



U.S. Department
of Transportation
**Federal Aviation
Administration**

Mike Monroney
Aeronautical Center

P.O. Box 25082
Oklahoma City, Oklahoma 73125

January 12, 1996

Robert M. Peregrin, Esq.
Daugherty, Fowler, and Peregrin
204 North Robinson
900 City Place
Oklahoma City, OK 73102

Dear Mr. Peregrin:

Aircraft N109FX, N110FX, N209FX, and N306FX
(collectively, the Aircraft)
Your File No. 9670-1045

This responds to your letters of December 19 and 26, in which you request our opinion as to the recordability of a Master Aircraft Lease Purchase Agreement as a "true lease" (with certain pricing terms to Annex III to the form Lease Supplement intentionally omitted); the Lease Amendment; and the Lease Supplement Amendment.

The documents we have reviewed incident to this opinion are as follows:

1. Master Aircraft Lease Purchase Agreement between CLJFINCO, Inc. as Lessor and Bombardier Business Jet Solutions Inc. (BJS) as Lessee. (A copy of which you provided to me with your letter of December 19, 1995.)
2. Amendment to Master Aircraft Lease Purchase Agreement (a copy of which you provided to me on December 26, 1995).
3. Exhibit E To Master Aircraft Lease Purchase Agreement - First Amendment To Lease Supplement No. ____ (a copy of which you provided to me on December 26, 1995).
4. Your cover letter dated December 19, 1995.
5. Your cover letter dated December 26, 1995.
6. A Supplemental Opinion dated June 23, 1995, prepared by Mr. Burton of this office finding Master Aircraft Lease Purchase Agreement re N30GL, et al., to be a "true lease."
7. Legal opinion dated December 26, 1995, addressed to you, prepared by Metlife Corporate Counsel, Linda K. Bracken.

For purposes of this review, I will refer to relevant documents as the "Master Lease;" "Lease Supplement;" and collectively (as pertinent to the leasing of an aircraft) "Aircraft Lease."

Opinion As To The Master Lease. A substantially similar Master Aircraft Lease Purchase Agreement was previously reviewed by Mr. Burton of this office (his letter of June 23, 1995), and determined to be a "true lease" which would not disturb aircraft registration in the name of CLJFINCO, Inc. Based on my review of the present Master Lease (which you represent to be the same as that reviewed by Mr. Burton except for black-lined revisions), I am of the opinion that the Master Lease (CLJFINCO and BJS) is a "true lease" requiring registration in the name of CLJFINCO, Inc., the lessor.

Opinion As To Omissions In The Lease Supplement. The pricing items mentioned on Annex III to the Lease Supplement may be omitted from the FAA filed counterpart, since they pertain to proprietary pricing information (Interim Rent, Total Cost, and Rent Rate).

The Transaction Involving Partial Termination. In your letter of December 26, 1995, you succinctly state the arrangement as follows:

"As you will recall, CLJFINCO, Inc. ("CLJFINCO") will purchase the Aircraft and lease the Aircraft to Canadair Challenger Inc. d/b/a Bombardier Business Jet Solutions, Inc. ("Canadair"). The Lease is already of record with the Federal Aviation Administration (the "FAA") and has been approved by the ACC Opinion. The Lease will be supplemented to add each of the Aircraft. The Aircraft will be sold to third parties in undivided interests of 6.25%. CLJFINCO will execute an FAA Bill of Sale to the purchaser of the sold interest and a new Aircraft Registration Application will be filed. Pursuant to the Lease Supplement Amendment, the Lease will be partially terminated as to each sold interest in an Aircraft."

The Documents. To accomplish the above purposes, CIT as Lessor and BJS (Canadair d/b/a Bombardier Business Jet Solutions) as Lessee will enter into the Master Lease. A new Section 8.3 will provide that with respect to any leased aircraft, BJS (acting as agent for CIT) may sell up to 16 undivided ownership interests (6.25%) in any aircraft.

Simultaneously with the sale of an undivided ownership permitted under Section 8.3, CIT and BJS would execute an Amendment to Lease Supplement (Partial Lease Termination).

The proposed Amendment to the Master Lease, as pertinent here, simply adds the new Section 8.3.

The Amendment To Lease Supplement is the critical document. If it is unrecordable, then a key provision of Section 8.3 (simultaneous partial termination) cannot be implemented. As pertinent here, the Amendment to Lease Supplement recites that pursuant to Section 8.3, a _____% undivided interest in the Aircraft has been sold ("Sold interest"). See paragraph A to Amendment To Lease Supplement.

Under paragraph 1 (Partial Lease Termination) to the Amendment To Lease Supplement, "The Agreement [Master Lease] and the Lease Supplement (together, the "Aircraft Lease") are hereby terminated with respect to the Sold Interest...."

Discussion. In your letter of December 26, 1995, you request our "opinion that the Lease Amendment (providing for the sale of undivided ownership interests in the Aircraft) and the Lease Supplement Amendment (providing for the partial lease termination with respect to the sold interest of the Aircraft) are eligible for recordation under 49 U.S.C. § 44107."

Not without some hesitancy, I am persuaded that they are. My concern is not so much based on legal uncertainty, but realization that permitting the recordation of partial terminations of leases may lead to considerable additional work by those who review aircraft files (attorneys, title search companies, and FAA legal examiners).

From the legal standpoint, nothing appears to challenge the idea that a co-owner may alienate his undivided ownership interest, with or without the consent of other co-owners, in any legal manner he or she sees fit. (Reference MetLife's and your legal memoranda.) Just as a co-owner may sell or pledge his or her undivided interest in personal property at law, it appears that he or she may also lease it.

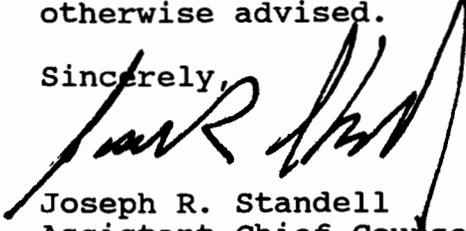
As pertinent here, I view the partial termination of a lease as to an undivided interest in the leased property (less than the whole) as the legal equivalent of an original lease by a co-owner of an undivided interest of less than the whole.

I view BJS's joining in the partial termination of lease as significant. I would not want this opinion to be interpreted as suggesting that the quiet enjoyment by a lessee of an exclusive lease of an aircraft leased by co-owners might be impaired by any co-owner's unilateral action.

Opinion As To Instruments Which, In Part, Permit Partial Lease Termination Of An Undivided Percent Interest In Aircraft. An instrument which terminates a lease insofar as the lease pertains to an undivided interest in an aircraft is a "conveyance" under 49 U.S.C. 40102(a)(19), in that it affects an interest in property. The Amendment To Master Aircraft Lease Purchase Agreement And Amendment To Lease Supplement are legally acceptable as conveyances and therefore are recordable.

Caveat. As mentioned earlier, I am concerned about the possible adverse effect which the recording of partial lease terminations of percentages of undivided interests in aircraft may have on Registry practice. Therefore, except for the documents and transactions to which this opinion pertains, please do not consider this opinion as precedential until otherwise advised.

Sincerely,



Joseph R. Standell
Assistant Chief Counsel
Aeronautical Center

Concurred In By AFS-750:

jos 1-11-96
Date

Robert M. Peregrin, Esq.
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