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**Progress Payment Loan Facilities, Structures and Issues from the
perspectives of the Manufacturer, Airline and Lessor**

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Introduction

- What is a progress payment loan facility (“PDP Loan”)?
- How is a PDP Loan used in connection with a sales lease back transaction involving deliveries of new aircraft?
- How many aircraft and timing?
- What are the benefits to the airline, lessor/lender and the manufacturer?
- What are the downsides for the airline, lessor/lender and manufacturer?

The Basics

- The Loan Agreement and drawdown or “who gets what, when.”
- The Security Assignment of the Purchase Agreement as collateral or “what do I get?”
- Consent to Security Assignment as agreed by the airline, lessor/lender and manufacturer - “where the action is.”

Claw Back Risk

- What is claw back risk?
- The automatic stay, assumption or rejection of the purchase agreement, and reorganization or liquidation.
- Why does it matter from the perspective of the airline, lessor/lender, and manufacturer?
- Agreement of allocation of risk?
- Structural enhancements to minimize claw back risk.
- Use of a bankruptcy remote SPV as irrevocable assignee of the purchase agreement from airline and as irrevocable assignor of the purchase agreement so received to lessor/lender as collateral for PDP Loan.
 - Upside to SPV structure?
 - Downside to SPV structure?

The Consent to the Security Assignment of the Purchase Agreement

- Specifies the rights of the manufacturer and the lender pre- and post-airline default under the PDP Loans and the assigned purchase agreement.
- Enforcement Events under the PDP Loan and assigned purchase agreement.
 - Equal treatment for all?
- The Standstill Period - why and how long?
 - Is there a deal to be had with the airline?
- The Options
 - The lessor/lender election to purchase the aircraft and application of progress payments to and agreed “step in price.”
 - Manufacturer election to take out lessor/lender election to purchase aircraft and payment of and agreed “return amount.”

The Consent to the Security Assignment of the Purchase Agreement (con't)

- Do nothing - Failure to elect to purchase and failure to elect to take out.
- The Big Squeeze - Manufacturer rights to liquidated damages under the assigned purchase agreement and retention of progress payments or lessor/lender interest in amounts above damages calculated at law and distributed pursuant to an agreed waterfall after aircraft resale.
- Considerations for decisions of manufacturer and lessor/lender and state of the market.
- Amendment of assigned purchase agreement prior to enforcement events.
 - Advance or delay delivery date, voluntary or involuntary?
 - Configurations changes, mandatory or voluntary?
 - When is consent required?

The Consent to the Security Assignment of the Purchase Agreement (con't)

- Assignment of PDP Loan and Security Assignment and right to purchase.
- Lessor/lender election to purchase goes through, time for a new amended purchase agreement?
 - Timing?
 - New lessee?
 - Purchase agreement modifications for new lessee and pricing issues.
 - Failure to agree?

Conclusions/ Questions?

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