



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

Mike Monroney  
Aeronautical Center

P.O. Box 25082  
Oklahoma City, Oklahoma 73125

January 15, 1993

Daniel J. Fowler, Esq.  
Daugherty, Fowler & Peregrin  
204 North Robinson  
900 City Place  
Oklahoma City, OK 73102

Dear Mr. Fowler:

Recordation of Instruments on Aircraft Engines  
Installed on Foreign Registered Aircraft

Your letter of January 7, 1993, submitted the following instruments for our review: the Lease Agreement between Marta Leasing Ltd. (Lessor) and Polskie Linie Lotnicze (LOT) (Lessee); the Senior Trust Indenture and Security Agreement (Senior Security Agreement) between the Lessor, as issuer, and First Security Bank of Utah, N.A., (First Security) as Senior Indenture Trustee; and the Junior Trust Indenture and Security Agreement (Junior Security Agreement) between the Lessor, as borrower, and First Security Bank, as Junior Indenture Trustee.

The issue on which you have requested our opinion is the recordability of these instruments solely against the aircraft engines identified as collateral or as leased items in the instruments described above, pursuant to Section 503(a)(2) of the Federal Aviation Act of 1958, as amended (Act). Incident to raising this question, you also raise the issue of whether there is a sufficient United States nexus to permit recordation of the instruments against the aircraft engines which are identified as collateral therein.

Based on our review of the instruments, there is sufficient U.S. nexus to permit recordation against the aircraft engines which are subject to the terms of the instruments. Accordingly, the instruments are recordable against the aircraft engines, pursuant to Section 503(a)(2) of the Act.

As a background to the transaction, you have explained that the Lessor will acquire nine (9) Boeing 737 aircraft (Airframes), along with eighteen (18) CFM International, Inc. CFM56-3C-1 aircraft engines (Engines). The transaction will be financed by Boeing, Inc. (or a number of its subsidiaries) and a number of financial institutions, some of which are U.S. corporations. The funding will be secured by instruments executed by the Lessor in favor of First Security Bank of Utah, N.A. (to be hereinafter referred to

as "Senior Indenture Trustee"). The aircraft, which will be registered in a country other than the United States, will be leased by LOT, a Polish entity.

The leasehold interest of the Lessor, which applies to the Engines as well as to the Airframes, will be collaterally assigned to First Security, as indenture trustee through the Junior Security Agreement. You have indicated that First Security, in the capacity of Senior Indenture Trustee, is the holder of the security interest in the Airframes and the Engines.

As you aware, we have historically reviewed instruments which employ aircraft engines as collateral and which involve non-U.S. corporations, for purposes of determining whether there is a sufficient U.S. nexus to warrant recordation pursuant to Section 503(a)(2). We note that, in this transaction, First Security, a U.S. citizen corporation, is the holder of the security interest granted by the Lessor as to the engines. Additionally, First Security has been assigned the leasehold interest of the Lessor in the Lease Agreement with LOT. We take further note of the fact a number of U.S. financial institutions, including the Export-Import Bank of the United States, are participating in the financing of this transaction.

Based on the foregoing, we have determined that there is a sufficient U.S. nexus to permit recordation of both the Senior and Junior Trust Indenture and Security Agreements, pursuant to Section 503(a)(2). Both instruments are recordable against the identified aircraft engines, notwithstanding their coverage of aircraft not registered in the United States, in addition to the engines.

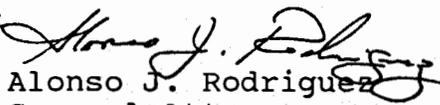
Additionally, in so far as the Junior Security Agreement refers to the assignment of a leasehold interest in a specifically identified lease applicable to aircraft engines, the Lease Agreement is likewise recordable.

As you may recall from our discussions, transactions involving recordation of instruments on aircraft engines and evaluation of the U.S. nexus involved therein, are considered on an individual basis. Therefore, please do not consider this opinion as necessarily having precedential value in future, similar cases.

Sincerely,

Joseph R. Standell  
Assistant Chief Counsel  
Aeronautical Center

By:

  
Alonso J. Rodriguez  
General Attorney



U.S. Department  
of Transportation

**Federal Aviation  
Administration**

Mike Monroney  
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P.O. Box 25082  
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November 18, 1993

William C. Boston, Esq.  
William C. Boston & Associates  
1601 Northwest Expressway  
Oklahoma City, OK 73118

Dear Mr. Boston:

Three (3) CFM International 56-3B1 Engines  
Ser. Nos. P720379, 721468, 720436

By letter dated November 13, 1993, you requested our opinion whether the following Mortgage is recordable under Section 503 of the Federal Aviation Act of 1958, as amended (the Act):

Aircraft Engine Security Agreement, dated \_\_\_\_\_, 1993, between KS/EPA Investor 1, as Debtor, and UniBank plc, as Secured Party.

You have stated that although neither the Debtor nor the Secured Part is a citizen of the United States, the engines are currently on lease to Morris Air Corporation, (a Delaware corporation with its principal offices in the State of Utah) an air carrier certificated under Section 401 of the Act. The third "Whereas" clause of the Mortgage confirms this arrangement.

Accordingly, it is our opinion that because the engines are being used by an air carrier certificated under Section 401 of the Act, sufficient "U.S. nexus" exists to allow recording of the Mortgage under the authority of Section 503(a)(2) of the Act.

Sincerely,

Joseph R. Standell  
Assistant Chief Counsel  
Aeronautical Center

By:   
Beverly J. Sharkey  
General Attorney