

April 27, 1990

William C. Boston and Associates  
Counselors at Law  
1601 Northwest Expressway  
Oklahoma City, OK 73118

Dear Mr. Boston:

Shannon Engine Support Limited;  
One (1) CFM International, Inc.  
CFM56-3C1 Engine, Bearing  
Serial Number 725-125 (the "Engine")  
Your File Number: 257.001

This responds to your letters dated April 23, 25, and 26, 1990, in which you request our opinion as to the recordability under 49 U.S.C. 1403(a)(2) of a certain Mortgage And Security Agreement (hereafter "Agreement").

It appears that under the Agreement, the Company, Shannon Engine Support Limited, grants a security interest in certain used CFM56-3 jet engines to Tokai Bank Limited, New York Branch (hereafter the "Mortgagee"). See Section 2.1.(a) of the Agreement and Annex I to the Agreement, Page 4.

The Company is authorized to maintain, operate and possess the engines and may under certain conditions permit an airline to install engines on aircraft owned or leased by the airline. See 3.2.(c)(ii), (iii), and (iv) of the Agreement and Annex I to the Agreement, page 2. (Per Annex I, an "airline" is not limited to U.S. air carriers.)

The above-references from the Agreement are relevant because this office has historically recommended recordation of instruments submitted pursuant to 49 U.S.C. 1403(a)(2) only when there appears to be a substantial U.S. nexus (our opinions dated October 20, 1980; March 11, 1983 with pertinent legislative history; and January 6, 1987.) In fact, those opinions infer that only instruments in which a U.S. air carrier is a party thereto are recordable under 49 U.S.C. 1403(a)(2).

In practice, however, the FAA Aircraft Registry has recorded security instruments pertaining to engines where one of the parties has been a U.S. citizen (e.g., the mortgagee).

Based on your above-mentioned letters and your representation in our telephone conversation of April 27, 1990, it appears that General Electric Company, a U.S. citizen corporation, has an approximate 25 percent interest in the engines which are the subject of the Agreement. (General Electric owns 50 percent of the stock of one of the two joint venturers comprising the Company. All other joint venture interests are owned by non-U.S. citizens).

Based on General Electric's substantial interest in the engines, we determine that there is a sufficient U.S. nexus to permit recordation of the Agreement. (I have discussed this with Jim Henderson, Manager of the FAA Aircraft Registry and Irene Howie, Assistant Chief Counsel for International Affairs and Legal Policy Staff, who do not object to this determination.)

In the near future, my office and the Registry with advice from Ms. Howie, will attempt to further refine the basis for recording engines and propellers under 49 U.S.C. 1403(a)(2). Therefore, please do not consider this letter as necessarily having precedential value in future cases.

Sincerely,

  
Joseph R. Standell  
Assistant Chief Counsel  
Aeronautical Center

cc:  
AVN-450 (J. Henderson)  
AGC-7 (I. Howie)

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