

The Honorable Read Van de Water  
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During Wednesday's meeting, we were asked to describe in more detail the FAA's Subpart F options which are incorporated into our proposal. In reviewing this description, please bear in mind that all of these options are "fenced in" to ensure their non-commercial status. By way of illustration, only companies whose aircraft operations are "incidental" to the primary business of these companies are eligible to engage in intra-corporate family, time sharing, interchange, and joint ownership operations under Section 91.501(b).<sup>1</sup> Eligibility is also limited to operations of N-registered aircraft<sup>2</sup> which are not engaged in "common carriage." The latter restriction ensures that a company does not lose sight of the main purpose of business aviation, namely to support the company's overall business, as opposed to the company's aircraft activity becoming a business in and of itself.

With the above in mind, we are providing the following overview of the Subpart F non-commercial options upon which we are relying:

***1. Intra-Corporate Family Operations (Section 91.501(b)(5))***

This is perhaps the most widely utilized Subpart F option which permits the company that is furnishing and operating the airplane to carry its own officials and guests as well as carry the officials and guests of its subsidiary(ies), its parent company, and the subsidiary(ies) of its parent on a fully-allocated cost reimbursable basis. Again we would emphasize that the company's aviation activities must be secondary to the overall business of the company to avail itself of this option.

As we discussed Wednesday, "company" would, in our view, include a corporation, LLC, and similar legal structures. What constitutes a "subsidiary" would be interpreted in accordance with the law of the state of incorporation. The consensus yesterday was that 51% ownership in general would be sufficient to establish a parent – "subsidiary" – relationship.

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<sup>1</sup> Accordingly, if Company XYZ is engaged in the manufacture of widgets and uses the company jet to carry its officers and guests, XYZ's aircraft operations satisfy this incidental business test, and XYZ is eligible to perform the types of cost-reimbursable operations permitted by Subpart F without these operations being considered "commercial" and without the need for FAA Part 121 or Part 135 certification.

<sup>2</sup> The regulation itself is limited to large and multi-engine turbojet-powered airplanes (regardless of weight). However, by long-standing exemption, FAA has permitted NBAA members operating small airplanes and helicopters to avail themselves of the Subpart F non-commercial options. Individual companies would also be eligible to obtain their own exemptions and several have done so.