

DISCLAIMER

This agreement is provided to our pilot friends at no cost and for no consideration. You are welcome to utilize it for whatever purpose you choose. Please modify this agreement to suit your particular situation. However, First Priority Bank cannot and will not provide any assurance that the agreement is suitable for your situation and we will not provide any warranty or guaranty to its accuracy, or legal validity. You are electing to use the agreement by assuming any risk as to its legal correctness, validity, or consequences.

CO-OWNERSHIP AGREEMENT

An agreement made and executed this _____ day of _____, _____, by and between _____ and _____ and hereafter referred to as co-owners.

The co-owners agree to form a co-ownership to purchase as tenants in common a _____ airplane, registration number N _____, and for operating the airplane for the co-owners' business or pleasure. The co-owners agree to operate the airplane in accordance with FAA regulations.

This co-ownership shall commence on _____, _____, and shall continue until termination by mutual agreement. The co-ownership shall be limited to _____ co-owners. Written consent of all co-owners is required before additional persons can purchase any share of the airplane. If a co-owner has more than an equal share in the co-ownership, he is restricted to one vote on matters that require a vote.

COST OF CO-OWNERSHIP

Each co-owner shall contribute initial capital in the sum of \$ _____ to the co-ownership. This capital is the beginning balance of each co-owner's capital account and shall be periodically adjusted in accordance with this agreement.

Individual capital accounts shall be kept for each co-owner and shall represent the ENTIRE value of his interest. The Capital account shall consist of his capital contribution, increased or decreased on the Valuation Date due to changes in the value of the co-ownership assets. The value of the co-ownership assets shall be determined at a minimum of once each year.

The co-owners shall contribute a monthly sum in the amount of \$ _____ for regular, fixed costs, tie-down rent, inspections, taxes and insurance. This sum shall be subject to review at the review date.

Each co-owner shall pay to the co-ownership account an hourly fee of \$ _____ for each hour used by that co-owner. This fee is for operation of the airplane and does not include the cost of fuel.

The co-ownership joint account shall initially provide a full supply of fuel and oil. Cost of fuel and oil used for maintenance and repairs shall be borne by the next co-owner to fly the airplane unless

excessive. If excessive, the cost of operating the airplane for maintenance purposes shall be borne by the co-ownership.

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

Monthly, each co-owner will contribute \$_____ to an overhaul fund. The fund shall be used to overhaul the airplane engine. The overhaul fund shall not be refundable to a co-owner who sells his interest in the airplane.

By mutual agreement, special assessments may be made against each co-owner. Funds for fixed expenses or special assessments shall be payable on the first day of each month. In the event that a co-owner is more than forty-five (45) days in arrears in the payment of this monthly contribution or special assessment, the other co-owners may make any decision regarding the aircraft.

Any payments due from a co-owner which are delinquent for more than thirty (30) days, shall result in the loss of flight privileges of the delinquent co-owner. If the delinquency continues for a period of sixty (60) days, this shall be grounds for voluntary dissolution of this agreement.

In the event of a default in the payment of the loan secured by the airplane, the non-defaulting co-owners may, at their option, cure the default. The default shall then be considered a delinquency by the defaulting co-owner. The default in the pro rata loan payment shall be deducted from the defaulter's portion of the co-owner's expense and/or overhaul fund or the defaulter's pro rata portion of the airplane equity.

Co-owner payments in the form of services or property, in lieu of cash, shall not be permitted unless by mutual written consent.

By agreement, the co-owners may add additional equipment to the airplane. If the co-owners are unable to agree upon the addition of equipment, a co-owner may add such equipment and pay the entire cost of such equipment and its installation cost.

In said event, one half of the cost of the equipment and installation cost is to be credited to the purchasing co-owner upon dissolution of the co-ownership, regardless of its depreciated value. Maintenance of equipment added by a co-owner is at his sole expense. Upon installation, the added equipment shall remain part of the airplane and removal by installing co-owner is prohibited.

In the event a withdrawing co-owner is behind in the payment of any monthly contributions for fixed expenses, operating expenses or special assessments, these arrearages shall be deducted from the amounts paid above.

MEETINGS AND RECORDS

Co-ownership meetings shall be held at least four (4) times each year, and at least once every three (3) months. Notice of the time and place of each regular meeting shall be given by the Bookkeeping Co-owner to the other co-owners _____ (____) days' prior to the meeting. Special meetings may be called by the Bookkeeping Co-owner with a minimum of _____ (____) days' notice.

Decisions as to the sale of the airplane and the operation of the airplane shall be made by mutual consent. At least _____ (____) co-owners shall be present at each regular meeting or special meeting in order to constitute a quorum. Each co-owner, regardless of share size, will have an equal vote in the affairs of the co-ownership.

A co-owner may be selected by mutual consent of the co-owners to keep the books and records of the co-ownership and he shall do the accounting functions for the co-ownership.

Accounting records of the co-ownership shall be kept and upon demand may be reviewed by the other co-owners upon reasonable request.

The accountant-bookkeeper shall be responsible for the receipt and disbursement of all monies relating to co-ownership.

A checking account shall be opened at _____ Bank, in _____, _____. The checking account shall be opened in the names of all the co-owners, any one of which may sign for withdrawal.

All documents relating to the co-ownership shall be maintained by the Bookkeeping Co-owner and shall be available to the other co-owners upon request.

Notices to co-owners about this agreement shall be in writing and may be served personally on the co-owners or by certified mail addressed to the last known address of record in the co-ownership records or as shown below.

Name Address

- a. _____
- b. _____
- c. _____

A co-owner shall give notice of any change of address to other co-owners within 5 days of such a 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.

CO-OWNERSHIP POLICIES

No co-owner, except by mutual agreement, shall:

- a. Sell, assign, or pledge his 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, or release any claim of the co-ownership or consent to an arbitration on any dispute involving the co-ownership;
- d. Use the assets of the co-ownership for any purpose other than stated in this agreement;
- e. Commit an act detrimental to any co-ownership activity.

A co-owner may obligate the co-ownership to an amount up to \$_____.

A co-owner may allow a lien against the airplane up to \$_____. In the event of a lien for a debt without the consent of all co-owners, the co-ownership may be dissolved. The costs required to satisfy the lien shall reduce the capital account and equity share of the lien placing co-owner.

MAINTENANCE OF AIRCRAFT

The airplane shall comply with all Federal Air Regulations. Any violation of FARs which results in fines shall be borne by the co-owner causing the fine. If the violation is not the responsibility of one of the co-owners, the cost shall be borne equally.

If a co-owner discovers a condition that creates a hazard, he may ground the airplane. The condition shall immediately be reported to the other co-owners.

Equipment problems shall be given to the co-owner in charge of maintenance scheduling for the aircraft. If the pilot noting the equipment problem declares the airplane un-airworthy, the airplane will not be operated until the problem is corrected. The pilot noticing a problem shall enter it into a log, which is to remain in the aircraft, and share his opinion as to whether the airplane is safe to operate in any manner. Additionally, immediate verbal or written notice shall be given to the other co-owner(s).

All Airworthiness Directives affecting the aircraft will be completed as soon as notification is received. Service Bulletins issued by the airplane manufacturer shall be likewise complied with, if necessary.

Damage to the airplane due to unexpected mechanical breakdown, except that caused by Faulty Technique as described herein shall be the joint responsibility of all co-owners.

Operating Expenses include, but are not limited to, periodic inspections, oil changes, tires, brakes, battery, hydraulic fluids, radios, airframe, engine, propeller, and accessory repair and maintenance. These expenses shall be paid by the co-ownership.

Damage resulting from negligence shall be the responsibility of the co-owner causing such damage. Damage caused by the negligence of a co-owner, not indemnified by insurance, will be repaired at his sole expense and forthwith. Penalties upon a co-owner for violation of laws relating to the operation of the airplane shall be borne solely by the co-owner violating the law.

USUAGE OF AIRCRAFT

The airplane 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 for storage, parking, tie-down or landing fees while away from home shall be borne solely but the co-owner.

A pilot may remain overnight from home base for seven (7) consecutive nights. The airplane must be returned by 12 p.m. the day following a seven (7) day trip.

The airplane may not be landed at any airport more than 150 nautical miles from home unless an IFR or VFR flight plan has been filed. No airstrips of less than _____ usable feet in length shall be attempted. No landings other than paved or concrete runways shall be allowed.

No flights shall take place into IFR conditions unless all equipment is in proper working condition.

No person other than the co-owners shall be authorized to operate the airplane except with the express consent of all co-owners. Authorized personnel for testing after maintenance and repair at an FAA Authorized Repair Station may, however, fly the airplane.

The airplane may not be used commercially or for charters. The co-ownership may elect to lease the airplane for flight training. Insurance covering flight training activities shall be in effect prior to such activities.

The airplane may be flown into a foreign country if the pilot obtains special insurance and all required documents. Insurance for the foreign country is at the sole expense of the pilot.

Liability insurance in an amount of not less than \$ _____ per person or \$ _____ per occurrence and \$ _____ per passenger shall be obtained on the airplane. Hull insurance in the amount of \$ _____ shall be maintained during the term of this Agreement. Hull limit increases shall be obtained when hull value increases by \$ _____. Hull damage deductibles shall not exceed \$ _____ for loss while NOT IN MOTION and \$ _____ while IN MOTION.

Each of the co-owners shall be designated pilot in command weekly beginning at _____ p.m. on _____. The pilot in command may fly any time during his assigned period without obtaining the permission of the other co-owners.

The non-pilot in command co-owners may fly by obtaining permission of the pilot in command, which is irrevocable during that period. If a non-pilot in command is unable to contact the pilot in command, he may only fly trips of two hours or less.

If a pilot in command cannot fly due to an extended flight by a non-pilot in command, he may rent an airplane and charge the non-pilot in command the difference between the co-ownership airplane and the rental airplane.

Co-owners may trade pilot in command weeks by mutual agreement. Each co-owner may control the airplane two consecutive weeks by trading with other co-owners.

Down time for airplane maintenance and repairs will be rotated among the co-owners' priority weeks. If down time is more than a full week, a rotation plan may be created by mutual agreement in order to prorate the burden of the loss of time privileges.

After using the airplane, each co-owner will install gust locks, chains, chocks, and weather covers, etc., which secure the airplane to the ground appropriately.

Each co-owner shall fill the gas tanks and add oil as needed at the end of each flight at his expense.

If a subsequent co-owner requests the prior co-owner pilot to leave a specific fuel quantity in order to avoid an over gross weight condition on a later flight, the co-owner being asked shall pay the co-owner requesting the actual cost of his last refueling.

SALE OF AIRCRAFT

If upon sale of the airplane and other related assets, the sale price is in excess of the value of the co-owner's capital accounts, the balance shall be distributed proportionately among the co-owners according to their respective ownership percentages after paying all liens.

No sale of all the co-ownership airplane and related assets shall be for less than the combined value of all of the co-owners capital accounts unless by mutual written agreement. If a sales price cannot be agreed on, then the price shall be arbitrated.

SALE OR WITHDRAWAL FROM CO-OWNERSHIP

A co-owner may withdraw from the co-ownership upon written notice to the other co-owners. The withdrawal shall be effective as of the first valuation date following notice. The co-owners have the right to buy the withdrawing co-owner's capital account value.

The purchasing co-owner(s) shall pay the buy-out price within ten (10) days after the exercise of the option to purchase. If the co-owner(s) do not exercise the option to purchase, the co-ownership shall be terminated and liquidated.

No co-owner shall sell his interest in the co-ownership except in accordance with the following:

- A withdrawing co-owner shall offer his interest to the co-owners at the smaller of the value of his capital account or the amount offered by a third party for that co-owner's interest. The capital account is defined as the agreed value established by actual airplane acquisition cost and improvements.
- A selling co-owner shall give the co-owners written notice of the proposed sale identifying the buyer, price and terms.
- The remaining co-owners shall have seven (7) days following said Notice within which to give written notice to the seller of their election to purchase the share of the airplane at the lesser of the selling co-owner's capital account or the offer made by the third party.

Any equity of a co-owner in the co-ownership is withdrawn as of the last Valuation Date prior to the death of a co-owner. The surviving co-owners may buy the deceased co-owner's capital account by paying said amount to the deceased co-owner's estate. The deceased co-owner's estate is obligated to sell the deceased co-owner's interest to the surviving co-owners.

In the event of a default by a co-owner under the terms of this agreement and failure for thirty (30) days after notice to cure such a default, then the non-defaulting co-owners may initiate involuntary dissolution proceedings. The non-defaulting co-owners are considered the remaining co-owners and the defaulting co-owner shall be considered the retiring co-owner.

In the event a defaulting co-owner cures the default prior to the buy-out process, he may be reinstated with all co-ownership privileges subject to a favorable vote of the majority of non-defaulting co-owners.

Any legitimate, reasonable debts owed by one co-owner to another co-owner shall become a lien upon the co-owner's capital account 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.

In the event that the capital account of a withdrawing, selling, or deceased co-owner is purchased pursuant to the terms of this agreement, the co-ownership shall not terminate, but shall be continued, as of the withdrawal date.

The co-ownership may be liquidated by mutual agreement and shall be terminated in the event that the remaining or surviving co-owners fail to exercise the option to acquire assets. Upon dissolution or termination, the co-owners shall promptly liquidate the assets and pay all obligations of the co-ownership and distribute the remaining assets to the surviving co-owners.

Amendments of this agreement shall be by mutual consent of the majority of the co-owners.

In the event of a dispute, the co-owners shall submit the dispute to arbitration pursuant to the rules of the American Arbitration Association.

If any portion of this Agreement is found to be unenforceable, the remainder of this Agreement shall remain in full force and effect.

This Agreement shall be binding upon the co-owners and their respective heirs, successors and/or assigns.

In WITNESS WHEREOF, the co-owners have executed this Agreement the day and year first above written.

Co-owner Date

Co-owner Date

Co-owner Date
