking any action under this Agreement unless it shall have been indemnified by Trustor in a manner and form satisfactory to Owner Trustee against any liability, cost or expense (including reasonable attorneys' fees) which may be incurred in connection therewith. No provisions of this Agreement

shall be deemed to impose any duty on Owner Trustee to take any action if Owner Trustee shall have been advised by counsel that such action would expose it to personal liability, is contrary to the terms hereof or is contrary to law.

Section 3.14 Notice of Event of Default. In the event that a responsible officer in the Corporate Trust Department of the Owner Trustee shall have actual knowledge of a default or an event of default under any Lease, the Owner Trustee shall give or cause to be given prompt notice of such default or event of default to the Trustor. The Owner Trustee shall take such action with respect to such default or event of default as shall be specified in written instructions from the Trustor. For all purposes of this Agreement and any Lease, in the absence of actual knowledge of a responsible officer in the Corporate Trust Department of the Owner Trustee, the Owner Trustee shall not be deemed to have knowledge of a default or event of default unless notified in writing by the Trustor.

Section 3.15 Certain Duties and Responsibilities of Owner Trustee.

(a) Owner Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and in any Lease, and no implied duties, covenants or obligations shall be read into this Agreement or any Lease against Owner Trustee; Owner Trustee agrees that it will not manage, control, possess, use, sell, lease, dispose of or otherwise deal with the Aircraft or any other part of the Trust Estate, except as required by the terms of any Lease and as otherwise expressly provided herein, and in no event will Owner Trustee permit any party to possess or use the Aircraft, except that Owner Trustee shall, from time to time, lease the Aircraft to any Lessee under and upon the terms and conditions of any Lease, and/or Owner Trustee shall distribute the Aircraft pursuant to written instruction of the Trustor.

(b) Whether or not herein expressly so provided, every provision of this Trust Agreement relating to the conduct or affecting the liability of or affording protection to Owner Trustee shall be subject to the provisions of this Section 3.15.

Section 3.16 No Representations or Warranties as to the Aircraft or Documents. OWNER TRUSTEE MAKES (i) NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE VALUE, CONDITION, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS FOR USE OF THE AIRCRAFT OR AS TO THE TITLE THERETO, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE AIRCRAFT WHATSOEVER, except that \_\_\_\_\_, in its individual capacity warrants that on the date on which the Aircraft is transferred to the Trust contemplated by this TRUST AGREEMENT, Owner Trustee shall have received whatever title was conveyed to it, and (ii) no other representations or warranties are made by the Owner Trustee other than to the extent expressly made herein by Owner Trustee, except that Owner Trustee represents and warrants that it has full right, power and authority to enter into, execute, deliver and perform this Agreement and that this Agreement constitutes the legal, valid and binding obligation of the Owner Trustee.

## ARTICLE 4

### THE TRUST ESTATE

Section 4.01 Authorization and Direction to Owner Trustee. Trustor hereby authorizes and directs Owner Trustee, not individually but solely as Owner Trustee hereunder, and Owner Trustee covenants and agrees:

(a) to execute and deliver each agreement, instrument or document to which Owner Trustee is a party in the respective forms thereof in which delivered from time to time by Trustor for execution and delivery and, subject to the terms hereof, to exercise its rights and perform its duties under any Lease in accordance with the terms thereof, including without limitation, accepting title to, and delivery of, the Aircraft and leasing the Aircraft to any Lessee or, subject to the provisions of Section 7 hereof, distributing the Aircraft to Trustor pursuant to the specific written instructions of Trustor;

(b) to effect the registration of the Aircraft with the FAA by duly executing and filing or causing to be filed with the FAA (i) the Aircraft Registration Application, (ii) the Affidavit, (iii) the FAA Bill of Sale, (iv) an executed counterpart of this Agreement, and (v) any other document or instrument required therefor;

(c) to execute and deliver each other document referred to in any Lease or which Owner Trustee is required to deliver pursuant to any Lease or this Agreement; and

(d) subject to the terms of this Agreement, to perform the obligations and duties and exercise the rights of Owner Trustee under any Lease.

Section 4.02 Supplier Warranties. Trustor hereby assigns to Owner Trustee any and all warranties and indemnities of, and other claims against, any supplier relating to the Aircraft.

Section 4.03 Advances by Trustor. Trustor shall make advances to Owner Trustee in such amounts and at such times as may be necessary to permit Owner Trustee to satisfy its obligations under any Lease and this Trust Agreement.

## ARTICLE 5

### DISTRIBUTIONS

Section 5.01 Receipts. Except as otherwise provided in this Agreement, any payment received by Owner Trustee for which provision as to the application thereof is made in any Lease shall be applied promptly to the purpose for which such payment shall have been made in accordance with the terms of such Lease; and any payment received by Owner Trustee for which no provision as to the application thereof

is made in any Lease or in this Article 5 shall, unless Trustor shall have otherwise instructed Owner Trustee in writing, be distributed promptly to Trustor.

Section 5.02 Manner of Making Distributions. Owner Trustee shall make all distributions to Trustor under this Agreement and any Lease promptly upon the receipt of proceeds available for distribution, but shall not be obligated to make any distributions until the funds therefor have been received by Owner Trustee. All distributions to Trustor hereunder shall be made to such account and in such manner as Trustor shall from time to time direct in writing.

## ARTICLE 6

### INDEMNIFICATION OF OWNER TRUSTEE BY TRUSTOR

Section 6.01 Indemnification Trustor hereby agrees, whether or not any of the transactions contemplated hereby shall be consummated, to assume liability for, and does hereby indemnify, protect, save and keep harmless \_\_\_\_\_, in its individual capacity and its successors, assigns, legal representatives, agents and servants, from and against any and all liabilities, obligations, losses, damages, penalties, taxes (excluding any taxes payable by \_\_\_\_\_ in its individual capacity on or measured by any compensation received by \_\_\_\_\_ in its individual capacity for its services hereunder), claims, actions, suits, costs, expenses or disbursements (including, without limitation, reasonable ongoing fees of Owner Trustee and reasonable attorneys' fees and expenses) of any kind and nature whatsoever which may be imposed on, incurred by or asserted against \_\_\_\_\_ in its individual capacity (whether or not also indemnified against by a Lessee under any Lease or also indemnified against by any other person) in any way relating to or arising out of this Agreement or any Lease or the enforcement of any of the terms hereof or thereof, or in any way relating to or arising out of the manufacture, purchase, acceptance, nonacceptance, rejection, ownership, delivery, lease, possession, use, operation, condition, sale, return or other disposition of the Aircraft (including, without limitation, latent and other defects, whether or not discoverable, and any claim for patent, trademark or copyright infringement), or in any way relating to or arising out of the administration of the Trust Estate or the action or inaction of Owner Trustee or \_\_\_\_\_ in its individual capacity hereunder, except (a) in the case of willful misconduct or gross negligence on the part of Owner Trustee or \_\_\_\_\_ in its individual capacity in the performance or nonperformance of its duties hereunder, or (b) those resulting from the inaccuracy of any express representation or warranty of \_\_\_\_\_ in its individual capacity (or from the failure of \_\_\_\_\_ in its individual capacity to perform any of its covenants) contained in this Agreement or any Lease, or (c) in the case of the failure to use ordinary care on the part of Owner Trustee or \_\_\_\_\_ in its individual capacity in the disbursement of funds. The indemnities contained in this Article 6 extend to \_\_\_\_\_ only in its individual capacity and shall not be construed as indemnities of the Trust Estate. The Indemnities contained in this Article 6 shall survive the termination of this Agreement. In addition, and to secure the foregoing indemnities, Owner Trustee shall have a lien on the Trust Estate, which shall be prior to any interest therein of Trustor.

## ARTICLE 7

### TERMINATION

Section 7.01 Termination Date. The Trust shall terminate without any notice or other action of Owner Trustee upon the earlier of (a) such date as may be directed by Trustor and the sale or other final disposition by the Owner Trustee of all property constituting the Trust Estate or (b) twenty one years less one day after the earliest execution of this Trust Agreement by any party hereto.

Section 7.02 Distribution of Trust Estate Upon Termination. Upon any termination of the Trust pursuant to the provisions of Section 7.01 hereof, Owner Trustee shall convey the Trust Estate to Trustor or its nominee.

## ARTICLE 8

### MISCELLANEOUS

Section 8.01 Nature of Title of Trustor. Trustor shall not have legal title to any part of the Trust Estate. No transfer, by operation of law or otherwise, of the right, title and interest of Trustor in and to the Trust Estate or the trusts hereunder, in accordance with the terms hereof, shall operate to terminate this Agreement or the trusts hereunder or entitle any successor or transferee of Trustor to an accounting or to the transfer of it of legal title to any part of the Trust Estate.

Section 8.02 Power of Owner Trustee to Convey. Any assignment, sale, transfer or other conveyance by Owner Trustee of the interest of Owner Trustee in the Aircraft or any part thereof made pursuant to the terms of this Agreement or any Lease shall bind Trustor and shall be effective to transfer or convey all right, title and interest of Owner Trustee and Trustor in and to the Aircraft or such part thereof. No permitted purchaser or other permitted grantee shall be required to inquire as to the authorization, necessity, expediency or regularity of such assignment, sale, transfer or conveyance or as to the application of any sale or other proceeds with respect thereto by Owner Trustee.

Section 8.03 Trust Agreement for Benefit of Certain Parties Only. Nothing herein, whether expressed or implied, shall be construed to give any person other than Owner Trustee and Trustor any legal or equitable right, remedy or claim under or in respect of this Agreement; but this Agreement shall be held to be for the sole and exclusive benefit of Owner Trustee and Trustor.

Section 8.04 Notices. Unless otherwise expressly provided herein, all notices, instructions, demands and other communications hereunder shall be in writing and shall be delivered personally or sent by registered or certified mail, postage prepaid and return receipt requested, or sent by facsimile transmission, with a confirming copy

sent by air mail, postage prepaid, and the date of personal delivery or facsimile transmission or 7 business days after the date of mailing (other than in the case of the mailing of a confirming copy of a facsimile transmission), as the case may be, shall be the date of such notice, in each case addressed (i) if to the Owner Trustee, to \_\_\_\_\_ at its office at \_\_\_\_\_, Attention: \_\_\_\_\_ and (ii) if to the Trustor, to \_\_\_\_\_, Attention: \_\_\_\_\_.

Section 8.05 Co-Trustee and Separate Trustees. If at any time it shall be necessary or prudent in order to conform to any law of any jurisdiction in which all or any part of the Trust Estate is located, or Owner Trustee being advised by counsel shall determine that it is so necessary or prudent in the interest of Trustor or Owner Trustee, or Owner Trustee shall have been directed to do so by Trustor, Owner Trustee and Trustor shall execute and deliver an agreement supplemental hereto and all other instruments and agreements necessary or proper to constitute another bank or trust company or one or more persons (any and all of which shall be a Citizen of the United States) approved by Owner Trustee and Trustor, either to act as co-trustee jointly with Owner Trustee, or to act as separate trustee hereunder (any such co-trustee or separate trustee being herein sometimes referred to as "additional trustee"). In the event Trustor shall not have joined in the execution of such agreements supplemental hereto within 10 days after the receipt of a written request from Owner Trustee so to do, or in case an event of default, as defined in any Lease, shall have occurred and be continuing, Owner Trustee may act under the foregoing provisions of this Section 8.05 without the concurrence of Trustor; and Trustor hereby appoints Owner Trustee its agent and attorney-in-fact to act for it under the foregoing provisions of this Section 8.05 in either of such contingencies.

Every additional trustee hereunder shall, to the extent permitted by law, be appointed and act, and Owner Trustee and its successors shall act, subject to the following provisions and conditions:

(a) all powers, duties, obligations and rights conferred upon Owner Trustee in respect of the custody, control and management of moneys, the Aircraft or documents authorized to be delivered hereunder or under any Lease shall be exercised solely by Owner Trustee;

(b) all other rights, powers, duties and obligations conferred or imposed upon Owner Trustee shall be conferred or imposed upon and exercised or performed by Owner Trustee and such additional trustee jointly, except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed (including the holding of title to the Trust Estate) Owner Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations shall be exercised and performed by such additional trustee;

(c) no power given to, or which it is provided hereby may be exercised by, any such additional trustee shall be exercised hereunder by such additional trustee, except jointly with, or with the consent in writing of, Owner Trustee;

(d) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder;

(e) Trustor, at any time, by an instrument in writing may remove any such additional trustee. In the event that Trustor shall not have executed any such instrument within 10 days after the receipt of a written request from Owner Trustee so to do, Owner Trustee shall have the power to remove any such additional trustee without the concurrence of Trustor; and Trustor hereby appoints Owner Trustee its agent and attorney-in-fact for it in such connection in such contingency; and

(f) no appointment of, or action by, any additional trustee will relieve the Owner Trustee of any of its obligations under, or otherwise affect any of the terms of, this Agreement or any Lease.

Section 8.06 Situs of Trust; Applicable Law. The Trust has been accepted by Owner Trustee and will be administered in the State of Utah. The validity, construction and enforcement of this Agreement shall be governed by the laws of the State of Utah without giving effect to principles of conflict of law. If any provision of this Agreement shall be invalid or unenforceable, the remaining provisions hereof shall continue to be fully effective, provided that such remaining provisions do not increase the obligations or liabilities of Owner Trustee.

Section 8.07 Amendment. This Agreement may not be amended, modified, supplemented, or otherwise altered except by an instrument in writing signed by the parties thereto.

Section 8.08 Successors and Assigns. In accordance with the terms hereof, this Agreement shall be binding upon and shall inure to the benefit of, and shall be enforceable by, the parties hereto and their respective successors and permitted assigns, including any successive holder of all or any part of Trustor's interest in the Trust Estate.

Section 8.09 Headings. The headings of the Articles and Sections of this Agreement are inserted for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

Section 8.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute and be one and the same instrument.

## ARTICLE 9

### CERTAIN LIMITATIONS

#### Section 9.01 Limitations on Control, Exceptions.

(a) Limitation on Control. Notwithstanding any other provision of this Agreement, but subject to paragraph (b) of this Section 9.01, the Trustor will have no rights or powers to direct, influence or control the Owner Trustee in the performance of the Owner Trustee's duties under this Agreement in connection with matters involving the ownership and operation of the Aircraft by the Owner Trustee. In all matters involving the ownership and operation of the Aircraft by the Owner Trustee, the Owner Trustee shall have absolute and complete discretion in connection therewith and shall be free of any kind of influence or control whatsoever by the Trustor, and the Owner Trustee shall exercise its duties under this Agreement in connection with matters involving the ownership and operation of the Aircraft by the Owner Trustee as it, in its discretion, shall deem necessary to protect the interests of the United States, notwithstanding any countervailing interest of any foreign power which, or whose citizens, may have a direct or indirect interest in the Trustor and any such action by the Owner Trustee shall not be considered malfeasance or in breach of any obligation which the Owner Trustee might otherwise have to the Trustor; provided, however, that subject to the foregoing limitations, the Owner Trustee shall exercise this discretion in all matters involving the ownership and operation of the Aircraft by the Owner Trustee with due regard for the interests of the Trustor. In exercising any of its rights and duties under this Agreement in connection with matters which may arise not relating to the ownership and operation of the Aircraft, the Owner Trustee shall be permitted to seek the advice of the Trustor before taking, or refraining from taking, any action with respect thereto. The Owner Trustee shall notify the Trustor of its exercise of rights and duties under this Agreement in connection with matters involving the ownership and operation of the Aircraft by the Owner Trustee.

(b) Certain Exceptions. Subject to the requirements of the preceding paragraph (a), the Owner Trustee agrees that it will not, without the prior written consent of the Trustor, (i) sell, mortgage, pledge or otherwise dispose of the Aircraft or other assets held in the Trust Estate relating thereto except as otherwise expressly provided for herein, or (ii) amend any Lease or other document or give any consents thereunder.

(c) Purpose. The purpose of this Section 9.01 is to give the Owner Trustee the power to manage and control the Aircraft with respect to matters involving the ownership and operation of the Aircraft by the Owner Trustee so as to assure that (i) the Aircraft shall be controlled with respect to such matters by a Citizen of the United States and (ii) the Trustor shall have no power to influence or control the exercise of the Owner Trustee's authority with respect to such matters and (iii) Owner Trustee shall be able to give the affidavit required by Section 47.7 (c) (2) (iii) of the Federal Aviation Regulations, 14 C.F.R. 47.7 (c) (2) (iii). Section 9.01 shall be construed in furtherance of the foregoing purpose.

Section 9.02 General. Notwithstanding anything to the contrary in this Agreement, the Owner Trustee and the Trustor hereby agree as follows:

If persons who are neither U.S. citizens or resident aliens have the power to direct or remove the Owner Trustee, either directly or indirectly through the control of another person, those persons together shall not have more than twenty five (25%) percent of the aggregate power to direct or remove the Owner Trustee.

## ARTICLE 10

### COMPLIANCE WITH LAWS

Section 10.1 Covenant to Comply with Export Restrictions and U.S. Laws. Trustor acknowledges that the Aircraft may be subject to restrictions involving the export and re-export of the same pursuant to the laws and regulations of the United States, that the laws and regulations of the United States restrict the transfer of any interest in the Aircraft to certain persons (collectively, the "Export Restrictions") and that such Export Restrictions may apply to the Aircraft even after the Aircraft has been physically removed or transferred from the United States. Trustor also acknowledges that the Owner Trustee, as a U.S. regulated financial institution, is subject to the laws and regulations of the United States, including, without limitation, those promulgated by the U.S. Department of Treasury's Office of Foreign Assets Control (OFAC) and the Financial Crimes Enforcement Network (FinCEN) (collectively, the "U.S. Laws"). Trustor agrees that it will comply with, and will not knowingly permit the Aircraft to be used in a manner that is contrary to, Export Restrictions and U.S. Laws applicable to (1) the Trustor; (2) the Owner Trustee; or (3) the Aircraft, including the acquisition, possession, operation, use, maintenance, leasing, subleasing, or other transfer or disposition thereof.

Section 10.2 Approval of Transfer. Trustor agrees that it will not permit the assignment of this Agreement, any transfer of the beneficial interest of the Trustor created by this Agreement, or a lease or sublease of the Aircraft (collectively, a "Transfer") without Owner Trustee's prior written approval of such Transfer. Owner Trustee shall not unreasonably delay its decision on a request for approval from Trustor nor shall it unreasonably withhold its approval to such request. To facilitate Owner Trustee's evaluation of the Transfer, Trustor agrees that it will use reasonable efforts to provide Owner Trustee with any information reasonably requested by the Owner Trustee regarding the Transfer, the proposed transferee and/or the ownership of the proposed transferee. Owner Trustee's decision to approve or disapprove the proposed Transfer shall not be deemed to have been unreasonably delayed if Owner Trustee has not obtained the information it needs to make the decision, and Owner Trustee's approval of the proposed Transfer shall not be deemed to have been unreasonably withheld if Owner Trustee has determined that the Transfer will or may reasonably be expected to put Owner Trustee at risk of violating any laws or regulations applicable to Owner Trustee including, without limitation, the Export Restrictions and/or U.S. Laws. If

Owner Trustee withholds approval of a Transfer as set forth herein, then: (i) subject to the terms of this Agreement, Owner Trustee may resign or Trustor may remove Owner Trustee; and (ii) Owner Trustee shall have no obligation to consent to or facilitate a Transfer while Owner Trustee's resignation or removal is pending.

(The remainder of this page left blank intentionally)

IN WITNESS WHEREOF, Owner Trustee and Trustor have caused this Agreement to be duly executed all as of the date first above written.

TRUSTOR:

By: \_\_\_\_\_

Title: \_\_\_\_\_

OWNER TRUSTEE:

By: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT 3

PROPOSED CHANGES TO FAA APPROVED  
TRUST AGREEMENT

## ANNEX 7

### CORE CONDITIONS OF PROPOSED FAA MEMORANDUM ON NCT TRUST AGREEMENTS

#### Trustee Requirements

#### Affidavit

[current]

- as to citizenship
- as to non-awareness of any reason, situation or relationship involving Trustor or other non-citizens (other than resident aliens) where they have more than 25% aggregate power to influence or limit the OT's authority under the Trust Agreement

#### Trust Agreement

[current]

- contains language in 9.01 and 9.02 of the FAA approved Owner Trust Agreement as to control:

#### Section 9.01 Limitations on Control, Exceptions.

(a) Limitation on Control. Notwithstanding any other provision of this Agreement, but subject to paragraph (b) of this Section 9.01, the Trustor will have no rights or powers to direct, influence or control the Owner Trustee in the performance of the Owner Trustee's duties under this Agreement in connection with matters involving the ownership and operation of the Aircraft by the Owner Trustee. In all matters involving the ownership and operation of the Aircraft by the Owner Trustee, the Owner Trustee shall have absolute and complete discretion in connection therewith and shall be free of any kind of influence or control whatsoever by the Trustor, and the Owner Trustee shall exercise its duties under this Agreement in connection with matters involving the ownership and operation of the Aircraft by the Owner Trustee as it, in its discretion, shall deem necessary to protect the interests of the United States, notwithstanding any countervailing interest of any foreign power which, or whose citizens, may have a direct or indirect interest in the Trustor and any such action by the Owner Trustee shall not be considered malfeasance or in breach of any obligation which the Owner Trustee might otherwise have to the Trustor; provided, however, that subject to the foregoing limitations, the Owner Trustee shall exercise this discretion in all matters involving the ownership and

operation of the Aircraft by the Owner Trustee with due regard for the interests of the Trustor. In exercising any of its rights and duties under this Agreement in connection with matters which may arise not relating to the ownership and operation of the Aircraft, the Owner Trustee shall be permitted to seek the advice of the Trustor before taking, or refraining from taking, any action with respect thereto. The Owner Trustee shall notify the Trustor of its exercise of rights and duties under this Agreement in connection with matters involving the ownership and operation of the Aircraft by the Owner Trustee.

(b) Certain Exceptions. Subject to the requirements of the preceding paragraph (a), the Owner Trustee agrees that it will not, without the prior written consent of the Trustor, (i) sell, mortgage, pledge or otherwise dispose of the Aircraft or other assets held in the Trust Estate relating thereto except as otherwise expressly provided for herein, or (ii) amend any Lease or other document or give any consents thereunder.

(c) Purpose. The purpose of this Section 9.01 is to give the Owner Trustee the power to manage and control the Aircraft with respect to matters involving the ownership and operation of the Aircraft by the Owner Trustee so as to assure that (i) the Aircraft shall be controlled with respect to such matters by a Citizen of the United States and (ii) the Trustor shall have no power to influence or control the exercise of the Owner Trustee's authority with respect to such matters and (iii) Owner Trustee shall be able to give the affidavit required by Section 47.7 (c) (2) (iii) of the Federal Aviation Regulations, 14 C.F.R. 47.7 (c) (2) (iii). Section 9.01 shall be construed in furtherance of the foregoing purpose.

Section 9.02 General. Notwithstanding anything to the contrary in this Agreement, the Owner Trustee and the Trustor hereby agree as follows:

If persons who are neither U.S. citizens or resident aliens have the power to direct or remove the Owner Trustee, either directly or indirectly through the control of another person, those persons together shall not have more than twenty five (25%) percent of the aggregate power to direct or remove the Owner Trustee.

- contains language in 3.02 of the FAA approved Owner Trust Agreement as to removal for cause:

Section 3.02 Removal. Owner Trustee may be removed at any time, but for cause only, by a written instrument or instruments signed by Trustor. Such removal shall take effect immediately upon the appointment of a successor Owner Trustee pursuant to Section 3.04, whereupon all powers, rights and obligations of the removed Owner Trustee under this Agreement (except the rights set forth in Section 3.08) shall cease and terminate. Without any affirmative action by Trustor, any Owner Trustee shall cease immediately to be an Owner Trustee at such time as it ceases to be a Citizen of the United States or at such time as it for any reason is not free from control by Trustor as described in Article 9, and shall give immediate notice thereof to Trustor. Any Owner Trustee shall also give Trustor notice of a possible change of citizenship at the later of (i) 90 days prior to a change in citizenship and (ii) actual knowledge by Owner Trustee that such a change in citizenship is probable.

- contains governing law of a U.S. state
- when filed at the FAA, accompanied by (a) a copy of ACC opinion approving the trust agreement or (b) a statement that the trust agreement complies with the requirements
- when filed at the FAA, accompanied by a copy of each document legally affecting a relationship under the trust

### Trust Agreement

*[proposed]*

- require confirmation by the trustee that it has diligence procedures in place that are intended to meet the requirements of the USA PATRIOT Act "know your customer" requirements and OFAC regulations so as to form a reasonable belief with respect to the identity of the beneficiary and the operator/lessee (the "Identity Due Diligence").
- require covenants that prohibit transfer of the beneficial interest in the trust without first notifying the trustee and providing the current information as to the identity and contact information with respect to such new beneficiary and giving the trustee the opportunity to perform the Identity Due Diligence on the proposed new party.
- require covenants requiring the inclusion of certain transfer restrictions in each Operational Agreement. For the purposes of the referenced memorandum, an "Operational Agreement" would mean, with respect to an aircraft then owned pursuant to an NCT, any lease, operating agreement or other bailment agreement, entered into from time to time, whether by or through the beneficiary of the NCT, or such other transferee/operator, in each case if granting possession and operational control of the aircraft for a period in excess of 180 consecutive days. Pursuant to such covenants, the beneficiary would agree that any Operational Agreement entered into by such beneficiary or at its direction (i.e., any Operational Agreements between the trustee and any third party transferee) would prohibit further transfers of such rights to a transferee/operator unless the transferor of such rights first notifies the trustee, providing it with the then current information as to the identity and contact information with respect to such proposed transferee/operator, and giving the trustee the opportunity to perform the Identity Due Diligence on such proposed transferee/operator and update the trustee's files. This transfer restriction would cascade down through all subsequent Operational Agreements thereby requiring each such transferor of its possessory and operational rights thereunder to provide such information to the trustee, and include the requirement in any subsequent Operational Agreements to which it may be a party.