



AWG TEMPLATE DOCUMENTS ON LEASE NOVATION/ASSIGNMENT & ASSUMPTION AGREEMENTS – GUIDING PRINCIPLES

ENGLISH LAW & NEW YORK LAW VERSIONS

Novation Agreement, Assignment & Assumption Agreement and Notice & Acknowledgement Templates

Release Date: October 2017

Purpose of template documents

These template documents have been prepared to reflect current market practices in the trading market for leased commercial aircraft. Aircraft trading among operating lessors has increased substantially over the years and it is expected that this trend will continue. While aircraft trading is central to most lessors' business models, such trading can also benefit airlines over time by increasing competition amongst lessors, creating new sources of funds, and providing additional economic benefits to the industry as a whole.

Although lease contractual provisions contemplate such transfers, there are demands placed on airlines in the current novation/assignment process that can be time-consuming. By standardizing and simplifying the necessary documentation, it is anticipated that less time and resources should be required by all parties in order to complete transactions.

Guiding principles

The templates are intended to capture standard terms necessary in aircraft novation/assignment transactions, and have been designed to have minimal impact on aircraft lessees. The guiding principles followed in the template preparation included:

- No increase in the airline's obligations** – the draft documents make clear that the transfer of the aircraft is not to result in any increased obligations on the part of the lessees without prejudice to the mechanics set forth in the operative agreement itself

- **Minimizing what should be asked from the airline to absolute essentials** – the draft documents significantly reduce the representations, warranties, covenants, and undertakings required of the airlines
- **Being mechanical/technical transfer documents** – the draft documents are not intended to improve the commercial terms of the lease itself, they simply set out the mechanical items that require changing as a result in the change of the lessor and/or secured financing of the aircraft
- **Being equally acceptable to a seller or buyer** – as the draft documents have been prepared with significant input from the AWG members, who frequently buy and sell aircraft within the market, with a view to being a document that works for all parties to the novation/assignment

Process and lease transfer clause

Airlines should be given reasonable advanced notice of potential aircraft trading, with reasonable time frames to review documentation and attend to the necessary closing mechanics. In addition, it is recommended that structure charts of proposed transactions be provided to airlines in connection with a trade, to allow them to understand the nature of the proposed deal.

In order to adopt the AWG template novation/assignment documents in the event of an aircraft trade, the following is a proposed model provision to include in aircraft leases:

- Lessor and Lessee acknowledge and agree that, in the event that Lessor transfers any of its rights or obligations under the lease or any of its right, title or interest in and to the Aircraft, including pursuant to: a sale and leaseback, a lease novation, lease assignment and assumption or a secured financing, Lessor and Lessee shall execute and deliver a lease novation, assignment and assumption and/or a financing notice and acknowledgement (as applicable) in the forms prescribed on the Aviation Working Group's website (www.awg.aero) on November 2017 (as the same may be amended from time to time).

PREPARATORY NOTES

These template documents were prepared by AWG for permissive use by the aviation industry. They are designated as template documents and are intended as a mid-market text which could be used as such or as a framework for efficient negotiations, as the transaction parties deem fit. It may be used by any transaction party, whether or not a member of AWG.

AWG does not express a view on whether this template document should be used in a particular transaction or on whether the positions reflected in the template are appropriate for any particular transaction parties.

If used, this template document may be amended in any manner deemed appropriate by the transaction parties.