

Navigating the Multiple Facets of a Business Aircraft Transaction.

Although we are beginning to see indications that the business aircraft industry is beginning to recover, we are also noting that re-sale prices for pre-owned aircraft are at levels no one ever thought they'd see for aircraft less than decades old. Knowing what constitutes a good deal for the client – whether they are the buyer or the seller – is a critical component of the consultant's and/or broker's value-added proposition, so it is certainly important that market pricing continues to be at the top of the research list.

Accordingly, the consultant's and broker's knowledge of and ability to provide solutions for a broad spectrum of transaction-related challenges has become an even more important part of the equation than ever before. In the words of Bill Quinn of Aviation Management Systems, "In today's world [brokers and consultants]...need to understand the sales and marketing [elements of a transaction], [as well as] the technical aspects of the products and market dynamics, but [they] also need to know enough about finance, aircraft operations, management, taxes and a bevy of other disciplines in order to provide clients with the necessary advice and counsel they want and need." Getting the best price for an aircraft, whether you are buying or selling, is still paramount, but it's no longer enough to carry the day." The question, then, is whether the broker or consultant you choose to engage is sufficiently knowledgeable about these tangential aspects and considerations to provide a complete package of services to their clients?

Experience and a solid network of experienced professionals in those other disciplines who can bring their specialist knowledge to the transaction is critical. No broker or consultant can be all things to all clients, especially in the

current environment, fraught with market price fluctuations and uncertainty, scarce access to credit, and international regulatory issues. Therefore, savvy sellers and buyers will seek out a broker or consultant who, through demonstrated market research capabilities and either strategic relationships, knows how to connect these many and varied dots. In today's challenging market conditions, it is paramount to communicate openly and honestly, and to strive for reasonable, prudent deal parameters that are win/win for the buyer, seller, and all parties involved. After all is said and done, Joe DiLallo, formerly of GetJets Aviation Consulting, LLC, summarized it succinctly in saying "[It would be] foolish to buy a jet without engaging an experienced knowledgeable aircraft broker; the absence of experienced legal counsel can cost hundreds of thousands or millions of dollars, so why would anyone try to go it alone." Further, the best broker and counsel will mean very little if the aircraft purchased isn't the best fit for the clients needs.

So how does a business aircraft buyer or seller go about identifying and engaging the 'right' broker or consultant? There is, of course, no single answer or formula, but obtaining verifiable answers to a few key questions will go a long way toward knowing you're dealing with someone who knows the business and has the ability to manage the transaction.

First, word-of-mouth and/or direct referrals will typically help identify brokers and/or consultants who have successfully – or unsuccessfully – assisted friends, colleagues or acquaintances with their transactions. People who have had good (or bad) experiences talk about them, so taking advantage of someone else's experience is a good start.

Second, ask the broker or consultant a few key questions, such as "How many transactions have you done in the last six months?", "Have you bought/sold any aircraft like the one I

want?”, “Were you successful negotiating a price reduction or other concessions?” Can you handle special purpose company documentation and filing, escrow matters, helping me obtain financing, and the like?” Essentially all reputable brokers and consultants are happy to answer legitimate questions honestly; any ‘fudging’ or hesitation should prompt more in-depth discussion.

Third, it is smart and appropriate to ask whether key disciplines such as contract formation and negotiation, registration paperwork and filing, and financing consultation are available in-house or are outsourced. Based on the answer, follow-up questions such as whether the outsourced disciplines, if any, are included in the broker’s or consultant’s fee or will be additive. If any/each of these fees is additive, the wisest course of action before proceeding would be to contact at least two more reputable consultants or brokers to get their answers to the same questions, then negotiate the applicable fee(s) with the broker or consultant who has the best answers, overall cost profile, and seems to be the best ‘fit.’

Finally, if key disciplines – in particular, legal services and financing consultation – are to be outsourced, whether at an additional cost or not, it is critical to insist that the identity of each is provided, and that each be vetted. In some cases, a close relationship between the broker or consultant and the attorney, for example, may exist based on friendships, etc., rather than on expertise in aviation transactions. Contract negotiators at every OEM, especially, can relate horror stories about customers’ in-house attorneys who have never handled an aircraft transaction and have no idea how to ensure that the contract and associated documents reflect the most suitable terms for their client. Similarly, just because a broker or consultant uses a particular attorney or law firm for their deals, there is no guarantee

that every deal will be done with the client’s needs or desires in mind, or that the deal will have a high priority in comparison with the attorney’s or firm’s other business.

In summary, business aircraft buyers and sellers cannot afford to expend the time, effort and capital on transactions that cannot be completed because of inept support from a broker/consultant, attorney/law firm, or financing advisor. The additional time and care you take to perform due diligence on those individuals or firms chosen to assist with the transaction is critical and necessary, and will be well worth it in the end. In turn, brokers and consultants owe it to themselves and their clients to be able to provide or have immediate and direct access to a full spectrum of services, from knowing how to best represent the sale of an aircraft and to recommend the purchase of an aircraft, to negotiating a contract with the best possible terms for either a buyer or a seller as expeditiously as possible, and to assisting in the arrangement of the best possible financing solution for the transaction. To do all of these things requires either a brokerage/consultancy with capabilities in all of these areas or a network of experienced and qualified strategic partners who can (and will) work together to accomplish the transaction.

With over 80 years of combined experience in the business aviation industry across the full spectrum of ownership considerations, Pyxis Aviation Group provides the critical expertise you need to buy or sell an aircraft and get the most out of it while it’s yours!