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ICON's Airplane Ownership Philosophy: Why is the Aircraft Purchase Agreement so Darn Complicated?

Answer: to aggressively promote safety and to reduce product liability costs.

As an ICON customer, you undoubtedly know that safety is core to our goal of making personal flying much more accessible. It's a win for everyone: for our customers and their copilots, for ICON, and for the aviation industry as a whole. We do more than talk about it: we consistently prioritize safety innovation, which not only includes aircraft design, but also our training program, and it even extends to our Aircraft Purchase Agreement.

How can a purchase agreement promote safety? By helping to ensure that ICON's airplanes are (1) flown by well-trained pilots, (2) flown within their operating limitations, and (3) maintained to ICON standards. We won't compromise on these principles and have structured our purchase and operating agreements around them.

These principles will reduce accidents, save lives, and, ultimately, limit product liability costs. Why would you as a consumer care about reducing product liability costs? Aside from lowering the price of aircraft, it allows ICON to reinvest those savings on more innovation – developing new products and services – instead of on legal fees and settlements. For many decades, General Aviation has suffered from runaway product liability costs, which drives up the price of airplanes and has even led to the demise of aircraft companies. We need to change that. In order to make personal flying much more accessible, ICON has to challenge the conventional thinking of General Aviation. We do this by innovating: with the aircraft's aesthetic design, in the cockpit layout, with groundbreaking safety innovations like spin resistance and intuitive AOA, by introducing what we feel is a better way to do flight training, and even with this Aircraft Purchase Agreement, which we believe will result in greater personal accountability and safety.

As safe as the track record for General Aviation is compared to other acceptable consumer activities, like cars or various powersports vehicles, the cost of product liability for aircraft is disproportionately and unreasonably higher. Why is that? The answer is complex, but one of the primary culprits is the U.S. tort system that often shifts the blame (and costs) onto manufacturers, even in cases where the pilot is at fault. FAA statistical data overwhelmingly shows that the vast majority of aviation accidents is due to pilot error. And, yet, it is the manufacturers who are continually blamed and end up paying multimillion-dollar judgments when there are accidents. Those costs, as well as the insurance premiums, necessarily get passed on to consumers in the form of higher prices, and also in hidden ways because it means that money that could otherwise be spent on improving the business or products is not available. The future

health of the industry and of ICON requires that we aggressively take the position that we won't pay for the mistakes of others. We'll own our mistakes, and in return, we expect that others own theirs. To support that philosophy, you'll see terms in our Aircraft Purchase Agreement that attempt to do just that. Our goal is to create a customer community that encourages everyone to take personal responsibility for their actions.

Here are some of the unique terms in our Purchase Agreement that help us achieve the goal of increased safety and reduction in product liability costs:

- 1. Required ICON-authorized training:** to ensure all pilots are qualified to ICON standards.
- 2. Required ICON-authorized maintenance:** to ensure airworthiness to ICON standards.
- 3. Flight Data Recorder:** for aircraft maintenance information as well as factual, accurate accident reconstruction.
- 4. Covenant not to Sue:** agreement not to sue if ICON is not shown to be at fault.
- 5. A Managing Pilot:** designate a specific individual responsible for safe operation.

You can read about these provisions in more detail below.

The bottom line is that ICON is trying as hard as we can to do the right thing at every turn to improve safety and grow our industry. While there may be some who want to resist this change, if our industry is ever going to reach its full, incredibly exciting potential, we will need to think differently and embrace creative change. We believe that once you understand the significant challenges our industry faces, you will empathize with the terms of our contract and will join our mission to help democratize aviation – to make personal flying more accessible to all who have dreamed about it.

If you have any questions, feel free to call ICON Sales at any time.

Kirk

Explanation of Selected ICON A5 Aircraft Purchase and Operating Agreement Provisions

Purchase Agreement

Paragraph 5. Aircraft Operating Agreement: Training Required Prior to Operation

One unique provision in the Purchase Agreement is that, prior to Closing, you must sign an Operating Agreement. A survey of General Aviation accidents shows that most are caused by pilot error in perfectly good aircraft. The Operating Agreement is our attempt to have an **ongoing agreement with the people flying the aircraft that encourages and requires safe operation**. It covers qualifications for flying the aircraft, training, and maintenance. Some of it is required for Light Sport Aircraft and some of it just makes good sense to us. This agreement is discussed further below.

Paragraph 16. Flight Data Recorder

ICON's Flight Data Recorder has two purposes. The first is that it allows aircraft operating and flight data to be captured and referenced for **continued airworthiness and annual inspection to help ensure proper maintenance and safety**. The second is that in the event of an accident, it allows the manufacturer and investigators to do **factual, reliable reconstruction** to determine the cause. It's not big brother to spy on you; it's simply a protected, encrypted, proprietary aircraft data collection system to help promote safety and determine the cause of any accident.

This type of data collection is quite common these days in industries ranging from automotive to electronics, including [Tesla](#) and [Apple](#). The A5's current FDR records information about the aircraft's position, basic air data, accelerations, and engine parameters. The data is stored on the aircraft itself and not presently data linked. Today, the only way to access it is to physically connect to the aircraft FDR.

In the future, ICON may use real-time monitoring technology to accelerate aircraft learning that may lead to design changes, Safety Alerts, or other warnings that could save lives. ICON may also collect cockpit video at some point in the future. It would be forward-looking to capture footage of the instrument panel and the view through the windshield, and not the identities of the pilot or passenger. This would be similar to the cockpit voice recorders in an airliner where the data is looping and only utilized in the event of an accident. This video technology is already being applied by the Appareo Vison 1000 system that comes standard in Airbus Helicopters. An FDR is federally mandated in airliners and is a feature all General Aviation aircraft makers should consider.

Operating Agreement

Managing Pilot

The Operating Agreement requires the designation of a Managing Pilot. In many cases, this might just be the owner. But when the owner is a corporation or otherwise not the primary pilot, we designate a Managing Pilot so that we have a direct relation to the human making decisions about who flies the aircraft. This is important because it ensures there is a **single responsible person** who has been through some level of ICON training and understands some of the key limitations and operational considerations of the A5.

Paragraph 1 - Pilot Qualifications

We require that everyone receives ICON-approved training. This requirement continues even beyond the initial purchaser and applies to all subsequent operators even if the aircraft is resold. We believe we have developed a best-in-class flight school and curriculum and that coming through our school will **make you safer in the aircraft**. If you are already a pilot, you will enjoy our brief transition course. Many aircraft companies have learned the hard way about the importance of having a robust training program for their customers and have introduced them only after an adverse accident experience. We have the benefit of learning from them and implementing training from the start.

Paragraph 2 - Safe Flight Operations

These provisions contain warnings that recreational flying can be dangerous and describes limitations on the use of Light Sport Aircraft.

Paragraph 5 – Optional Release and Covenant Not to Sue: Limitation of Liability

This paragraph **makes us responsible for accidents caused by the factors we control and protects us from liability for accidents caused by other factors**. This paragraph is a key part of our strategy both to reduce our product liability costs and to reduce accidents. The next paragraph releases ICON from liability related to use of the aircraft or accidents involving the aircraft and the following paragraph explains that **ICON is still held liable for any accidents that the NTSB rules are caused by ICON's design, manufacturing, or training**. Following that is a covenant not to sue. Essentially we are asking you (or your heirs) **not to sue us for an accident that is not our fault**. The following indemnification paragraph says that you will indemnify (i.e., hold harmless) us if you break that covenant. If you don't want to agree to this, then you can opt out for \$10,000, which is an approximation of our cost per aircraft of product liability insurance and related costs.

In addition to protecting ICON against frivolous lawsuits brought by the contingent fee attorneys that target aircraft companies, we believe this sharing of risk between the two parties (manufacturer and pilot) that can most impact safety will lead to fewer accidents. This concept is well-documented in a study called *Product Liability and Moral Hazard: Evidence from General Aviation* by Claremont McKenna Economics Professor Eric A. Helland and George Mason University Economics Professor Alexander Tabarrok. The study uses the introduction of GARA (General Aviation Revitalization Act) in 1994 to show that **accident**

rates decrease when liability is shared between manufacturer and the pilots. Following GARA, pilots of these older aircraft wore seatbelts more, flew less at night and in bad weather, filed flight plans more, and took their aircraft in for annual inspections on time more often, all of which led to fewer accidents and fewer fatalities. Thus, a balance of risk-sharing ensures that the manufacturer has a meaningful incentive to design and manufacture a safe aircraft and that the pilot takes responsibility for accidents caused by the pilot's own care and competence. It's not only fair, it's safer.