Owner & Pilot
ADVANTAGE
A Magazine for Owners and Pilots from Skytech, inc Publications

# SKYTECH JOINS THE PILATUS FAMILY

IN THIS ISSUE

## From the Publisher

### A New Family with a Bright Future

This is truly a special time to be at Skytech. Forty-six years ago, Frank Stephenson had the vision to create a customer-focused general aviation company. He turned that vision into a reality as he molded and developed Skytech for over two decades. Having worked side by side with Frank, John Foster accelerated our growth and expanded the company exponentially over his two-plus decades of skilled leadership. On October 1st, 2022, Skytech became part of the Pilatus Family. This was only possible because of Frank and John's selfless efforts and the countless dedicated employees who directly contributed to the growth and success of Skytech over the 46 years. We owe Frank and John a huge amount of gratitude for positioning Skytech to achieve this milestone. Being part of the Pilatus Family is an honor and begins an exciting new chapter for Skytech that provides additional opportunities, growth, and stability for every employee going forward. Frank's vision has never been brighter!

As we look forward to the new year, the aviation market is still highly active, with near-record low inventories of new and pre-owned aircraft. And despite insurance challenges, rising interest rates, and new deliveries being affected by supply chain shortages, significant tax advantages and a strong desire for secure private aircraft travel continues to outpace the obstacles. Our Service and Flight Operations are as busy as ever, with technician and pilot shortages always at the forefront.

We look forward to the opportunities and the challenges ahead and will continue to strive to provide our customers with the finest service possible.

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Skytech, Inc., publisher of this magazine is an aircraft sales and service company with FBOs in Westminster, MD (DMW), Rock Hill, SC (UZA – Charlotte Metro Area) and Administrative Headquarters in Baltimore, MD (MTN).
Your thoughts, suggestions, comments and criticism are important to us and we will always welcome reader feedback.

Please respond to:
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# Market SNAPSHOT

**MARKET SUMMARY** *Information provided by JetNet (Current as of December 5, 2022)*

| AIRCRAFT MAKE AND MODEL | FOR SALE (Current) | ASKING PRICE (12 month average) | % FOR SALE (12 month average) | DAYS ON MARKET (12 month average) |
|---|---|---|---|---|
| Piper M350 | 3 | $1,350k | 1.9% | 75 |
| Piper M500 | 7 | $2,230k | 6.4% | 87 |
| Citation M2 | 14 | $5,130k | 4.6% | 141 |
| King Air 250 | 7 | $5,600k | 2.6% | 45 |
| Caravan 208B | 18 | $1,674k | 1.2% | 811 |
| Socata TBM-900 | 2 | - | 1.8% | 44 |
| Pilatus PC-12 NGX | 6 | $7,498k | 3.0% | 32 |
| Pilatus PC-24 | 4 | - | 2.3% | 59 |

**SCHEDULE OF 2023 EVENTS***

**Safari Club International**
Nashville, TN
February 22 - 25

**Sun 'N Fun**
Lakeland, FL
March 27 - April 1

**POPA Annual Convention**
Austin, TX
June 14 - June 16

**EAA AirVenture**
Oshkosh, WI
July 24 - July 30

**NBAA BACE**
Las Vegas, NV
October 17 - 19

*Additional dates TBD*

*Event times/dates/attendance subject to change. Call Skytech at 888.386.3596 to confirm event details.

# MESSAGE FROM *the CEO*

For over 46 years, Skytech has strived to meet or surpass your expectations of us as a reliable provider in the General Aviation market. We have become who we are today due to your trust and support in our ability to deliver a quality product and a consistent experience. Thank you for allowing us this opportunity over the years and for those still to come.

Skytech's core values were forged as a service business in 1976 and have only strengthened. We take great pride in our ability to offer solutions for your needs. Over the years, we have constructed and consistently expanded an extremely capable and reliable team that has grown to match demand. That growth continues today with an announcement that ensures that position and our ability to serve you well into the future.

Pilatus Aircraft, Ltd. is acquiring Skytech, Inc. after a nearly 30-year span of operating as Pilatus' oldest tenured Authorized Dealer and Service Center. This transaction will allow Pilatus to expand their direct involvement in the US market and ensure the continued growth of our ability to deliver award-winning customer support. Skytech's name, people, and services will remain as they are today, so your direct contacts, longtime relationships, and trusted advisors stay intact and unchanged. This ownership modification retains our continued and valued association as a Piper Authorized Dealer and Service Center and fully supports our 42-year Piper relationship. Rest assured that we have been there for you in the past and have structured a business transition to ensure that we will be there for you now and in the future. We are Skytech, only stronger.

This is an exciting day for us at Skytech and a great day to be a Skytech customer. We look forward to continuing to provide rewarding, consistent, and innovative solutions for your aviation needs, supported by our new family member – Pilatus! •


*Winter 2022*

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**THE ADVANTAGE MAGAZINE STAFF REQUESTS YOUR FEEDBACK!**

We would greatly appreciate hearing from you! Please tell us what you think of *Advantage* magazine and offer any thoughts you have for improving this publication. Our goal is to provide helpful, interesting information that you enjoy reading.

Your opinions, suggestions and ideas for new articles and content are important for continuing improvement and growth that will serve all our readers.

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Thank you!



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# Tax + FACTS

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# Aircraft Tax Planning When Selling a Business

Amidst a vibrant mergers and acquisitions landscape, many clients have approached ATC in recent months to discuss aircraft tax planning strategies relating to the sale of their companies. Whether the aircraft is part of the current business going through a sale, or a business aircraft purchase is contemplated after the sale of the business, the following considerations are critical in ensuring the deductibility of an aircraft as a business asset.

**Stock vs Asset Sales**

If your company owns a business aircraft, a stock sale will likely require the restructuring of the existing aircraft ownership or the spinning off of the aircraft entity prior to the sale. This may result in the recapture of previously taken tax depreciation and immediate gain recognition.

If an asset sale is negotiated, the business owner can maintain the existing corporate entity and enjoy minimal disruption to the tax treatment of the aircraft.

**Employee (W2) vs Independent Contractor (1099)**

It is common for the owner to stay on board with the new com-

pany to help with the transition or to continue to run the company. Whether the owner stays on as an employee or an independent contractor will create very different income tax implications.

Internal Revenue Service regulations are not favorable to employees. There is very little income tax benefit for an employee who uses an aircraft for the employer's business.

On the other hand, the tax code treats business owners very favorably. Generous tax deductions are available when a business aircraft is utilized in a profitable business. Therefore, if an independent contractor or consulting arrangement can be negotiated with the buyer and the new company, it can facilitate the continued deductibility of a business aircraft.

**Deal Structure - Earnouts**

To further the independent contractor discussion, the founder of the company can negotiate to stay on to provide management or consulting services. A portion of the sales price of the business can be categorized as earnouts, payable as consulting fees, providing revenue that can be used to justify the operation of a business aircraft.

**Final Thoughts**

While a business aircraft may be an afterthought to a multimillion-dollar business acquisition, thoughtful planning at the transaction stage can allow a business owner to continue to enjoy significant income tax benefits from use of a business aircraft after the sale of the business. •


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ATC assists aircraft purchasers in acquiring aircraft in a tax efficient manner. Our services include the elimination or reduction of sales and use tax, maximizing income tax savings, controlling the cost of personal use of the aircraft, and complying with Federal Aviation Regulations. Cooperation with client's tax and legal advisors is welcome and encouraged.


OFFICIAL PRESS RELEASE

# PILATUS ACQUIRES AMERICAN SALES AND SERVICE CENTER SKYTECH, INC.

Founded in 1976, Skytech Inc. is a specialist service provider and aircraft vendor with two locations in the US states of Maryland and South Carolina. As part of an upcoming succession plan, Pilatus has decided to take over Skytech, and the entire workforce of 120 or so will continue to be employed by the Swiss aircraft manufacturer.

Skytech has operated as a Pilatus independent Authorised Sales & Service Centre since 1993. With a successor due to replace co-founder and owner John Foster, Pilatus has decided to acquire its partner of many years. The business will continue to operate as an independent company with responsibility for servicing and sales of PC-24s and PC-12s on the East Coast, as well as aircraft types from other manufacturers. The Skytech brand will also remain. The current Skytech CEO, Justin Lazzeri, will lead the company into the future with his team, which includes many long-serving employees. Both business locations in Rock Hill (South Carolina) and Baltimore (Maryland) are included in the purchase.

## Expansion in the USA

This acquisition will allow Pilatus to expand its direct involvement in the US market, a market of great importance to the company. Pilatus already has a Colorado-based subsidiary, Pilatus Business Aircraft Ltd, which has been in operation for the past 26 years. Acting as the Pilatus general importer and completion centre for North and South America, the subsidiary is also responsible for managing Pilatus' Authorised Sales & Service Centre network, marketing and


final assembly work. Direct Sales to fleet and government customers are also handled through the Colorado operation. Assisted by its other sales and service partners, Pilatus will use the acquisition of Skytech to ensure and further improve the continuity and quality of its award-winning customer services on the East Coast of the USA.

Markus Bucher, CEO of Pilatus, commented as follows on the occasion of the signing of the contract:
"The US market is very important for us. It is essential that Pilatus continues to expand its 'footprint'. Through this acquisition, we aim to live up to our claim: 'We create the Pilatus Class!' I'm delighted to have the company and its staff on board with us – Welcome to the Pilatus Family!" •

*Visit **www.pilatus-aircraft.com** for more information.*

# AIRCRAFT *Financing*

BY STEVE SMESTAD, AirFleet Capital, Inc.

Looking to finance your purchase of an aircraft but know little about the aircraft finance market? This article should help, discussing today's aircraft finance market as well as what lenders look for when considering your aircraft loan.

## The Aircraft Finance Market

One of the first questions asked in financing is what is the rate? Everyone wants to know about the rates and rightfully so. Before we get into the rate market, let's take a look at the aircraft finance market i.e. is there money available, what terms are available, what is the lenders appetite for your business? Fortunately, for all of us in aviation, there is a market for aircraft loans and it's a strong one. In general, banks are eager to do business today and are interested in growing their loan portfolios. We are seeing a much better attitude in the banking community toward lending money. For those banks who have the expertise and understanding of aviation this is a great environment for them and for aircraft buyers. In short, they definitely want your business!

## What Terms Can You Expect?

The average down payment on an aircraft loans is between 25% and 30% but a good target is 20% or more. Terms offered are better with 20% or more down and it is easier to be approved. However, terms are available for less than 20% down.

The length of an aircraft loan depends on the use and age of the aircraft. You can generally expect a term of 20 years for a non-commercial operation. Some lenders offer a 20 year amortization but have a 5 year balloon payment which requires you to pay the loan off in 5 years. For some, paying off the loan in 5 years works but most pilots prefer a full 20-year fixed program. For commercial operations, or for aircraft intended to be used in charter, training, rental, air ambulance or similar, terms ranging from 10 to 20 years are available but you will need to discuss your specific operation with the lender.

## Closing Costs, Fees and Prepayment Penalties

In addition to rate, there are other areas you should consider when reviewing loan options. For example, closing costs and fees can run from a few hundred dollars to several thousand dollars, and you may find added fees for appraisals and preparing the loan contracts (legal fees). These costs can have a significant effect on the actual cost or the rate you pay and may completely offset the advantage of a lower rate. You can calculate the cost of the loan with and without the fee, which is a worthwhile exercise that can save you money.

Additionally, if you pay off your loan unexpectedly early and have a pre-payment penalty, your "low rate" has cost you a significant amount of money. Rate is the first question but there is more to a low rate than just a low rate. It's worth your time to understand the true costs of your loan.

## The Rate Market

The rate market constantly changes and several factors come into play including the economy, Fed policy and the stock market to name a few. In general, as an economy rises, rates will also rise. Similar to the real estate market, today we're seeing an increasing trend in longer term rates that underlie aircraft loans. However, rates are still low relative to history. For example, the 5-Year Treasury rate today sits at around 4%. 25 years ago this rate was at 6.22% which was during a strong economic cycle.

## Is an Aircraft Loan for you?

You can pay cash for your plane but economically it makes sense to finance your airplane. If you elect to finance your plane, you have several sources available to you – obtain a loan from your bank, borrow from your brokerage account or use an aircraft specific lender. There are advantages and disadvantages with each. For example, borrowing from your brokerage account – you are effectively borrowing your own money so credit isn't a problem. However, margin calls and restrictions may offset the advantages and there's the question of whether you want to tie up your earning assets that you may have to sell due to a margin call or restriction.

Your existing bank knows you and probably have all your financial information on file. If they have experience in aircraft lending you may be in luck. If they don't, you may want to consider another source. Banks also have a limit they can lend any one customer including both business and personal. If you use your bank for both personal and business, you may want to consider another source.

An aircraft specific lender may not know you initially but they have the advantage of speaking aviation – they know the market, aircraft values and all aspects of aircraft closings. They work with and know all players involved (tax, insurance, FAA, bank, sellers, manufacturers, etc.) which translates into the smoothest and safest closing experience. Finally, an aircraft lender treats your loan as a separate loan and will not tie-up or interfere with your business loans.

## Summary

It's important to balance and understand all considerations when selecting the best option for you. When you ask for the rate, no matter which option you select, understand the true cost of the loan. Fortunately for us in aviation, we have a robust aircraft finance market today. Money is available and lenders offer excellent terms – 20-years, low rates and a simple, efficient application process. You have a great market to support your purchase. •

**Written By: AirFleet Capital, Inc. (Steve Smestad)**

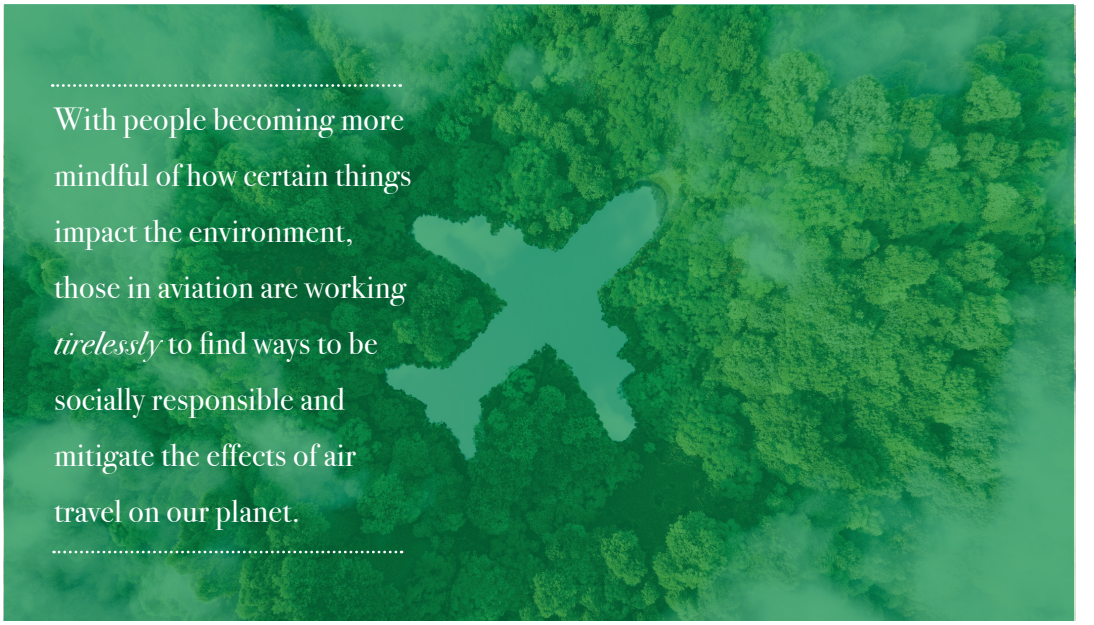
*If you are interested in getting a quote for financing or have any questions please give us a call at 800.390.4324 or drop us an email info@airfleetcapital.com.*


Call Skytech, inc., your nearest Authorized Pilatus PC-12 Sales Center for further information at 888.386.3596. Skytech is an Authorized Pilatus Sales Center for DC, KY, MD, NC, OH, PA, SC, TN, VA, WV.

Skytech, inc.

# GOING GREEN

BY JENNIFER LONGO



With people becoming more mindful of how certain things impact the environment, those in aviation are working *tirelessly* to find ways to be socially responsible and mitigate the effects of air travel on our planet.

Going green isn't merely a fad; it's an expectation nowadays. Companies are increasingly slapping the "eco-friendly" label onto their products and marketing. With people becoming more mindful of how certain things impact the environment, those in aviation are working tirelessly to find ways to be socially responsible and mitigate the effects of air travel on our planet.

Small changes can have an enormous impact on the environment, so the NATA developed an initiative to help facilitate simple ways to lower a business's carbon footprint. The NATA Sustainability Standard for Aviation Businesses is a voluntary program with cost-effective solutions aviation businesses can use to get a head start in going green. This self-certification program encourages decreasing waste, increasing environmentally friendly energy sources, and promoting general environmental friendliness. Each business determines its level of sustainability by reaching certain "tiers" in the program.

Swiss-based Pilatus has taken massive steps toward making its products and the overall business sustainable. For example, several of their buildings are heated and receive electricity by utilizing renewable energy sources. Their facilities also feature LED lighting and employees recycle extra materials used during processing operations. Furthermore, the PC-12 and the PC-24 are certified to operate using sustainable alternative jet fuel. Pilatus has seriously committed to climate-neutral aircraft production and is consistently moving to achieve it.

In November of 2021, the Federal Aviation Administration published the United States Aviation Climate Action Plan, paving a path to achieve net-zero greenhouse emissions in the industry by 2050. Developing new technologies, using sustainable aviation fuels, and improving airport operations are just a few ways the FAA hopes to attain its goal. You can read more about the initiatives at *www.faa.gov/sustainability*.

Some charter operations are adopting carbon offset programs that can easily help reduce the environmental effects of air travel. When choosing to participate, travelers essentially offset the ecological impact of their flight(s) by paying an additional fee that invests in projects dedicated to reducing C02 emissions. While some companies make the fees optional, others may include them in their fares.

There is no one size fits all solution at this point, but we can gradually take steps to improve industry sustainability over time. As technology evolves for the better, it will only help the process along. Air Travel isn't going anywhere, so aviation is only bound to get "greener." •

# PIPER ANNOUNCES UNPAVED FIELD APPROVAL FOR M600/SLS

Piper Aircraft, Inc. has been awarded FAA approval for its flagship product—the Piper M600/SLS single engine turboprop aircraft—to be operated from unpaved fields. Piper has received numerous requests for unpaved field certification from several global markets, and is pleased to announce kit approval has also been completed for Canada, the UK, and Europe (EASA). Brazil certification is expected in early 2023.

All 2022 M600/SLS aircraft, starting with serial number 198, are factory provisioned to operate on unpaved fields with the incorporation of Supplement #5 into the approved aircraft Pilot's Operating Handbook. Fielded 2016-2021 M600 aircraft equipped with five blade propellers also have the option to be modified by Piper Kit #88705-702 to accommodate the same unpaved field operations. The primary kit components include a slightly redesigned nose fork and scissor link to handle unpaved field surface inconsistencies, the installation of a small nose gear wheel well plate cutout allowing the nose wheel to stow properly with the gear retracted, and a POH supplement.

"The Piper M600/SLS is known for its performance, reliability and versatility over a wide array of general aviation missions," said John Calcagno, President and CEO of Piper Aircraft, Inc. "Now, with the addition of unpaved field capability, the M600's versatility and asset value is taken to a whole new level."

Piper Aircraft is running an introductory promotion for all M600 unpaved field kits ordered before November 30, 2022. All M600 owners are encouraged to contact their local Piper Dealer/Service Centers to learn more.

**About the Piper M600/SLS**

The Piper M600/SLS with HALO Safety System is the first general aviation aircraft certified with Garmin Autoland. The revolutionary system supports digital technology that safely lands the aircraft at the nearest suitable airport in the event that the pilot is incapacitated. Additionally, the Garmin G3000 avionics suite includes Autothrottle, Autoland, Emergency Descent Mode, Electronic Stability Protection, Surface Watch, SafeTaxi, and Connectivity, all of which are designed to enhance safe operation of the aircraft. Beyond the flight deck, the six-seat M600/SLS is powered by a Pratt & Whitney PT6A-42A 600 SHP engine. The aircraft has a maximum cruise speed of 274 ktas/507 km/h, a max range of 1,658 nm/2,748 km, and a standard useful load of 2,400 lbs/1,089 kg. •

*Visit **www.piper.com** for more information.*

Piper HALO SAFETY SYSTEM

Scan to watch a video demonstration.

# Land Safely – No Pilot's License Required.

With the Piper M600/SLS, having a pilot's license is no longer necessary to ensure a safe landing. Equipped with the Halo Safety System featuring Garmin Autoland, the aircraft will autonomously land when activated in the event of an emergency. Learn how the Piper M600/SLS and its innovative features can benefit you and your family.

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## a *Word* to the *Wise*

BY SEAN WALLACE - *Director of FBO Operations/Safety Manager*

### *The Race to Sustainability in Aviation*

The world of aviation has always been a fast-paced environment with unbelievable technology. Modern airliners allow hundreds of people to travel anywhere in the world simultaneously, almost as fast as the sound they emit. However, an immense amount of power is needed for a half million pounds to become airborne and travel at .8 Mach. As incredible as they are, our current power plants are not sustainable for future use. Currently, power is derived from fossil fuel that is burned at an astonishing rate. The amount of fuel burned as travel has populated over the decades has significantly increased carbon emissions to the point where the long-term use of conventional fuels is no longer sustainable.

At the United Nations Climate Change Conference in November, U.S. Transportation Secretary Pete Buttigieg announced the U.S. Aviation Climate Action Plan, which, for the first time, sets out to achieve net-zero greenhouse gas emissions from the U.S. aviation sector by 2050. An ambitious goal but a necessary one considering our current structure creates 5.6 tons of carbon dioxide on a round trip for a family of four to fly from San Francisco to New York. As a comparison, according to the EPA, a car produces roughly 4.6 tons a year. The good news is that even though the U.S. Aviation Climate Action Plan was just announced, there have already been years of development in sustainable aviation, making the 2050 deadline more achievable.

Electric aviation is one of the forerunners and has come a long way, with some milestone achievements happening over the last year. Rolls-Royce's "Spirit of Innovation" became the world's fastest electric vehicle, hitting 345 miles per hour during a flight, proving that electric aircraft can travel as fast as their conventional counterparts. In May, the electric vertical takeoff and landing (eVTOL) Alia from Beta Technologies made a 1,403-mile trip with seven charge stops. Proving that electric aviation can be used for travel despite requiring frequent charging stops. Though the travel limitations are apparent with heavy batteries and charge times longer than a routine fuel stop, United Airlines recently invested in electric. United has taken note of the possibilities electric aviation offers for short commuter flights and has invested in 100 electric aircraft from manufacturer Heart Aerospace with hopes to launch commuter flights on these 19-seater planes in 2026, well before the FAA deadline of 2050. While United has bet on electric aviation, its competitor has invested in hydrogen as a renewable source.

Hydrogen power is not new technology and would be net-zero compliant, a fact that Airbus has not overlooked. Airbus created a program to explore the concept of hydrogen fuel. Hydrogen does not produce carbon emissions and is regularly handled, stored, and used in other sectors safely. The most significant hurdle may be the infamous Hindenburg disaster and the notation that hydrogen now has in aviation. Although it is no more dangerous than the fossil fuels pumped into the wings today, it would be a hard sell to passengers. There have been significant proofs of concepts for flying off hydrogen, but none illustrating how infrastructure would work. Unlike electricity, hydrogen is not readily available at airports and would require infrastructure to be created from scratch, a tall order to achieve by 2050 but still a viable option for zero-emission fuel.

Regardless of which powerplant will prevail or if a new one will emerge, know that a change is developing in aviation. Deadlines have been set for 2050 to achieve net-zero greenhouse gas emissions, with some options to lessen emissions already in use. A word to the wise, keep an eye out for sustainable fuel that can be blended with Jet A, the inevitable entrance of zero-emission business aircraft, and possible incentives for practicing green aviation. We are experiencing a pivotal moment in aviation technology. Embrace it, enjoy it and start preparing stories for a future generation that may never fly off fossil fuels. •