



“So, You’re Buying an Aviation Company”

Merger and Acquisition Issues in the Aviation Industry

2026 Aviation Roundtable
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General Issues in Aviation Due Diligence

- Aviation is a heavily regulated industry
- Many authorizations have citizenship requirements
 - Air Carriers
 - Charter Operators
 - Aircraft Registration
- Some types of certificates cannot be sold or transferred directly
 - Sold directly?
 - Asset Purchase?
 - Stock Purchase?

General Issues in Aviation Due Diligence

- Some aviation assets, such as aircraft can only be registered or owned by certain entities or in certain ways.
 - Fractional ownership
 - Issues with partnerships or limited partnerships
- Can I move operations?
 - What types of operations can I move
 - Will I have to notify FAA/DOT
 - Will I have to reapply for my certificate/authorizations
- Who can I fire?
 - Management?
 - Principal Officers
 - Citizenship issues for new employees?

General Issues in Aviation Due Diligence

- Does the company have economic authority from DOT?
 - Do I need to notify DOT in advance?
 - Do I need approval from DOT?
 - Citizenship issues
 - Anti-competitiveness issues
- Does the FAA have to be involved in the deal?
 - Prior approval required?
 - Notification of FAA?
 - FAA acceptance of changes post-transaction?
- Are there DOT/FAA issues pending or a bad enforcement history?
 - Certificate actions
 - HAZMAT
 - Fines and penalties

General Issues in Aviation Due Diligence

- Are there DOT/FAA issues pending or a bad enforcement history?
 - Certificate actions
 - HAZMAT
 - Fines and penalties
- What is the tort liability landscape?
 - Product recalls and issues
 - Service reliability
 - Customer complaints
 - Pending or threatened lawsuits

Materials to Gather and Review

Government Related Documents Applicable to Most Transactions

- Government audits
- Letters of Investigation
- Civil or Criminal Penalty enforcement actions (both company and employees)
- Customer audits
- Certificates and government approvals
- Certificates held by employees (Mechanics/pilots, etc.)
- Approved or Accepted manuals
- HAZMAT shipping programs
- TSA/Security manuals/audits and screening programs
- AD Compliance

Materials to Gather and Review

- **Commercial Documents Applicable to Most Transactions**
 - Customer and vendor contracts
 - Limits and types of aviation insurance required by the contract
 - Right of approval of change of ownership by contracting party
 - Customer audits
 - Aviation Insurance policies and coverages
 - Internal audits
 - Policy and Procedure manuals related to aviation activities
 - Drug and alcohol testing programs and audits
 - Employee vetting policy and background checks of safety sensitive personnel

Considerations Related to Specific Aviation Entities

Aircraft Owners

- Citizenship requirements for registration met post transaction.
- Release of Liens as part of transfer
- FAA Registration/checks for liens
- International Registry Checks for liens
- Registration of new post-sale security interests

Considerations Related to Specific Aviation Entities

Air Carrier

- Does the ownership change affect the airline's structure?
 - Nationality ownership requirements
 - Does it affect economic authority (direct ownership/limits on foreign entities acquiring stock or ability to influence operations or board membership)
 - Changes in principal/accountable managers
- Code Share Agreements
- Interline Agreements
- Interchange Agreements
- Block Capacity Agreements
- Participation in CRAF?
- Vendor contracts touching on Aviation duties
 - Does the contract delegate a nondelegable duty?
 - Oversight and audit rights of carrier

Considerations Related to Specific Aviation Entities

Aircraft Lessor - Wet Lease

- Crew provision and selection
- Operational Control appropriate
- Was it reviewed by FAA (FSIMS 3/13 § 3-456)
- Maintenance responsibility
- If you have Ops Specs, do the Ops Specs need to be amended?
- Insurance requirements
- Indemnity responsibilities covered by insurance

Considerations Related to Specific Aviation Entities

Aircraft Lessor - Dry Lease

- Amendment to Ops Spec to include the aircraft
- MEL requirements for operation of the aircraft
- Is the lessor also supplying flight personnel under a separate agreement (concealed wet lease)?
- Maintenance responsibilities
- Insurance requirements
- Indemnity responsibilities covered by insurance
- Is the aircraft free from encumbrances that would allow a third party to seize it (FAA/International registry)?

Considerations Related to Specific Aviation Entities

Repair Station

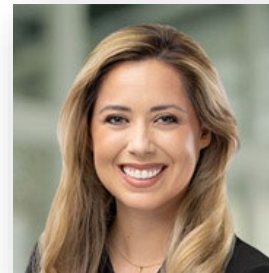
- US and foreign certificates
- Employee certificates
- PMA validity
- Post-merger structural changes that affect the validity of the certificate (e.g. structure, name change, accountable managers, etc.)
- Notifications to entities issuing certificates of ownership change
- Scope of continued warranty obligations and outstanding warranty claims

For Further Information or Discussion:



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