



# Lessor Lessons

## How to Turn a Large Fortune into a Small One

# Decision to Lease Aircraft

- Be smart – buy the right aircraft type
- Ensure aircraft and engine records are perfect
- Arrange financing to match rental stream
- Vet lessee carefully: credit, operational capability, and jurisdiction



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# Lease Agreement – How to Cover your \$€£

- Hire a technical firm to monitor the aircraft
- Require monthly maintenance status reports
- Monitor airport charges and navigation fees
- Maintain duplicate records
- Track engine removals – workscope, payments and shop visit reports



# The Case Study – It all went wrong

- New lessor buys three used MD82's
- Placed with E. European start-up
- Investment put on “autopilot”
- Lessee started running out of cash
- 2 of 3 aircraft abandoned at Euro airports
- No storage program. Components stolen and parking fees accrue



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# Cabot gets the call.....

- Lessee shuts down; aircraft abandoned in obscure location with poor local tech resources
- One engine BER'd
- Unpaid Nav fees top €300,000
- MD80 market in freefall
- Half of records “missing”



# Now what?

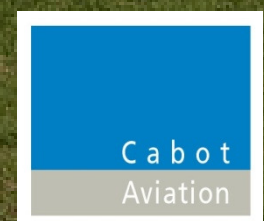
- One older MD82 with one JT8D-217A
- Needs another engine plus paying Nav fees – does not compute!
- We market the aircraft but it becomes an “engine only” deal
- Engine buyers “picky” about records/trace
- Location makes it extremely difficult

# Lessor Stance

- Refuses to pay for aircraft or engine storage program
- Lessee attempts to sell missing records to lessor for huge \$\$\$
- Will not enforce possession rights by hiring local counsel

# End of the Story

- Engine sold for a surprising price
- Avionics and APU consignment agreement
- Airframe donated to off-airport museum
- Country registry forces de-registration of all 3 aircraft
- Big write-off by lessor



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