



AOPA | YOU CAN FLY
FLYING CLUBS

THE AOPA GUIDE TO AIRCRAFT CO-OWNERSHIP



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Whether you just earned your pilot certificate, or you've been flying for years, sooner or later the urge to buy an airplane may start to creep into your brain. Guess what... you're normal, normal for a pilot, that is!

Sole ownership may be out of the question—after all, airplanes can be expensive, but there are several ways to share the cost of airplane ownership and operations. You can get a good overview of ownership options in **Affordable Ownership Alternatives**, **How do Flying Clubs Differ from other Forms of Co-Ownership** and **Sharing Aircraft**. Wondering if a flying club is a better option? Check out **AOPA's Guide to Starting a Flying Club**. Although designed to help you start a more traditional flying club *The Guide* contains information on topics such as how to establish a legal entity, acquiring an aircraft and how to plan and budget for aircraft operations—useful knowledge for all types of ownership.

While flying clubs offer additional benefits such as social programs, educational and training opportunities, and access to a variety of aircraft, the simpler, less structured concept of co-ownership may be just what you are looking for. The concept is very simple—nothing more than two or more individuals sharing the responsibilities, costs, and enjoyment of owning and operating an aircraft.

Now, you need to do this right as there is a lot of money and responsibility at stake, so that's why we have created this *Guide to Aircraft Co-Ownership*. Whichever route to ownership you choose, you're not alone. AOPA staff are always available to members for help and guidance, so please contact the **Flying Clubs** team or your local **AOPA Ambassador** for help.

This document is all about co-owning an aircraft with others, so we won't be going into details about how to purchase an aircraft. For more information on that, please visit the AOPA resources on **Aircraft Ownership**.

CO-OWNERSHIP IN A NUTSHELL

While “co-ownership” and “partnership” are often used interchangeably, they're not the same in the eyes of state governments and the IRS. The term “partnership” implies a business that exists for the purpose of making a profit. Since your intent is to simply share ownership of the airplane, then the correct term, and structure, is one of co-ownership, not partnership. This may sound like nit-picking, but it is important to use the correct terminology right from the start.

Generally speaking there are two types of co-ownerships. The most common is called tenancy-in-common. Simply put, if you die, your share of the airplane goes to your heirs according to your will or according to state law if there is no will. Joint tenancy, on the other hand, generally means your share will go to your fellow co-owners when you die. Again, very generally speaking, most states consider aircraft co-ownerships to be tenancy-in-common, unless the co-ownership agreement states otherwise. Laws vary from state to state, so be sure to consult an attorney for advice on how best to protect your interests, for your co-ownership, in your state.

As an AOPA member, you might consider joining the **Pilot Protection Services** plan. As well as access to experts on medical and pilot/aircraft certification topics, you can get help with the creation and review of legal agreements by local aviation lawyers through the plan's nationwide network of panel lawyers.

LEGAL ENTITIES

Once you've decided on starting or joining a co-ownership, you should consider what type of entity, if any, you want to form as its legal structure. The choice of legal structure, if any, impacts two really important considerations—that of personal liability protection and tax implications. As with many things in life, there are choices and trade-offs. Yes, liability protection is a good idea, but the implementation may well open-up some unexpected tax responsibilities and burdens.

PERSONAL LIABILITY PROTECTION:

By definition, aircraft co-ownership involves sharing a complex piece of machinery with other people, and that comes with risks. You need to think about the risk of third-party liability claims from outside the ownership group, and potential cross liability claims between members of the group. Different legal entities come with different degrees of liability protection. As you'd expect, more protection generally involves a more formal structure and more initial and annual forms, reports and fees.

TAX IMPLICATIONS:

Only you, your accountant and the IRS know your tax situation, so there is no one-size-fits-all for this topic. Nevertheless, it warrants detailed consideration to avoid surprises from both state and federal tax agencies. If you establish a legal entity within your state, there may be a responsibility to pay sales tax, as well as business taxes. If you want to have a bank account in the name of the entity, you'll apply to the IRS for an **Employer Identification Number** (EIN). This is the business equivalent of your social security number and may come with the obligation to file annual tax returns and/or reports. The letter you receive from the IRS containing your EIN will also include report/return filing instructions, so read it carefully.

With any form of shared aircraft ownership, large sums of money change hands and any established entity will have income as well as expenses. Depending on the type of legal entity, either the entity itself (via its EIN), or you via "pass-through taxation", may be responsible for preparing tax returns and paying any tax owed.

LEGAL ENTITY OPTIONS FOR CO-OWNERSHIPS:

While there are lots of possibilities, only a few make sense for the case of aircraft co-ownership. The actual terminology may vary from state to state so, again, you should consult a qualified attorney before making any decisions.

#1. Unincorporated Association: You and your fellow co-owners decide to keep it simple. You draft an agreement, insurance is secured, and the names of all co-owners are included on the FAA aircraft registration form (**FAA form 8050-1**). You may or may not opt to open a separate bank account. If you decide not to open a bank account, you all arrange to cover your portion of the expenses. This is the easiest and quickest way, for sure. If there is an accident or incident involving the airplane, however, and you or one of your fellow co-owners is sued, other co-owners may be dragged into the litigation as there is no inherent liability protection. Of course, the co-ownership itself and/or individual co-owners would be very wise to purchase at least liability insurance. Note that non-owner's insurance (often incorrectly called renters insurance) may not be an option for individuals if their ownership stake is more than 20%. You should talk with an aviation insurance agent to help you understand your options.

#2. LLC: A Limited Liability Company (LLC) as the name suggests, provides liability protection but it likely comes with personal tax implications. In broad terms, LLCs can offer the liability protection of a corporation, with the organizational flexibility of co-ownership. An attorney can set this up for you or, in many states, you can do it yourself—for example, in Maryland, we use the **Business Express** website. You establish the LLC, pay a fee and, *presto*, you have all the opportunities—and responsibilities—of a business.

There are many online resources to help should you chose the DIY route but be alert to the usual scammers who charge a wing and a rudder for their services. Remember, you'll need to file annual tax returns with your state and the IRS at the end of the year, and you'll need to maintain the good standing of the LLC, which may involve an annual filing and a fee. These requirements vary from state to state, so do some research.

You might hear that LLCs are easier than incorporation. In fact, the differences are negligible, but the degree of structure, organization and recording keeping is a bit more stringent with incorporation. That could be a good thing. After all, we are talking about sharing an airplane!

Upside to the LLC:

- Relatively quick and inexpensive to set up
- Not much in the way of corporate record-keeping or the formal need for corporate officers, governance, etc.
- The LLC itself is generally not taxed, but read on...

Downside to the LLC:

- Unless you elect to have the LLC taxed as an entity (see below), any gains (income less applicable expenses) made by the co-ownership must be shown on the individual members' tax returns, as LLCs use "pass-through" taxation. For example, if a 4-member equal co-ownership shows a \$2,000 gain, the LLC will issue a **schedule K-1** to each co-owner, showing an income equal to one-quarter of the \$2,000, that is, \$500. The LLC also reports this to the **IRS using form 1065**. You will include your share of the profits and losses on your form 1040 Schedule C and will be taxed at whatever bracket you fall under in that tax year. Similarly, if the co-ownership has a loss, you may be able to take a deduction on your personal taxes.
- We mentioned earlier that you may opt to have the LLC taxed as its own entity, rather than pass-through to its members. You make this election by completing **IRS form 8832**.
- You may have heard that some non-profit flying clubs and other organizations may apply to the IRS for (income) tax exemption—and that many states extend the exemption to state income tax. This is true for non-profit corporations (like many traditional flying clubs)

but given that an LLC has an implied profit motive, it is highly unlikely that you will be granted tax exemption as an LLC.

#3. Corporation: A corporation is similar to an LLC in some ways but is generally taxed as an entity. That means profits (or losses) are not passed-through to your personal income taxes. Additionally, in many U.S. States, a non-profit corporation is the only entity that qualifies for tax-exempt status. Like the LLC, the corporation also offers liability protection, so its owners cannot generally be held personally liable for obligations of the corporation or for damages caused by other co-owners.

Upsides to a Corporation:

- The tax rate for the corporation may be lower than your personal tax rate(s).
- Foreign nationals can be owners of corporations. For co-ownerships, this means that non-U.S. citizens may be co-owners—not the case in most LLCs—but check with your state.
- If you establish as a non-profit corporation, you may want to consider applying for tax-exempt status with the IRS as a 501(c)(7s) social organization—use **IRS Form 1024** for this and be sure to carefully read the form's **instructions**. Another surprisingly good read from the IRS is **IRS Publication 557**, which goes into the details of tax exemption. There are some weighty fees involved with the application process, so be sure that it will give you a long-term advantage compared with just paying annual taxes.

You may ask, "How do we make a profit as a co-ownership? We're not a business!" That's a fair question. Let's say, for example, that you and your fellow co-owners open a bank account in the name of the LLC from which hangar, maintenance, and other expenses are paid. You each deposit \$1,000, giving you a balance of \$4,000. At the end of the year, you did not have any unexpected expenses. Your account now has, say, an (income-less-expenses) balance of \$2000—a profit in the eyes of the IRS. That means you and your fellow co-owners will receive a schedule K-1 for \$500 of income. Careful financial management and engaging the services of a good bookkeeper or accountant can help mitigate this!

Downsides to a Corporation:

- A corporation is a bit more time-consuming to set up than an LLC, as you'll need to provide Articles of Incorporation and names of the initial Board of Directors. You will also need a set of bylaws (and operating rules) which is a 'must-have' for any well-run co-ownership.
- More information about filing, example Articles of Incorporation and bylaws, can be found in the [AOPA's Guide to Starting a Flying Club](#) and on the [Flying Clubs Downloadable Resources webpage](#).
- There is a formal requirement for record-keeping—things like agendas, meeting minutes, voting on resolutions, etc.
- Requirement to elect corporate officers and to hold regular meetings.
- Depending on the number of co-owners, you may choose to do these things anyway, so there may be very little extra work involved.

IT'S YOUR CHOICE:

As you can see, there is no best way or one-size-fits-all to setting up the organization for a co-ownership. If you were thinking about starting a traditional flying club, we'd steer you towards a non-profit corporation (and perhaps tax exemption), but for the case of a co-ownership, you need to decide what works best for you and fellow co-owners. You should discuss the trade-offs of simplicity versus liability exposure, and a bit more complexity but with a solid legal foundation. There are plenty of examples of co-ownerships that operate under each of these entities, so spend a few bucks and talk to an attorney. *It'll be the wisest expenditure you make during this process!*

You can also change further down the road. You might start as an unincorporated association to see how things go, and then change to an LLC or corporation. Also, most states will permit a one-time change from an LLC to a corporation. Again, the differences are ones of personal liability protection and tax implications, so, all together now...*talk to an attorney and or tax accountant and do it early in the process!*

THE CO-OWNERSHIP AGREEMENT

Whichever structure you choose, you should create a Co-Ownership Agreement. This could be combined with your bylaws if you decide on a corporation (or LLC), but its best to keep them separate.

The bylaws define the governance side of the entity—things like meetings, officers, required quorum, voting, etc., while the co-ownership agreement defines, in detail, the expectations, terms and conditions of the actual sharing of the aircraft (refueling, wiping-off the bugs, and so on) and its expenses. This gets involved, so what we need is...a checklist!

You may wonder if the effort of writing bylaws and operational rules is worth the trouble. As mentioned, you'll be required to have bylaws if you establish as a corporation, but even if you set-up as an LLC or unincorporated association you'll be wise to have rules for governance as well as operations. These are a bit different, so you should review two Club Connector newsletter articles to understand the differences: [Bylaws](#); [Operating Rules](#).

You might say, "We don't need bylaws or other agreements. We're all friends." That may be true, but this is precisely the situation where you should have formal agreements in place. Unexpected things can, and do, happen. When they do, things can get personal, and quickly, unless you can refer to mutually agreed-upon set of guidelines and rules.

CHECKLIST FOR YOUR CO-OWNERSHIP AGREEMENT

As you and your fellow co-owners draft your agreement, here are some things you'll want to consider. There may be some additional things you will want to include, or some things you may choose to leave out. It is your agreement, so make it work for your particular situation.

- Identify the Parties and Aircraft:** It may seem obvious, but don't forget to list the full name and address of each co-owner along with the date of the agreement. Also, spell out the make and model of your aircraft along with its registration and serial numbers. Be specific!
- Proportion of Ownership:** Most co-ownerships operate with equal percentages and responsibilities. For example, in a 4-person co-ownership, each person has one-quarter ownership and is responsible for one-quarter of all expenses and other obligations. It is not unknown, however, for one person to own, say, two "shares" with the remainder being split between other co-owners. This can quickly get messy as you will now have to clearly define the split of expenses and other responsibilities. Our advice...? Keep it simple!
- Title to the Aircraft:** Specify how the aircraft will be held by the co-owners: joint tenancy, tenancy-in-common or some other arrangement.
- Financing:** In some cases, co-owners may choose to finance their share of the purchase of the aircraft. In any case, the details of financing arrangements should be spelled out in the agreement. AOPA's [Aircraft Financing Program](#) can help you obtain pre-approval and financing with a quick turnaround.
- Insurance:** The co-owners should agree on the type and amount of liability insurance they want to carry. Consideration should also be given to hull insurance, deductibles, and whether you will get "in-motion" and "not-in-motion" coverage. You should make it clear that all aircraft operations must be in accordance with the terms of the co-ownership's insurance coverage. For instance, allowing no commercial operations and limiting aircraft use to pilots with certain ratings or minimum hours. You will also want to decide who is responsible for deductibles in case of an incident or accident. AOPA's strategic partner, [AssuredPartners Aerospace](#) will be pleased to provide you with a quote.
- Basing:** Where will your aircraft be based? You might consider limiting the number of days your aircraft can be taken from its home base without approval from your fellow co-owners.
- Authorized Pilots:** You should decide who you want flying your aircraft. After you have decided, put your restrictions in the agreement. Our advice here is to limit authorized pilots to only the co-owners—anything else gets messy with respect to insurance and the potential of being considered as a rental operation, which has business and tax implications.
- Aircraft Scheduling:** Depending on your aircraft usage, it may be necessary to create a formal system for scheduling your aircraft. A flexible, but carefully spelled out set of guidelines can save a lot of headaches in the future. For some examples of modern management tools which help track scheduling, pilot qualifications and currency, maintenance and invoicing, see the [Club Connector](#) articles in May, June and July, 2020.
- Fixed Expenses:** There should be a clear procedure spelled out for the payment of fixed expenses, including insurance, tie-down fees, annuals and hangar fees. Will these expenses be paid based on equal shares by all co-owners, or adjusted based on hours flown? Words of advice here—keep it simple!
- Operating Expenses:** These are expenses like fuel, oil, oil changes, inspections and wear-and-tear maintenance which are directly tied to aircraft use.
- Overhaul Fund:** Some co-ownerships operate with "just-in-time" financing—that is, when an expense is incurred, all members pay their agreed share—equal amounts in most cases. Other co-ownerships may choose to set up a fund which will be used at a later date

to pay for large ticket items such as engine and propeller overhauls. The calculation of per-hour amount to put away is easy. Just take the cost of overhaul divided by number of hours to the overhaul. This fund becomes part of the assets of the co-ownership.

- Aircraft Improvements:** Procedures should be put in place in case some or all of the co-owners want to improve the aircraft in some way, such as by adding equipment. Do all co-owners have to agree before making any new improvements? How will improvements be paid for? Perhaps an adjustment will have to be made for each partner's share of the aircraft if they pay for improvements.
- Federal Aviation Regulations (FARs):** This should go without saying, but you will want to specify that all operations will be in accordance with the FARs and within the privileges and limitations of each co-owner's pilot certificate. If there is a violation of the FARs and the FAA decides to impose a civil penalty against the co-owners as the "operator" of the aircraft rather than against an individual pilot, you should decide on who will be responsible.
- Co-Owners' Responsibilities:** It is a good idea to delegate specific duties to each co-owner. These duties might include bookkeeping, scheduling, and maintenance.
- Timely Payments:** The success of your co-ownership will depend in great part on how conscientious each co-owner is in meeting his or her financial obligations. Set deadlines for payment and penalties for delinquencies. If delinquencies reach a specified point, you may want to trigger a forced sale of the defaulting partner's share of the aircraft. This could get contentious, so ensure it is clearly detailed in the agreement and that every co-owner agrees by requiring signatures of approval.
- Sale of Aircraft:** Decide how funds will be distributed if all the co-owners make a decision to sell the aircraft. For help in valuing your aircraft, call our experts at the Pilot Information Center at 800.872.2672 or visit our [VRef website](#).
- Voluntary Sale of Co-Owners' Interests:** This may be one of the most important sections of the agreement. Considerable thought should be given to the valuation of the co-owner's interest (aircraft and other assets) and notifying the remaining co-owners of the decision to sell. You must also determine whether remaining co-owners should be given first refusal on buying the available interest in the aircraft. You will also want to restrict the selling co-owner's ability to transfer his or her interest to third parties, without the full approval of the remaining co-owners.
- Forced Sale of a Co-Owner's Interest:** Provisions should be made for those difficult situations where a co-owner fails to meet the obligations of the agreement. Decide on what deficiencies or defaults will trigger a forced sale. How will the expelled co-owner's share of the aircraft be valued? How will adjustments be calculated for amounts owed to the entity and/or remaining co-owners?
- Death of a Co-owner:** This situation must be addressed with the understanding that, in most cases, the deceased co-owner's family will be the new co-owner of the aircraft and that they may dispose of the share in accordance with the rules for the voluntary sale of a co-owner's interest.
- Arbitration:** It is a good idea to provide in advance for the arbitration of disputes in lieu of litigation, which can be costly and time-consuming. Be careful to follow any special requirements your state may have for arbitration clauses.
- State Law:** Decide which state law you want to govern your agreement in case of disputes. If you have established a corporation or LLC, the choice is clear—that of the state of residence.

Again, this checklist is designed as a guideline for drafting your co-ownership agreement, and you've seen this before...*you may want to consult with an attorney during the process—at least for a legal document review.*

FREQUENTLY ASKED QUESTIONS ABOUT CO-OWNERSHIPS

Q: When an aircraft is transferred to or from a co-ownership arrangement, whose name(s) should appear on the FAA Bill of Sale (**AC Form 8050-2**)?

A: If a group of co-owners are buying an aircraft, all of their names must appear in the “Purchasers” block of the FAA bill of sale. Likewise, if a group of co-owners sell an aircraft, they must all sign as “Sellers” on the bill of sale.

Q: How should co-owners fill out the FAA Registration form (**AC Form 8050-1**)?

A: The block titled “Type of Registration” must be checked at the box labeled “Co-owner.” Then all of the co-owners’ names must appear in the block titled “Name of Applicant.” If co-owners are added or deleted, the registration must be amended to reflect the names of the new aircraft owners. There is a small fee for issuing a new certificate of registration. The FAA will also need a supporting Bill Of Sale (**FAA form 8050-2**) showing the transfer from the previous owner(s) to the new owner(s).

Q: If co-owners change the mailing address listed on their certificate of registration, who do they notify?

A: Notification must be given to the FAA Aircraft Registry, P.O. Box 25504, Oklahoma City, Oklahoma 73115 within 30 days after a change in the insurer’s permanent mailing address. The FAA will then issue a revised certificate of registration without charge. Applicable FAA forms can be found [here](#).

Q: If a co-owner dies, who should sign the Bill of Sale if the deceased co-owner’s share of the aircraft is sold or transferred?

A: The executor or administrator of the estate of the deceased co-owner will sign the Bill of Sale and submit a certified copy of a Letter of Testamentary, or Letter of Administration appointing him or her as the executor or administrator of the estate. If a co-owner dies without a will, the FAA will accept an “Heir at Law” affidavit. *As we’ve said before, speak with an attorney when considering an aircraft co-ownership.*

Q: When co-owners purchase an aircraft, what tax consequences can they anticipate?

A: Probably the most significant tax consequence will be sales or use tax on the purchase of the aircraft. See AOPA’s **Pilot’s Guide to Taxes** for guidance. Remember, tax laws vary from state to state, so the guide is not a substitute for state-specific legal advice!

Q: Can a co-owner be held liable for damages if another co-owner is involved in a mishap?

A: Generally, yes. As an aircraft co-owner, you may be held liable for any aircraft operations regardless of who is flying the aircraft. You should consider purchasing AOPA’s Pilot Protection Services.

Q: How should co-owners insure their aircraft?

A: The aircraft should be insured under one policy and all co-owners should be identified in that policy as policy holders and/or named pilots.

Q: How does a co-ownership group apply for an aircraft radio station license?

A: You’ll need a radio station license when travelling to and in another country, such as Canada and Mexico. Apply on-line here.

LET AOPA HELP YOU.

That’s what we’re here for!

The **Flying Clubs team** has a great deal of experience and resources to help with all ownership questions.

We also have five **AOPA You-Can-Fly Ambassadors** spread around the country...all of them are well-versed in all aviation subjects.

Our Pilot Information Center at 800- 872-2672 can be reached Monday through Friday, 8:30am to 6:00pm Eastern Time. Experienced aviation technical specialists are there to answer your questions.

Our **Legal Services** team is also available to help with all legal questions you may have.

You may want to consider which co-owner is listed first on the registration form. That’s the co-owner who will receive all aircraft-related mail from the FAA!

APPENDIX A: SAMPLE CO-OWNERSHIP AGREEMENT

This is a sample, not an example. We urge you not to copy this agreement and “fill in the blanks.” You’ll be investing a substantial amount of your money in your co-ownership arrangement. Having a qualified attorney draft your agreement will be well worth the cost.

AIRCRAFT CO-OWNERSHIP AGREEMENT

Between _____ And _____
Last Name, First Name Last Name, First Name

With Regard To

Make: _____ Model: _____

Serial #: _____ Registration #: N _____

Date: _____

Sample Purchase Agreement Provisions

ARTICLES AND TOPICS

- | | | |
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| 1. Purpose of Organization | 19. Flight into IFR Conditions | 38. Overhaul Fund |
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| 6. Management and Administration | 24. International Operations | 43. Sale Above Agreed Value |
| 7. Books and Records | 25. Amendments | 44. Sale Below Agreed Value |
| 8. Custody of Documents | 26. Arbitration | 45. Voluntary Withdrawal |
| 9. Capital Accounts and Valuation Date | 27. Severability | 46. Right of First Refusal |
| 10. Notices | 28. Aircraft Insurance | 47. Death of a Co-owner |
| 11. Restriction on Co-owners | 29. Scheduling Priorities | 48. Life Insurance |
| 12. Unilateral Authority | 30. Priority Time Trades | 49. Involuntary Dissolution |
| 13. Rules and Regulations | 31. Maintenance Down Time | 50. Reinstatement of a Co-owner |
| 14. Damage Due to Faulty Technique | 32. Equipment Deficiencies | 51. Lien or Dissolution |
| 15. Aircraft Use Restrictions | 33. Conditioning After Use | 52. Continuation of the Co-Ownership |
| 16. Aircraft Basing | 34. Airworthiness Directives | 53. Liquidation of Assets |
| 17. Overnight Away from Home Base | 35. Normal Equipment Damage | 54. Binding Effect |
| 18. Type of Operations, Runway Lengths | 36. Operating Expenses | |
| | 37. Fixed Expenses | |

This agreement is effective the _____ day of _____, 20____, by and between

_____ And _____
Last Name, First Name Last Name, First Name

Article 1 - Purpose of Organization

The persons above elect to form a co-ownership for the purpose of purchasing and owning as tenants in common, a _____ aircraft, registration number N _____, and operating the aircraft for the co-owners' business, training and pleasure or any use the co-owners may agree upon by majority vote of the co-owners. All aircraft operations must be in strict accordance with FAA regulations.

Article 2 - Term of the Agreement

The co-ownership commenced on _____, 20____, and shall continue until termination by mutual consent of the co-owners or as required by the terms of this agreement.

Article 3 - Use of Funds, Capital Accounts, Owners' Equity

Each co-owner shall make a capital contribution of \$_____ to the co-ownership upon its formation. This will constitute the beginning balance of each co-owner's capital account which will be periodically adjusted as per Article 9 of this agreement.

The value of any other funds of the co-ownership, equipment and the like not directly related to the operation and ownership of this specific aircraft shall NOT be considered part of a co-owner's capital account and shall be accounted for in a separate set of books and accounts.

Co-owners shall contribute a monthly sum to cover regular, fixed costs including, but not limited to, tie-down rent, required inspections, taxes and insurance. These sums shall be set by mutual consent and shall be subject to review at the Valuation Dates hereinafter specified in Article 9.

Upon mutual consent, special assessments may be made against the co-owners for such uses as the co-ownership may decide. Each special assessment so made shall be payable on a date established by the co-owners.

Funds to cover either fixed expenses or special assessments shall be payable on or before the first day of each month during the term of this Agreement. If any co-owner is more than sixty (60) days in arrears in the payment of the monthly contribution or special assessment, the non-delinquent co-owners may make a decision regarding the aircraft which, under the terms of this Agreement, would otherwise require mutual consent.

Co-owner payments in the form of services or property, in lieu of cash, shall not be permitted unless by mutual written consent. [As an example, a co-owner may NOT exchange such services as oil changes, washing, or other maintenance functions to pay for flight time without mutual written consent.]

Article 4 - Accounting Co-owner

An Accounting Co-Owner shall be selected by mutual consent of the co-owners. The Accounting Co-Owner shall maintain possession of the books and records of the co-ownership and shall perform the necessary administrative accounting functions of the co-ownership.

Article 5 - Co-ownership Meetings

Meetings of the co-ownership members shall be held at least four (4) times each year, once every three (3) months, or more often as agreed by the co-owners. Notice of the time and place of each regular meeting shall be given by the Accounting Co-Owner to the other co-owners at least _____ (_____) days prior to the meeting. Special meetings may be called by the Accounting Co-Owner on such notice as he/she may deem necessary for the continued welfare of the co-ownership but with a minimum of _____ (_____) days' notice.

Article 6 - Management and Administration

Except as otherwise stated in this agreement, decisions regarding the sale of the co-ownership assets and the operation of the aircraft shall be made by mutual consent. _____ (_____) co-owners shall be present at each regular meeting or special meeting as may be called by the Accounting Co-Owner to constitute a legal meeting for the continuance of the affairs of the co-ownership. Each co-owner, regardless of share size, will have an equal vote in the affairs of the co-ownership.

Article 7 - Books and Records

Complete accounting records of all co-ownership affairs shall be kept and shall be open to review by the other co-owners upon reasonable request.

A checking account will be maintained at _____ Bank, in _____, _____.

Name of Bank

City

State

The checking account shall be opened with the names of all the co-owners, any one of which may sign for withdrawal. The Accounting Co-Owner, upon mutual consent, may open a savings account. If opened, the savings account shall be maintained with the names of all co-owners, any one of which may sign for any withdrawal up to _____ (\$ _____) without consent of the other co-owners.

Article 8 - Custody of Documents

Copies of registration certificate, bills of sale, or any other evidence of ownership of the aircraft relating to the co-ownership and registered or recorded in such names, shall be maintained by the Accounting Co-Owner at _____, _____, _____ and made available to the other co-owners at any reasonable time and upon reasonable notice.

Article 9 - Capital Accounts and Valuation Date

Individual capital accounts shall be maintained for each co-owner and shall represent the ENTIRE value of his/her interest. The Capital Account shall consist of his/her capital contribution, increased or decreased (as the case may be) on any Valuation Date due to an increase or decrease in the net value of the co-ownership assets. The net value of the co-ownership assets shall be determined as of at least _____ and _____ each year. Such dates shall be known as the Valuation Dates. Adjustments to the capital account of each co-owner shall be made regularly at the end of each Valuation Date interval and at other times as the co-owners may elect.

Article 10 - Notices

Notification of LLC matters relating to this agreement are to be in writing and may be served personally on the member(s) or by certified mail addressed as follows (or to the last known address of record in the LLC records):

| Name | Address |
|------|---------|
| 1. | |
| 2. | |
| 3. | |

The members shall give notice of any change of address to each other within 5 days of such change. If notice is given by U.S. mail, it shall be considered served three (3) days after its deposit, postage prepaid, in the United States mail.

Article 11 - Restriction of Co-owners

No co-owner, without the consent of the other co-owners shall:

- a. Sell, assign, hypothecate, encumber or pledge his/her equity in any of the co-ownership assets, except as provided for in this agreement.
- b. Borrow or lend money on behalf of the co-ownership.
- c. Transfer, sell, consign or grant release of any claim of the co-ownership or consent to an arbitration on any dispute involving the co-ownership.
- d. Use the assets or identification of the co-ownership for any purpose other than that stated in Article 1; or
- e. Commit an act detrimental to any co-ownership activity which would make it difficult or impossible to continue conduct of the co-ownership’s stated objectives.

Article 12 - Unilateral Authority

No co-owner shall, without the consent of the others, contract or obligate the co-ownership to the payment of any sum of money in excess of \$_____. No co-owner shall, without the consent of the others, suffer any lien to be levied against the aircraft or other co-ownership assets in excess of \$_____.

If a lien is levied for a debt which did not have the consent of all co-owners, it shall be grounds for dissolution of the co-ownership. At the option of the non-consenting co-owners, the costs required to satisfy the lien shall come out of the share of the consenting co-owner.

Article 13 - Rules and Regulations

The aircraft shall at all times be flown and maintained in accordance with all applicable Federal Air Regulations and requirements of duly constituted authority. Any deficiencies which cause any civil penalties to be levied shall be borne by the person responsible for the violation. In the event that the violation is not directly attributable to the responsibility of one of the co-owners, the cost shall be borne equally by all co-owners.

Any co-owner finding an equipment condition that presents a hazard to further use shall have the right and duty to declare the aircraft disabled, grounded and incapable of further flight (or ground movement, as the case may be) until the condition is remedied. The condition shall immediately be reported to the co-owner in charge of maintenance as well as other co-owners.

Article 14 - Damage Due to Faulty Technique

Damage resulting from faulty flying and/or handling technique will be the responsibility of that individual co-owner causing such damage, except as may be paid by insurance on the aircraft. Damage caused by the negligence of a co-owner not indemnified by insurance (such as a deductible) will be repaired at his/her sole expense and in an expeditious manner so as to permit the operations of the co-ownership to continue without undue delay or inconvenience. Penalties levied against any co-owner for acts in violation of any law governing the operation of the aircraft shall be borne solely by the co-owner causing the violation.

Article 15 - Aircraft Use Restrictions

The aircraft will not be used commercially, for air taxi, or charter purposes. The co-ownership may, upon mutual consent, elect to lease the aircraft to a bona-fide flight training operation for the purpose of student training.

A written lease document must be submitted to and approved by all co-owners. Insurance which specifically relates to the training activities shall be in force prior to the onset of such activities.

Article 16 - Aircraft Basing

The aircraft shall be based at the _____ Airport and the costs of storage or tie-down at said base shall be borne equally by the co-owners. Costs attributable to storage, parking, tie-down or landing fees while the aircraft is being operated away from the home base shall be borne solely by the co-owner operating the aircraft away from the home base. The decision to change the base of operations from the airport specified above requires the mutual consent of the co-owners.

Article 17 - Overnight Away from Home Base

The Priority Pilot, as defined in Article 29, may remain overnight from the base for six (6) consecutive nights. The aircraft may be removed at any time the day before a remain overnight but must be returned by 12 p.m. following the six day period.

Article 18 - Type of Operations, Runway Lengths

The aircraft shall not be landed at any airport more than _____ nautical miles from the home base unless an appropriate IFR or VFR flight plan has been filed. Landings at airstrips of less than _____ usable feet in length shall not be attempted. Landings at other than paved or concrete runways shall not be attempted without the assumption of responsibility by the operating co-owner of any resulting damage to the propeller and/or other parts of the aircraft.

Article 19 - Flight into IFR Conditions

No flights shall take place into IFR conditions unless all equipment necessary for operation appropriate to the ground facilities to be used is in proper working order or inoperative in accordance with Federal Aviation Regulations.

Article 20 - Other Pilots

No person other than the co-owners shall be authorized to operate the aircraft except with the express consent of all the co-owners, and then only if that person has the experience level required by the FAA and the approval of the underwriter for the insurance policy then in force except for flights and operation by authorized personnel incidental to testing after maintenance and repair at an FAA Authorized Repair Station.

Article 21 - Primary Responsibility

_____, shall be responsible for the receipt and disbursement of all monies relating to co-ownership business, and _____ shall be responsible for the initiation and implementation of maintenance activity and programs.

Article 22 - Number of Co-owners

The co-ownership shall be limited to _____ co-owners. Mutual and written consent of all co-owners is required before additional persons can purchase any share of the assets.

Article 23 - Co-owners with More Than One Equal Share

In the event that any co-owner possesses more than an equal share in the co-ownership, he/she will be restricted to a single vote in matters that require a consensus by vote.

Article 24 - International Operations

The aircraft may be flown to a foreign country only if the pilot makes the required documentary arrangements for the trip. Insurance necessary to comply with the destination country's laws must be arranged at the sole expense of the pilot prior to entering the airspace of that country. Under no circumstances will a country not honoring U.S. passports be entered.

Article 25 - Amendments

All amendments to this Agreement shall be made by mutual consent of the majority of the co-owners.

Article 26 - Arbitration

If any dispute arises under or by virtue of any of the terms of this Agreement and which the co-owners cannot resolve, the co-owners shall submit the dispute to arbitration at _____, _____, pursuant to the rules regulations of the American Arbitration Association. Judgment may be entered into in any court of competent jurisdiction upon the rendition of any final decision by the arbitrators.

Article 27 - Severability

If any part of this Agreement is found to violate any laws of competent jurisdiction and is therefore rendered unenforceable, the balance of the Agreement shall remain unaffected and in full force and effect.

Article 28 - Aircraft Insurance

Liability insurance in the amount of not less than \$ _____ per person, \$ _____ per occurrence and \$ _____ per passenger shall be procured from a carrier specializing in aircraft insurance. Hull insurance in the amount of \$ _____ shall be maintained in force during the term of this Agreement. Hull limit increases shall be incorporated when hull value increases by \$ _____ or more by virtue of any circumstance. Hull damage deductibles shall not exceed \$ _____ for loss while NOT IN MOTION and \$ _____ while IN MOTION.

Article 29 - Scheduling Priorities

Co-owners will serve as Priority Pilots in weekly rotation, the changeover occurring at midnight Thursdays. Subject to the terms of this Agreement, the Priority Pilot may fly any time during his assigned period without checking with the other co-owners.

Non-Priority co-owners may fly by securing the permission of the Priority Pilot, which, once given for a particular period, is irrevocable during that period. If a Non-Priority Pilot is unable to reach the Priority Pilot, he may make local flights of two hours or less.

If a Priority Pilot is denied his privileges due to an extended flight by a Non-Priority Pilot, he may rent an aircraft for the purpose of his intended trip and charge the Non-Priority Pilot for the difference between the aircraft of his original choice and the substitute aircraft, if the cost is more.

Article 30 - Priority Time Trades

Co-owners may trade priority weeks as mutually agreeable. Twice each year each co-owner may arrange two consecutive weeks by trading with other co-owners and therein remain overnight for two full weeks away from the home base.

Article 31 - Maintenance Down Time

Down time for aircraft maintenance and repairs will, insofar as possible, be rotated among the co-owners' priority weeks and scheduled at their convenience. If necessary down time occupies a full week or more, a special rotation plan may be devised by mutual consent to share the burden of the loss of time privileges.

Article 32 - Equipment Deficiencies

Equipment deficiencies noted by a pilot shall be submitted to the co-owner in charge of maintenance scheduling for the aircraft. If the pilot noting the deficiency deems the aircraft unairworthy, the aircraft will not be operated in any manner which could result in further aircraft damage or the possibility of bodily injury until the deficiency is remedied. The pilot first noticing a significant deficiency shall enter into a log form, which is to remain in the aircraft, the nature of the deficiency and include his opinion as to whether the aircraft is safe to operate in any manner. In addition, an immediate verbal or written notice shall be given to the other co-owner(s).

Article 33 - Conditioning After Use

Following the use of the aircraft by any co-owner, he/she shall install gust locks, chains, chocks, weather covers and other devices which secure the aircraft to the ground appropriate to foreseeable weather or other physical conditions whether at home base or while at any temporary base.

Article 34 - Airworthiness Directives

All Airworthiness Directives affecting the aircraft equipment and safety of operation will be instituted as soon as notification is received. Service Bulletins issued by the aircraft manufacturer shall be reviewed immediately for implementation, if necessary, for continued safe operations of any kind.

Article 35 - Normal Equipment Damage

Damage to the aircraft due to unforeseeable and unexpected mechanical break-down, except that caused by Faulty Technique as described in Article 14, as well as that caused by normal wear and tear shall be the joint responsibility of all co-owners.

Article 36 - Operating Expenses

Operating Expenses shall include, but not be limited to, such items as periodic inspections, oil changes, replacement of tires, brakes, battery, hydraulic fluids, radios, airframe, engine, propeller and accessory repair and maintenance. These operating expenses shall be paid by the co-ownership from funds received from fees charged each co-owner for the use of the aircraft.

Each co-owner shall fill and service all systems at the end of each flight at his/her own expense. Co-owners returning to home base from nearby airports may leave up to _____ of an hour of flight time after the last fueling on the _____ Meter without any changes. This will allow fueling at other nearby airports if fuel costs substantially less than at home base.

Each co-owner shall pay to the co-ownership account an hourly fee of \$ _____ for each hour of _____ Meter time used by that co-owner. This fee is for operation of the aircraft and does not include the cost of fuel which is borne by each co-owner as the aircraft is utilized by him/her.

The co-ownership joint account shall initially provide a full supply of fuel, oil and other fluids at the outset of the acquisition. The cost of fuel and other operating fluids used solely for the purpose of maintenance and repairs shall be borne by the next co-owner to fly the aircraft unless deemed to be excessive. If excessive, the cost of operating the aircraft for maintenance purposes shall be borne by the common fund available for such purposes.

Article 37 - Fixed Expenses

A minimum of _____ dollars (\$ _____) shall be maintained in a fund, to be replenished monthly and equally by all co-owners. Out of this fund all fixed expenses will be paid. The fixed expenses are defined as, but not limited to, tie-down at the home base, insurance, reserves for annual and other required inspections, licensing and taxes. A monthly fixed fee, exclusive of _____ Meter flight time, of \$ _____ shall be paid into the joint account as of the first of each month. The amount of the fixed fee may be adjusted from time to time by mutual consent.

Article 38 - Overhaul Fund

Each month the co-owners will contribute _____ (\$ _____) to an overhaul fund. These funds will be set aside until the co-owners decide to overhaul the aircraft engine. No portion of the overhaul fund will be refundable to a co-owner who transfers his interest in the aircraft.

Article 39 - Delinquencies

Any delinquency in the payment of charges or costs/fees arising out of the terms of this Agreement, whether for fixed, operating or finance expenses, or otherwise, which are delinquent for more than thirty (30) days, shall result in the deprivation of flight privileges of the delinquent co-owner. Any delinquency that continues thereafter for a period of sixty (60) days shall be grounds for involuntary dissolution at the option of the non-delinquent co-owners pursuant to the terms herein specified for involuntary dissolution.

Should there be any default in the payment of loans secured by the aircraft, the non-defaulting parties may, at their option, cure the default, and the defaulter shall be subrogated to that extent to the interest of the lien holder. Such default shall then be treated as a delinquency against the defaulting co-owner.

Article 40 - Fueling Away from Home Base

A fixed charge of \$ _____ per _____ Meter hour will be assessed a co-owner if fueling is done at a remote airport more than _____ hours of (_____ Meter time) flight time away from the home base. This charge will be payable directly to the joint account causing a credit to the next following pilot, if not the same pilot, who subsequently fills all tanks within _____ hours of _____ Meter flight time of the home base. Time will be taken from the _____ Meter to the nearest 0.1 hours. The aircraft use log kept in the aircraft for the purpose of logging flight time shall show the shut down time at the remote base and at the home base as well.

Article 41 - Request for Partial Fueling

If a pilot requests the prior user to leave only a specific fuel quantity so as to avoid an over gross weight condition on a flight to follow, the complying pilot shall pay the requestor the actual cost of his/her last refueling.

Article 42 - Additional Equipment

The co-owners may, by mutual agreement, add additional equipment to the aircraft or support equipment inventory. However, if the co-owners are unable to agree upon the addition of said equipment, a co-owner may add such equipment as he/she desires and pay the entire cost of such equipment and its installation by a competent and certified mechanic.

In this event, one half of the cost of the equipment and half the cost of installation shall be credited to the purchasing co-owner upon dissolution of the co-ownership, regardless of its then depreciated value. This shall not apply to the materials or labor expended for maintenance, repair or replacement of equipment necessary to keep the aircraft in substantially the same condition as on its acquisition and following subsequent improvement. Maintenance of equipment added by one co-owner is at his/her sole expense. Once installed in the aircraft, any such added equipment shall become and remain part of the aircraft and removal by the installing co-owner shall not be permitted. This added equipment must be kept operational to assure flight status per the Federal Air Regulations governing in-aircraft equipment of this type.

Article 43 - Sale Above Agreed Value

If upon sale of the entire assets of the co-ownership, whether by voluntary or involuntary dissolution, the sale price exceeds the combined value of all the co-owners capital accounts, the balance shall be distributed proportionately among the co-owners according to their respective percentages of ownership in said co-ownership assets after satisfying just liens and obligations with co-owners and non co-owners alike.

Article 44 - Sale Below Agreed Value

No sale of all of the co-ownership assets shall be for less than the combined value of all the co-owner's capital accounts thereof without the mutual and written consent of the co-owners. If mutual agreement cannot be reached on a sale price between the co-owners then the provisions of Article 26, "Arbitration," shall apply.

Article 45 - Voluntary Withdrawal

A co-owner may withdraw from the co-ownership upon reasonable written notice to the other co-owners. The withdrawal shall not be effective until the first valuation date following submission of such notice unless an alternate effective date is established by mutual consent of the withdrawing co-owner and the other co-owners. The other co-owners shall have the right of first option to purchase the withdrawing co-owner's co-ownership capital account value.

The value of the buy-out shall be paid for in cash and shall be equal only to the value of the withdrawing co-owner's capital account. It is therefore essential that capital accounts be kept current. The purchasing co-owner(s) shall pay the buy-out price within _____ (_____) days after the exercise of the option to purchase. If the co-owner(s) do not exercise the option to purchase created by these events, the co-ownership shall be terminated then liquidated in accordance with the provisions of Article 53 of this co-ownership agreement.

If a withdrawing co-owner is in arrears in the payments of any of his monthly contributions for fixed expenses, operating expenses or special assessments as per Article 39 of this Agreement, these delinquencies shall be deducted from the amounts paid above.

Article 46 - Right of First Refusal

No co-owner shall sell his/her interest in the co-ownership except upon the following terms:

The withdrawing co-owner shall offer his/her interest to the co-ownership at the lesser of the value of his/her capital account or any amount tendered by a third-party offeror for that co-owner's interest. The capital account is the agreed value established by actual asset acquisition cost and add-ons.

The selling co-owner shall give the co-ownership and the co-owners a written notice in accordance with Article 45 of this Agreement identifying the buyer, price and terms of sale in accordance with the requirements of this Agreement.

The remaining co-owners shall have _____ (_____) days following said Notice within which to give written notice of his/her/their election to purchase the share of the aircraft at the lesser of the selling co-owner's capital account or the offer made by the third party offeror.

Article 47 - Death of a Co-owner

The equity of a co-owner in the co-ownership assets shall be considered to have been withdrawn on the last Valuation Date prior to the death of the co-owner. The surviving co-owners may purchase the deceased co-owner's capital account by paying an amount equal to that account to the deceased co-owner's estate. By execution of this Agreement the deceased co-owner's estate shall be bound to sell the deceased co-owner's interest.

Article 48 - Life Insurance

It is the privilege of the co-owners to each apply for policies of life insurance upon the life of the other or others in the face amount of the value of the other's interest in the aircraft, or \$_____. It is thereby intended to enable one co-owner to buy out the entire interest of the other. Each co-owner/party to this Agreement consents to allow other co-owners to apply for such insurance on his/her life. The face value of the insurance on any co-owner may be changed from time to time to enable the entire interest of the insured co-owner to be so insured. If life insurance is placed on the life of any co-owner and is in force at the time of his death, the proceeds shall be used to enact the buy-out within 10 days after the receipt of the proceeds from the insurance company.

Article 49 - Involuntary Dissolution

If any party is in default of any of the terms of this Agreement and fails for thirty (30) days after notice therefor to cure such default, then the co-owners who are not in default may initiate dissolution proceedings. In this event, the dissolution shall be considered involuntary, and the non-defaulting parties shall be considered as the remaining co-owners, and the co-owner who is in default shall be considered the retiring co-owner, for the purposes of the procedure set out above in Article 45, "Voluntary Withdrawal."

Article 50 - Reinstatement of a Co-owner

Should a defaulting co-owner cure the cause of such default prior to enactment of the buy-out process he/she may be reinstated with all co-ownership privileges pending a favorable vote of the majority of non-defaulting co-owners.

Article 51 - Lien or Dissolution

Any just charges owed by one co-owner to another shall become a lien upon the interest of the co-owner indebted and shall be satisfied out of the proceeds of sale upon dissolution. Indebtedness may be satisfied by a like increase in the equity of the creditor co-owner with the mutual consent of the other co-owners.

Article 52 - Continuation of the Co-ownership

If the account of a withdrawing, selling or deceased co-owner is purchased under the terms of this Agreement, the co-ownership business shall not terminate but shall be continued, as of the withdrawal date, following the required adjustment of the capital accounts of the remaining or surviving co-owners. See Article 53, "Liquidation of Assets."

Article 53 - Liquidation of Assets

The co-ownership may be liquidated and dissolved upon mutual consent and shall be dissolved and terminated upon the absence of an agreement of the remaining or surviving co-owners to exercise the option to acquire assets granted under the provisions of this Agreement. Upon the dissolution and termination, the co-owners shall promptly liquidate the assets and affairs of the co-ownership by satisfying all debts and obligations of the co-ownership and by distribution of all remaining property to the surviving co-owners in the proportion of their equity accounts as of the date of the liquidation.

Article 54 - Binding Effect

This Agreement shall be binding upon the parties and their respective heirs, legal or estate representatives, successors and/or assigns.

In AGREEMENT THEREOF the co-owners have signed this Agreement the day and year first executed on Page 1 and are:

| Co-Owner | Date |
|----------|------|
| 1. | |
| 2. | |
| 3. | |

APPENDIX B: A REAL-WORLD EXAMPLE OF A CO-OWNERSHIP AGREEMENT.

AIRCRAFT CO-OWNERSHIP AGREEMENT BETWEEN:

<Names of Co-Owners>

WITH REGARD TO <Name>, LLC, Owner of <N-number>, a <Make and Model>, Serial Number <add here>

This agreement is effective the < date,> by and between <names>

Article 1 - Purpose of Organization

The persons above elect to form an LLC for the purpose of purchasing and owning as tenants in common, the above mentioned aircraft and operating the aircraft for the members' business, training and pleasure or any use the members may agree upon by majority vote of the members. All aircraft operations must be in strict accordance with FAA regulations.

Article 2 - Term of the Agreement

The LLC was formed on <date> and shall continue until termination by mutual consent of the members or as required by the terms of this agreement.

Article 3 - Use of Funds, Capital Accounts, Owners' Equity

Each member of the LLC owns a <number> share of the LLC.

Members shall contribute a monthly sum to cover regular, fixed costs including, but not limited to, tie-down rent, required inspections, taxes and insurance. These sums shall be set by mutual consent and shall be subject to review at the valuation dates hereinafter specified in Article 9.

Upon mutual consent, special assessments may be made against the members for such uses as the members may decide. Each special assessment so made shall be payable on a date established by the members.

Funds to cover either fixed expenses or special assessments shall be payable on or before the first day of each month during the term of this Agreement. If any member is more than sixty (60) days in arrears in the payment of the monthly contribution or special assessment, the non-delinquent members may make a decision regarding the aircraft which, under the terms of this Agreement, would otherwise require mutual consent.

Member payments in the form of services or property, in lieu of cash, shall not be permitted unless by mutual written consent. (As an example, member may NOT exchange such services as oil changes, washing, or other maintenance functions to pay for flight time without mutual written consent.)

Article 4 - Accounting Member

An accounting member shall be selected by mutual consent of the members. The accounting member shall maintain possession of the books and records of the LLC and shall perform the necessary administrative accounting functions of the LLC.

Article 5 - Member Meetings

Meetings of the LLC members shall be held at least four (4) times each year, once every three (3) months, or more often as

agreed by the members. Notice of the time and place of each regular meeting shall be given by the Accounting member to the other members at least _____ days prior to the meeting. Special meetings may be called by the Accounting member on such notice as he/she may deem necessary for the continued welfare of the LLC but with a minimum of _____ days' notice.

Article 6 - Management and Administration

Except as otherwise stated in this agreement, decisions regarding the sale of the LLC assets and the operation of the aircraft shall be made by mutual consent. Three members shall be present at each regular meeting or special meeting as may be called by the Accounting member to constitute a legal meeting for the continuance of the affairs of the LLC. Each member, regardless of share size, will have an equal vote in the affairs of the LLC.

Article 7 - Books and Records

Complete accounting records of all LLC affairs shall be kept and shall be open to review by the other members upon reasonable request.

A checking account will be maintained at <bank>. The checking account shall be opened with the names of all the members, any one of which may sign for withdrawal. The accounting member, upon mutual consent, may open a savings account. If opened, the savings account shall be maintained with the names of all members, any one of which may sign for any withdrawal up to <amount> without consent of the other members.

Article 8 - Custody of Documents

Copies of registration certificate, bills of sale, or any other evidence of ownership of the aircraft relating to the LLC and registered or recorded in such names, shall be maintained by:

<Name of member> and made available to the other members at any reasonable time and upon reasonable notice.

Article 9 - Capital Accounts and Valuation Date

Individual capital accounts shall be maintained for each member and shall represent the ENTIRE value of his/her interest. The capital account shall consist of his/her capital contribution, increased or decreased (as the case may be) on any valuation date due to an increase or decrease in the net value of the LLC assets. The net value of the LLC assets shall be determined at the end of each calendar year. Such date shall be known as the valuation dates. Adjustments to the capital account of each member shall be made regularly at the end of each valuation date interval and at other times as the members may elect.

Article 10 - Notices

Notification of LLC matters relating to this agreement are to be in writing and may be served personally on the member(s) or by certified mail addressed as follows (or to the last known address of record in the LLC records):

| Name | Address |
|------|---------|
| 1. | |
| 2. | |
| 3. | |

The members shall give notice of any change of address to each other within 5 days of such change. If notice is given by U.S. mail, it shall be considered served three (3) days after its deposit, postage prepaid, in the United States mail.

Article 11 - Restriction of Members

No member, without the consent of the other members shall:

- a. Sell, assign, hypothecate, encumber or pledge his/her equity in any of the LLC assets, except as provided for in this agreement
- b. Borrow or lend money on behalf of the LLC
- c. Transfer, sell, consign or grant release of any claim of the LLC or consent to an arbitration on any dispute involving the members
- d. Use the assets or identification of the members for any purpose other than that stated in Article 1 or
- e. Commit an act detrimental to any member/LLC activity which would make it difficult or impossible to continue conduct of the LLCs stated objectives.

Article 12 - Unilateral Authority

No member shall, without the consent of the others, contract or obligate the LLC to the payment of any sum of money in excess of. No member shall, without the consent of the others, suffer any lien to be levied against the aircraft or other LLC assets.

If a lien is levied for a debt which did not have the consent of all members, it shall be grounds for dissolution of the LLC. At the option of the non-consenting members, the costs required to satisfy the lien shall come out of the share of the consenting member.

Article 13 - Rules and Regulations

The aircraft shall at all times be flown and maintained in accordance with all applicable Federal Air Regulations and requirements of duly constituted authority. Any deficiencies which cause any civil penalties to be levied shall be borne by the person responsible for the violation. In the event that the violation is not directly attributable to the responsibility of one of the members, the cost shall be borne equally by all members.

Any member finding an equipment condition that presents a hazard to further use shall have the right and duty to declare the aircraft disabled, grounded and incapable of further flight (or ground movement, as the case may be) until the condition is remedied. The condition shall immediately be reported to the member in charge of maintenance as well as other members.

Article 14 - Damage Due to Faulty Technique

Damage resulting from faulty flying and/or handling technique will be the responsibility of that individual member causing such damage, except as may be paid by insurance on the aircraft. Damage caused by the negligence of a member not indemnified by insurance (such as a deductible) will be repaired at his/her sole expense and in an expeditious manner so as to permit the operations of the LLC to continue without undue delay or inconvenience. Penalties levied against any member for acts in violation of any law governing the operation of the aircraft shall be borne solely by the member causing the violation.

Article 15 - Aircraft Use Restrictions

The aircraft will not be used commercially, for air taxi, or charter purposes. The members may, upon mutual consent, elect to lease the aircraft to a bona-fide flight training operation for the purpose of student training.

A written lease document must be submitted to and approved by all members. Insurance which specifically relates to the training activities shall be in force prior to the onset of such activities.

Article 16 - Aircraft Basing

The aircraft shall be based at the <airport> and the costs of storage or tie-down at said base shall be borne equally by the members. Costs attributable to storage, parking, tie-down or landing fees while the aircraft is being operated away from the home base shall be borne solely by the member operating the aircraft away from the home base. The decision to change the base of operations from the airport specified above requires the mutual consent of the members.

Article 17 - Overnight Away from Home Base

See Article 29.

Article 18 - Type of Operations, Runway Lengths

Landings at airstrips of less than <distance> usable feet in length shall not be permitted. Landings at other than paved or concrete runways shall not be permitted without the assumption of responsibility by the operating member of any resulting damage to any part of the aircraft.

Article 19 - Flight into IFR Conditions

No flights shall take place into IFR conditions unless all equipment necessary for operation appropriate to the ground facilities to be used is in proper working order or inoperative in accordance with Federal Aviation Regulations.

Article 20 - Other Pilots

No person other than the members shall be authorized to operate the aircraft except with the express consent of all the members, and then only if that person has the experience level required by the FAA and the approval of the underwriter for the insurance policy then in force except for flights and operation by authorized personnel incidental to testing after maintenance and repair at an FAA Authorized Repair Station.

Article 21 - Primary Responsibility

<Name> shall be responsible for the receipt and disbursement of all monies relating to LLC business, and the remaining members shall be responsible for the initiation and implementation of maintenance activity and programs.

Article 22 - Number of Members

The LLC shall be limited to <number> members. Mutual and written consent of all members is required before additional persons can purchase any share of the assets.

Article 23 - Members with More Than One Equal Share

In the event that any member possesses more than an equal share in the LLC, that members will be restricted to a single vote in matters that require a consensus by vote.

Article 24 - International Operations

The aircraft may be flown to a foreign country only if the pilot makes the required documentary arrangements for the trip. Insurance necessary to comply with the destination country's laws must be arranged at the sole expense of the pilot prior to entering the airspace of that country. Under no circumstances will a country not honoring U.S. passports be entered.

Article 25 - Amendments

All amendments to this Agreement shall be made by mutual consent of the majority of the members.

Article 26 - Arbitration

If any dispute arises under or by virtue of any of the terms of this Agreement and which the members cannot resolve, the members shall submit the dispute to an agreed upon third party pursuant to the rules regulations of the American Arbitration Association. Judgment may be entered into in any court of competent jurisdiction upon the rendition of any final decision by the arbitrators.

Article 27 - Severability

If any part of this Agreement is found to violate any laws of competent jurisdiction and is therefore rendered unenforceable, the balance of the Agreement shall remain unaffected and in full force and effect.

Article 28 - Aircraft Insurance

Liability insurance in the amount of not less than <amount> per person, and <amount> per passenger shall be procured from a carrier specializing in aircraft insurance. Hull insurance in the amount of <amount> shall be maintained in force during the term of this Agreement. Hull limits may be increased or decreased as agreed by members.

Article 29 - Scheduling Priorities

The LLC uses <scheduling tool name> and members may schedule on a first-come, first-served basis. Members are expected to exercise reasonable judgement when scheduling so as not to dominate the schedule and create hardship for the other members.

Article 30 - Priority Time Trades

Co-owners may trade priority weeks as mutually agreeable. Twice each year each co-owner may arrange two consecutive weeks by trading with other co-owners and therein remain overnight for two full weeks away from the home base.

Article 31 - Maintenance Down Time

Down time for aircraft maintenance and repairs will be scheduled, as much as possible, to minimize inconvenience to members.

Article 32 - Equipment Deficiencies

Equipment deficiencies noted by a pilot shall be submitted to the member in charge of maintenance scheduling for the aircraft. If the pilot noting the deficiency deems the aircraft un-airworthy, the aircraft will not be operated in any manner which could result in further aircraft damage or the possibility of bodily injury until the deficiency is remedied. The pilot first noticing a significant deficiency shall enter into a log form, which is to remain in the aircraft, the nature of the deficiency and include his opinion as to whether the aircraft is safe to operate in any manner. In addition, an immediate verbal or written notice shall be given to the other member(s).

Article 33 - Conditioning After Use

Following the use of the aircraft by any member, he/she shall install gust locks, chains, chocks, weather covers and other devices which secure the aircraft to the ground appropriate to foreseeable weather or other physical conditions whether at home base or while at any temporary base.

Article 34 - Airworthiness Directives

All Airworthiness Directives affecting the aircraft equipment and safety of operation will be instituted as soon as notification is received. Service Bulletins issued by the aircraft manufacturer shall be reviewed immediately for implementation, if necessary, for continued safe operations of any kind.

Article 35 - Normal Equipment Damage

Damage to the aircraft due to unforeseeable and unexpected mechanical break-down, except that caused by Faulty Technique as described in Article 14, as well as that caused by normal wear and tear shall be the joint responsibility of all members.

Article 36 - Operating Expenses

Operating Expenses shall include, but not be limited to, such items as periodic inspections, oil changes, replacement of tires, brakes, battery, hydraulic fluids, radios, airframe, engine, propeller and accessory repair and maintenance. These operating expenses shall be paid by the LLC from funds received from fees charged each member for the use of the aircraft.

Each member shall pay to the LLC account an hourly fee of **<fee amount>** for each hour of tach meter time used by that member. This fee is for operation of the aircraft including fuel.

The LLC joint account shall initially provide a full supply of fuel, oil and other fluids at the outset of the acquisition. The cost of fuel and other operating fluids used solely for the purpose of maintenance and repairs shall be borne by the next member to fly the aircraft unless deemed to be excessive. If excessive, the cost of operating the aircraft for maintenance purposes shall be borne by the common fund available for such purposes.

Article 37 - Fixed Expenses

Fixed expenses are charged at a rate of **<monthly rate>**, per month.

Article 38 - Overhaul Fund

There is no specific engine overhaul fund. Overhaul, when it occurs, will be funded from available maintenance account(s) and/or an assessment made to members.

Article 39 - Delinquencies

Any delinquency in the payment of charges or costs/fees arising out of the terms of this Agreement, whether for fixed, operating or finance expenses, or otherwise, which are delinquent for more than <number of days> days, shall result in the deprivation of flight privileges of the delinquent member. Any delinquency that continues thereafter for a period of <number of days> days shall be grounds for involuntary dissolution at the option of the non-delinquent members pursuant to the terms herein specified for involuntary dissolution.

Should there be any default in the payment of loans secured by the aircraft, the non-defaulting parties may, at their option, cure the default, and the defaulter shall be subrogated to that extent to the interest of the lien holder. Such default shall then be treated as a delinquency against the defaulting member.

Article 40 - Fueling Away from Home Base

Members will be reimbursed for fuel purchased away from home base at the invoice face amount. Members are encouraged to seek lowest fuel prices.

Article 41 - Additional Equipment

The members may, by mutual agreement, add additional equipment to the aircraft or support equipment inventory. However, if the members are unable to agree upon the addition of said equipment, a member may add such equipment as he/she desires and pay the entire cost of such equipment and its installation by a competent and certified mechanic.

In this event, one half of the cost of the equipment and half the cost of installation shall be credited to the purchasing member upon dissolution of the LLC, regardless of its then depreciated value. This shall not apply to the materials or labor expended for maintenance, repair or replacement of equipment necessary to keep the aircraft in substantially the same condition as on its acquisition and following subsequent improvement. Maintenance of equipment added by one member is at his/her sole expense. Once installed in the aircraft, any such added equipment shall become and remain part of the aircraft and removal by the installing member shall not be permitted. This added equipment must be kept operational to assure flight status per the Federal Air Regulations governing in-aircraft equipment of this type.

Article 42 - Sale Above Agreed Value

If upon sale of the entire assets of the LLC, whether by voluntary or involuntary dissolution, the sale price exceeds the combined value of all the members' capital accounts, the balance shall be distributed proportionately among the members according to their respective percentages of ownership in said LLC assets after satisfying just liens and obligations with members and non-members alike.

Article 43 - Sale Below Agreed Value

No sale of all of the LLC assets shall be for less than the combined value of all the members, capital accounts thereof without the mutual and written consent of the members. If mutual agreement cannot be reached on a sale price between the members then the provisions of Article 26, "Arbitration," shall apply.

Article 44 - Voluntary Withdrawal

A member may withdraw from the LLC upon reasonable written notice to the other members. The withdrawal shall not be effective until the first valuation date following submission of such notice unless an alternate effective date is established by mutual consent of the withdrawing member and the other members. The other members shall have the right of first option to purchase the withdrawing members share at the member's capital account value.

The value of the buy-out shall be paid for in cash and shall be equal only to the value of the withdrawing member's capital account. It is therefore essential that capital accounts be kept current. The purchasing member(s) shall pay the buy-out price within 30 days after the exercise of the option to purchase. If the member(s) do not exercise the option to purchase created by these events, the LLC shall be terminated then liquidated in accordance with the provisions of Article 51 of this LLC agreement.

If a withdrawing member is in arrears in the payments of any of his monthly contributions for fixed expenses, operating expenses or special assessments as per Article 39 of this Agreement, these delinquencies shall be deducted from the amounts paid above.

Article 45 - Right of First Refusal

No member shall sell his/her interest in the LLC except upon the following terms:

The withdrawing member shall offer his/her interest to the other members at the lesser of the value of his/her capital account or any amount tendered by a third-party offeror for that member's interest. The capital account is the agreed value established by actual asset acquisition cost and add-ons.

The selling member shall give the members a written notice in accordance with Article 44 of this Agreement identifying the buyer, price and terms of sale in accordance with the requirements of this Agreement.

The remaining members shall have 30 days following said Notice within which to give written notice of his/her/their election to purchase the share of the aircraft at the lesser of the selling member's capital account or the offer made by the third party offeror.

The remaining members reserve the right to approve or disapprove of the new member. In the event of disapproval, the remaining members have 60-days to find a new member or exercise Paragraph 3 above.

Article 46 - Death of a Member

The equity of a member in the LLC assets shall be considered to have been withdrawn on the last valuation date prior to the death of the member. The surviving members may purchase the deceased member's capital account by paying an amount equal to that account to the deceased member's estate. By execution of this Agreement the deceased member's estate shall be bound to sell the deceased member's interest.

Article 47 - Involuntary Dissolution

If any party is in default of any of the terms of this Agreement and fails for <number of days> days after notice therefor to cure such default, then the members who are not in default may initiate dissolution proceedings. In this event, the dissolution shall be considered involuntary, and the non-defaulting parties shall be considered as the remaining members, and the member who is in default shall be considered the retiring member, for the purposes of the procedure set out above in Article 44, "Voluntary Withdrawal."

Article 48 - Reinstatement of a Member

Should a defaulting member cure the cause of such default prior to enactment of the buy-out process he/she may be reinstated with all member privileges pending a favorable vote of the majority of non-defaulting members.

Article 49 - Lien or Dissolution

Any just charges owed by one member to another shall become a lien upon the interest of the member indebted and shall be satisfied out of the proceeds of sale upon dissolution. Indebtedness may be satisfied by a like increase in the equity of the creditor member with the mutual consent of the other members.

Article 50 - Continuation of the LLC

If the account of a withdrawing, selling or deceased member is purchased under the terms of this Agreement, the member business shall not terminate but shall be continued, as of the withdrawal date, following the required adjustment of the capital accounts of the remaining or surviving members. See Article 51, "Liquidation of Assets."

Article 51 - Liquidation of Assets

The LLC may be liquidated and dissolved upon mutual consent and shall be dissolved and terminated upon the absence of an agreement of the remaining or surviving members to exercise the option to acquire assets granted under the provisions of this Agreement. Upon the dissolution and termination, the members shall promptly liquidate the assets and affairs of the LLC by satisfying all debts and obligations of the LLC and by distribution of all remaining property to the surviving members in the proportion of their equity accounts as of the date of the liquidation.

Article 52 - Binding Effect

This Agreement shall be binding upon the parties and their respective heirs, legal or estate representatives, successors and/or assigns.

In AGREEMENT THEREOF the members have signed this Agreement the day and year first executed on Page 1 and are:

| Name | Address |
|------|---------|
| 1. | |
| 2. | |
| 3. | |