



Ethical Business Aviation Transactions

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Presented by: Jad Donaldson, Brian Proctor, Sonnie Bates, and Tim Peace

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About the Presenters:

- **Jad Donaldson** is the current Chair of the NBAA BAMC Committee and is the Director of Aviation for the Harley-Davidson Motor Company. Representing Part 91 Operations.
- **Brian Proctor** is the Chair of IADA and is the President and CEO of the Mente Group, LLC. Representing Aircraft Transactions, Brokers, and IADA.
- **Sonnie Bates** is the Chair of the Management Tools sub-committee of the BAMC and is the CEO of Wyvern. Representing Industry Audit and Compliance.
- **Tim Peace** is the Vice Chair of the BAMC and is the Director of Aviation at Heartland Coca Cola Bottling LLC. Representing Part 135/91 Operations.

Ethical Transaction Topics

- Ground rules for the purposes of this presentation.
- Historical review of the NBAA Ethical Transaction Statement.
- Review of the NBAA Ethical Transaction Statement.
- Industry wide adoption of the Ethical Transaction Statement.
- Examples of how these transactions can go from benign to egregious.
- Questions and answer panel discussions.
- Closing and final comments.

Ground Rules

- For the purposes of today's discussions let's never mention company names or the names of individuals involved in historical examples of ethical wrong turns.
- These discussions can become spirited so let's keep it professional.
- Let's be mindful that there is a great deal of personal discretion that is part of this topic. Not all examples of un-ethical transactions are illegal and the reverse is true.

NBAA Ethical Transaction Statement - Why?

- Simply because our industry didn't have one.
- NBAA Membership asked why we don't have one.
- NBAA to create guidance for members on right and wrong ethical turns.
- The need and desire to create Ethical Best Practices.
- The Danger of the industry being damaged from the optics of a few bad actors.

Review of the NBAA Ethical Transaction Statement

6 – Primary Components

- Introduction
- Honest and Ethical Conduct
- Conflicts of Interest
- Company funds and Other Assets
- Business Records
- Compliance with State, Federal and International Laws

The Statements most important point

A good rule of thumb is to ask this question: **“How would my actions appear on the front page of a national newspaper?”** Would your actions appear honest, professional and ethical? Or could such exposure cast negative light on your reputation and that of your company and the industry?

Industry Wide Adoption

- NBAA created this statement as an open source for all other associations to use.
- NATA, GAMA, and NARA all have created forms of this statement.
- The statement is not designed to supersede any organizations ethics position.
- What about policing this statement?
- The NBAA Management Guide will have appendix G added around specific ethics information across all parts of the association.

How Transactions can go from Benign to Egregious

- Aircraft transaction examples.
- Audit and compliance examples.
- Charter and aircraft management examples.
- MRO relationship examples.
- Flight crews, operations both 91 and 135 examples.

IT IS NOT EXCLUSIVE TO JUST ONE PART OF OUR INDUSTRY.

Polling Questions #1 on Ethics

1. Do you believe business aviation has an ethical problem?
 - Yes
 - No
 - Yes, but only in certain areas like _____
2. What area in business aviation is most likely to have an ethical issue?
 - Operations
 - Maintenance
 - Aircraft transactions (purchases)
 - Record keeping
3. What area in business aviation is least likely to have an ethical issue?
 - Operations
 - Maintenance
 - Aircraft transactions (purchases)
 - Record keeping

Panel Discussion

- Questions, answers, and discussions

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Market Inefficiency – Case Study

- 2016
- Gulfstream G550 Disposition
- Buyer Unwilling to Hire Broker
- Buyer Willing to buy at \$24.3M
- Seller Willing to Sell at \$24.0M
- Broker Wanted to B2B the Aircraft at \$24.6M
- Aircraft tied up for 45 days
- Aircraft lost \$1.25M in value
- Ultimately sold for \$22.75M



Bad Behavior – Case Study

- 2018
- Super Mid-sized Disposition
- Seller hired broker at the recommendation of the Chief Pilot
- Fee \$125,000 (0.78% of asset value)
- Pilot wanted \$100,000 kickback
- Aircraft listed at \$16.9M
- Aircraft valued at \$16M
- Seller wanted \$16M
- Broker attempted for four (4) months to find a buyer ABOVE \$16M and capture a spread
- According to ABB, the aircraft lost \$1M in value during those four (4) months



Poor Decision Making– Case Study

- Director of Aviation
- Goes out for Bids on a major aircraft upgrade/referb.
- Cost 1.5M
- 3 Bids returned
- Bid was awarded to Vendor “A” based on perk to DOA
- Work completed
- Vender delivers a Brand New Motorcycle to DOA.

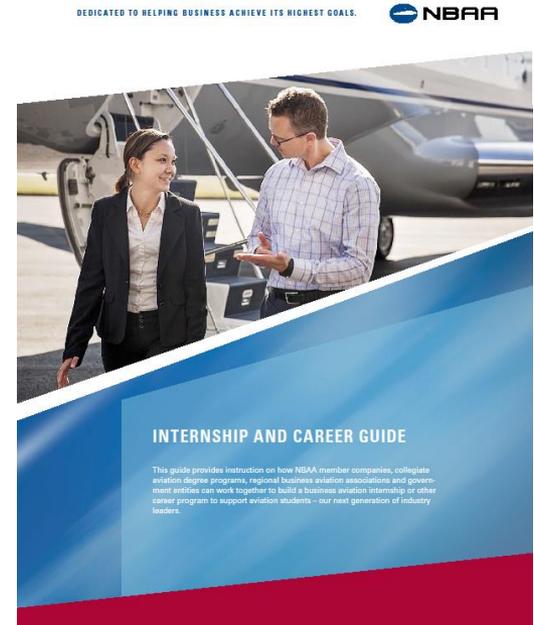


Polling Questions #2 on Ethics

4. Does your company (flight department) have an ethical statement (standard) that you must sign every year?
 - Yes, every year
 - No
 - Yes, but only review occasionally
5. Do you feel more ethical training is needed in business aviation?
 - Yes
 - No
6. Who should do this ethical training?
 - Schools
 - Companies
 - Flight departments
 - Associations (not for profit groups)
 - All of the above.

Auditor Integrity Issues – Case Study

- Auditor promotes their products to operator during the audit
- Auditor creates a finding and stipulates a specific corrective action for the operator that benefits the auditor
- Auditor tries to convince the operator to hire them to “fix their problems”
- Auditor gives friend easy pass to registration
- Auditor audits his/her own work
- Auditor does not respect operator confidentiality
- Auditor puts themselves out as being an expert in an area when they are not.
- Auditor embellishes their resume.



Closing Comments



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