



U.S. Department
of Transportation

Federal Aviation
Administration

Mike Monroney
Aeronautical Center

P.O. Box 25082
Oklahoma City, Oklahoma 73125

May 20, 1996

Grant Levy, Esq.
International Lease Finance Corp.
1999 Avenue of the Stars, 39th Floor
Los Angeles, CA 90067

Dear Mr. Levy:

Thank you for your letter of May 1. It was a pleasure to have met with you earlier this year in New York City at the Strategic Research Institute seminar on FAA Aircraft Registration.

In your letter you propose to submit for recordation with the FAA Aircraft Registry, either an Aircraft Lease Agreement Supplement hereafter "Supplement," (Exhibit A to your letter) or a Short Form Lease; in lieu of your present practice of submitting the actual lease document with certain schedules containing commercial information omitted.

The Supplement would refer back to the Aircraft Lease Agreement (hereafter the "Lease") and recite that the parties agree that they have entered into the Lease which contains all terms and conditions; the date on which the aircraft was delivered; the lease term; and the responsibility of the lessee for maintenance and operation of the aircraft (Exhibit A to your letter).

It is clear from the Supplement that the Lease alone is to be the controlling document. As you succinctly put it, the "Supplement is meant to be very similar to a UCC-1 financing statement that is filed in the appropriate filing office in a state."

You describe the Short Form Lease (your alternative to the Supplement) as "nearly identical to the Aircraft Lease Agreement Supplement except that it would be a binding agreement between the parties and not subject to the underlying lease. The parties would still enter into the underlying lease which would contain all of the pertinent provisions governing the confidential relationship between the parties, but the parties would not file the underlying lease, they would just file the Short Form Lease".

In support of your proposal to submit a Supplement or Short Form Lease, you say that significant confidential information is contained in the Lease language itself and not merely in the

schedules (which contain actual payment terms, maintenance reserves, interest rates, etc.).

You say that potential lessors having reviewed leases on record with the Registry demand the same favorable terms with International Lease Finance Corporation (ILFC) and its airline lessees.

You say that an ambiguity is created if you file an amendment (e.g. amendment number two) to the lease with the FAA, but do not file an amendment to an omitted schedule to the lease (e.g. amendment number one). That is, one who reviews the record might wonder what became of amendment number one.

You say that recording the Supplement or Short Form Lease will simplify recordation because only one document (the Supplement or Short Form Lease) rather than two documents (the basic lease and Estoppel and Acceptance Certificate) would be filed.

Finally, you suggest that initial confusion over the new form of filing will be avoided when reviewers realize that the Supplement or Short Form Lease is all that there will be in the aircraft record.

I know you are familiar with FAA Deputy Chief Counsel Cassady's opinion to Mr. Packard as published in the Federal Register on September 21, 1994. In that opinion, Mr. Cassady concludes,

Finally, we note that a commenter suggests that the FAA should adopt a UCC-like approach and only require that a filed document indicate that a party has conveyed title to or has an interest in a civil aircraft. By this opinion, we intend only to affirm the continuation of permitting schedules containing confidential, proprietary information to be redacted or omitted from otherwise recordable documents. With respect to particular documents, the advice of the Assistant Chief Counsel for the Aeronautical Center should be sought.

59 Fed. Reg. 48,463. I've attached a copy for your convenience.

The FAA records "conveyances" which are defined as instruments, including conditional sales contracts, affecting title to, or an interest in property. 49 U.S.C. §44107(a)(1) and 49 U.S.C. §40102(a)(19). Your proposed Supplement is not an instrument which itself affects such an interest, but is simply notice of the existence of a conveyance. It is not a recordable document.

Your Short Form Lease presents an interesting legal question because you represent that it is an instrument which is

independently binding on the parties (i.e. allegedly affects an interest). Although the Short Form Lease has the appearance of being a form of conveyance, it is not the conveyance (i.e. the Lease) which affects the rights, obligations and remedies of the parties. The only purpose of the Short Form Lease is to attempt to meet minimum FAA recording requirements so as to provide notice of the existence of the Lease.

In fairness to your position, I would acknowledge that an analogy might be made between the Short Form Lease and a lease with schedules omitted which the Registry presently records. Both documents are something less than the total agreement of the parties.

The important difference is that a lease even with schedules omitted, is still the controlling document, while the Short Form Lease is irrelevant as between the parties. In justifying the recording of documents with certain confidential information omitted, Mr. Cassady says. . .

We believe that such a document with certain, limited omissions or redactions is a conveyance. It would be difficult to explain why a 30-page, original lease signed by the parties is not a conveyance simply because a schedule showing stipulated loss values has been intentionally omitted. The fact that the parties to such a lease may also have reached agreement as to stipulated loss value (which they are unwilling to disclose) does not, in our judgment, make the lease submitted for recordation any less a conveyance.

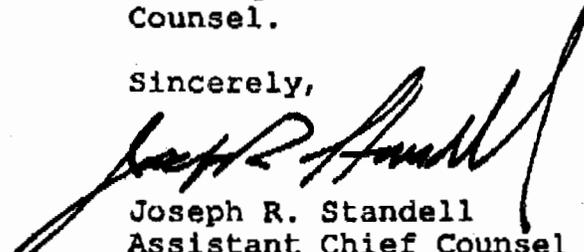
Federal Register, at 48,465.

I do not believe that the Short Form Lease meets the criteria of a conveyance under the above quoted discussion.

Therefore, it is my opinion that neither the Short Form Lease nor the Aircraft Lease Agreement Supplement meet the recording requirements under 49 U.S.C. § 44107.

This opinion has been coordinated within the Office of Chief Counsel.

Sincerely,



Joseph R. Standell
Assistant Chief Counsel
for the Aeronautical Center