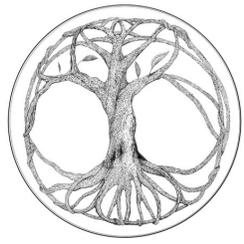


# PLACING THE POWER TO EXPEDITE THE FINANCING PROCESS IN YOUR HANDS



AIRCRAFT FINANCING  
CONSIDERATIONS FOR FAMILY OFFICES

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**When** you decide to finance an aircraft acquisition with a traditional aircraft mortgage where you personally guaranty (recourse, as opposed to non-recourse) the obligation, you strategically align yourself with a financial institution that understands the asset while you retain your cash so that it may be deployed for investments that could generate a higher rate of return than the cost of the aircraft loan.

**With speed being mission critical to closing the acquisition, how does one navigate a financial institution's due diligence requirements that can sometimes exceed 10 weeks to close? One of the frequent questions posed by users of business aircraft to financiers is "how much information do you really need?", which contains pricing, structure, and tax implications. Understanding the answer to two key questions can help one prepare for financing an aircraft with a lender and potentially expedite the process.**

**Why does due diligence take time for financial institutions?**

Financial Institutions in the US are highly regulated by Federal and State banking

laws that focus on safety and soundness as well as transparency regarding the ownership of all corporate clients. Financial institution boards are mandated to develop and provide the oversight of policies and procedures that define their lending activities. This framework results in annual regulatory reviews with boards further mandating internal reviews on an ongoing basis.

This impacts you in ways that may not be obvious and further underscores the need for preparation and patience. While your wealth advisor knows you, s/he must convey the ownership structure of your aviation entity and the repayment sources associated with granting the loan to multiple parties within the financial institution to ensure you obtain the structure that will work for you. Each team maintains a separate and distinct purpose and focus, with not all working together seamlessly to achieve the final goal of funding your aircraft loan: the Bank Secrecy Anti-Money Laundering adherence team; the underwriting team; asset valuation team; credit approval team; loan documentation creation team; and loan closing team.





**What will your Financial Institution request and what will they actually need?**

Because many touch points exist beyond your primary financial institution contact, it is critical to understand not only WHAT each party needs, but WHY that information is needed. Understanding the why will enable you to not only prepare for the requested items, but to provide clarity that is needed to potentially expedite the approval, documentation, and funding of your aircraft facility. The following chart reflects the connection between the “what” and “why”, as well as what one can additionally provide that could accelerate the process:

<b>What is requested</b>	<b>Why it is requested</b>	<b>How you can facilitate the process to reduce time</b>
Formation and operational documents for the aviation entity and related parties	This is necessary to complete the BSA AML/KYC requirements as well as ensure that the loan documents are prepared in accordance with the structure of the company	In complicated ownership structures, an organizational chart ensures that the lender knows who is authorized to sign on behalf of all parties.
A current personal financial statement for the principal	This provides insight into the total assets and corresponding liabilities (including contingent liabilities) that a principal maintains.	A recent and detailed personal financial statement with clarifying notes provides transparency as financial institutions will include either a cap on debt or establish a minimum net worth covenant.
Bank, brokerage, and other forms of liquidity statements	This demonstrates both unencumbered liquidity or access to liquidity in the event that marketable securities are leveraged.	This identifies where the equity component of the purchase will come from and serves as a secondary source of repayment for the loan if cash flow is uneven and/or cannot support repayment in any given year. Financial institutions will include an unencumbered liquidity covenant.





What is requested	Why it is requested	How you can facilitate the process to reduce time
Three years of prior tax returns and K-1s	This demonstrates historical cash flow. Financial institutions generally rely upon a three year look back average to quantify one's ability to repay the proposed debt, the operating costs of the aircraft, and all other financial obligations.	An organizational chart of your operations can help to visualize your cash inflows and outflows. If your cash flow is inconsistent, communicate this fact so that you are not placed into a situation where you cannot meet future cash flow requirements and may need to rely upon your liquidity.
The purchase agreement and the spec sheet for the to-be-acquired aircraft	This is needed for all documentation, such as the aircraft mortgage as it reflects who will own the aircraft. This information is also used to the valuation of the aircraft initially and over time.	These documents identify the title and escrow officer and enables the financial institution to coordinate the funding and closing of the transaction. The valuation over time enables the lender to structure the repayment and arrive at a balloon payment.
All charter, management, and lease agreements	This is needed for all documentation and serves as additional collateral for the financial institution.	This is needed for all documentation and serves as additional collateral for the financial institution.

Knowledge is power. When you understand a financial institution's processes and why it needs certain requirements, you possess the power to expedite your loan request. Transparent and frequent communication by phone, video, and email enable you to control the process and adhere to the timeline that you and your team of trusted advisors establish.



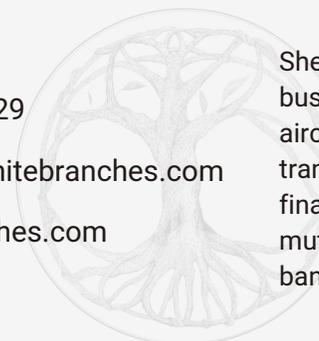
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Shelley A. Svoren is the CEO + Founder of Infinite Branches, a project-based business that supports the initial and ongoing needs of those who view their aircraft as an investment in their brand. She previously financed over 200 aircraft transactions worth over \$1Bn USD during the course of her tenure at a \$100Bn+ financial institutions with no repossession or losses and credits transparency and mutual respect with her clients for the results. She previously worked as a federal banking regulator and in corporate finance for multinational corporations.