

JUL 28 1979



Howell Begle, Esquire
Verner, Liipfert, Bernhard and McPherson
Suite 1100
1660 L Street, N.W.
Washington, D. C. 20036

Dear Mr. Begle:

This is in reply to your letter of July 18, asking whether First Security Bank of Utah (First Security) would be entitled to registering aircraft under a transaction which we understand to be as follows:

General Electric Credit Corporation (GECC) will purchase the aircraft and lease them to Piedmont Aviation, Inc. (Piedmont) under a lease which is not a "conditional sale." However, for the purpose of partial financing of the purchase GECC will place the aircraft in trust with First Security which, under the trust agreement, will hold legal title to the aircraft, GECC to be the sole beneficiary.

The trust will be a passive trust with "control and supervision" in GECC. The trust agreement will provide for such powers of possession and control in GECC as are necessary to allow GECC to lease the aircraft to Piedmont. The trust agreement will also allow GECC to additionally finance the purchase of the aircraft by borrowing funds from "third parties" and securing these loans on the aircraft, under agreements "of the sort customarily entered into in 'leveraged leasing' transactions," that is, rental payments will not be made to GECC but directly to those "third parties" for repayment of their loans to GECC.

All parties to these transactions are United States citizens under the definition of Federal Aviation Act sec. 101(16), 49 U.S.C. 1301(16), and none of the beneficiaries under the proposed trust is directly or indirectly controlled by a foreign interest.

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| RTG. SYMBOL | AGC-7 |
| INITIALS/SIG. | GFL |
| DATE | 7/23/79 |
| RTG. SYMBOL | AGC-26 |
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Assuming that the details of the trust agreement, which you do not describe, do not affect the question, our answer is that registration in the name of the trustee, First Security, is in accordance with FAA regulations. This conclusion is based on application to the trust agreement of the administrative presumption of legality and validity of instruments submitted to FAA in support of applications for aircraft registration, bolstered in this case by ~~the~~ legal opinion expressed in your letter that the trust agreement is valid under applicable law, although it appears to set up a "dry" trust.

The outstanding Notice of Proposed Rulemaking, No. 78-18, 44 F.R. 63, introduced, in the context of the citizenship requirement for registration, the distinction between active and passive trusts (Supplementary Information, IV, D and proposed § 47.7(c)). It would not affect registration in the name of a trustee when all parties to the transaction are United States citizens and no beneficiary is directly or indirectly controlled by a foreign interest.

Sincerely,

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 JOHN T. STEWART, Jr.
 Assistant Chief Counsel
 International Affairs &
 Legal Policy Staff

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cc: AAC-7,AGC-25,AGC-7,Krassa,Chron,Grid

MC: AGC-7-79/91

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