



**OFFICE OF THE COMMISSION AUDITOR
MIAMI-DADE BOARD OF COUNTY COMMISSIONERS**

**COMMISSION AUDITOR'S
INFORMATIONAL RESEARCH**

**AIRPORTS AND ECONOMIC DEVELOPMENT
COMMITTEE
June 9, 2021
10:00 A.M.
MIA AUDITORIUM**

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Commission Auditor

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File No. 210981**

Research: TA / Reviewer: PGE

RESOLUTION APPROVING SUBORDINATION OF MIAMI-DADE COUNTY'S LIEN RIGHTS TO THE SECURITY INTEREST OF AMERANT BANK N.A., F/K/A MERCANTIL BANK, N.A. IN CERTAIN IDENTIFIED PERSONAL PROPERTY OF IAERO THRUST, LLC, A TENANT AT MIAMI INTERNATIONAL AIRPORT; AUTHORIZING THE COUNTY MAYOR OR COUNTY MAYOR'S DESIGNEE TO EXECUTE SUCH SUBORDINATION AGREEMENT ON BEHALF OF MIAMI-DADE COUNTY

Prime Sponsor: Commissioner Rebeca Sosa, District 6

Requester: Aviation Department

Committee Action Date: 5/11/21 Airports and Economic Development Committee (deferred)

RESEARCH FINDINGS

OCA's review of the item found the following (see the Additional Information section):

1. iAero Thrust, LLC (formerly known as AeroThrust Holdings, LLC) has outstanding receivables due to the County.
2. Aerothrust Corporation, the entity that was acquired through bankruptcy proceedings as a "successor in interest" by AeroThrust Holdings, LLC, has outstanding receivables that have been written off due to a settlement agreement.

FINANCIAL ANALYSIS

There is no direct fiscal impact to the County by subordinating its security interest to Amerant Bank, N.A., f/k/a Mercantil Bank, N.A. There have been at least three previous instances wherein the County waived or subordinated its lien rights for MDAD tenants, one of which involves the current lessee/corporate predecessor, in addition to the subject item:

Resolution No. (Date)	Sponsor	Tenant	Annual Revenue from Lease Agreement ¹	Purpose of Financing	Amount of Lender Financing	Type of Personal Property	Landlord Lien Amount
R-1264-99 (12/7/99) - Waiver of lien rights	None	Pan Am International Flight Academy, Inc.	Not specified	Financing of personal property	Revolving loan (unspecified amount)	Flight Simulators	Not specified
R-486-01 (5/8/01) - Waiver of lien rights	None	Atlas Air, Inc.	\$435,926	Expansion of flight training facility	Financial Lease agreement (unspecified amount)	Flight Stimulator	Not specified

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R-675-17 (7/6/17) - Subordination of lien rights	Commissioner Jose "Pepe" Diaz	AeroThrust Holdings, LLC	\$512,474.04	Improvements to Building 863 (40-year certification)	\$7M Loan ²	Various equipment, tools and parts	\$7M to \$7.5M
Legistar No. 210981 (Pending) - Subordination of lien rights	Commissioner Rebeca Sosa	iAero Thrust, LLC	\$512,642.04 ⁴	Financing of operations	\$25M Revolving line of credit	All of the machinery, inventory, goods, furniture, trade fixtures, equipment, aircraft engines, aircraft engine cores, vehicles, tools, and personal property within the leasehold. ³	\$7.5M

¹ At time of approval of the Resolution.

² The resolution and supplement reference the value of the personal property at \$7.5M and \$7M, respectively. According to Legistar No. 210981, the actual loan was \$5M.

³ The first lien subordination for AeroThrust was for personal property as specified in an exhibit attached to the item. The second lien subordination is for all personal property within the leasehold.

⁴ The \$512,642.04 reflected in the item represents the total invoiced amount, which includes utilities and taxes. Rent is actually \$229,397.28.

**When the first subordination request for AeroThrust Holdings was considered at the July 6, 2017 Board meeting (3:47 p.m.), Commissioner Moss questioned why a lien subordination was being done, when it has been done so rarely (only two other times) and given that AeroThrust had a past bankruptcy. MDAD staff responded that the County could not allow the pledge of real property so the personal property of the tenant was being pledged, and the difference was that the financing was needed for redevelopment of the facility, which the County owns, in order to meet standards for the building's 40-year recertification. Commissioner Moss voted No on the item. On May 21, 2021, MDAD confirmed that the upgrades to the facility for the 40-year recertification are on track to be completed by September 2021.*

According to the County Attorney's Office (CAO), the subordination or waiver of lien rights for tenants requires Board approval, unless the Board has delegated such authority to a particular department/director. As the Board has not done so for MDAD, it requires Board approval. The CAO also confirmed it was not aware of any other subordination or waiver of lien rights for any other entities than those referenced above. OCA inquired about the existence of a formal process for the vetting and consideration of requests for waiver or subordination of lien rights to personal property, and MDAD advised that a formal procedure does not exist.

As noted in the mayoral memos for these agenda items and a [supplemental report](#) to one of the items, it is typical for a lender to require a landlord to subordinate its lien rights to real or personal property in the case that the tenant defaults on the loan; as real

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property at the airport cannot be pledged, personal property located at the leased premises may be used as collateral. As evidenced above, it has been the policy of the Board to approve subordinations or waivers of the County's Landlord Lien Rights to help tenants obtain financing for improving their facilities or purchasing additional equipment, when the tenant is current in its rent and the required security deposit is on file with MDAD. The security deposit can be used to cover payment of whatever amounts may be due, rather than seizing the assets, selling them at public sale, and attempting to cover the unpaid amounts through the proceeds of the sale, which are uncertain and may or may not cover the unpaid amounts. As opposed to a waiver (which is a complete release of lien rights), a subordination places the County in a second position behind the Lender, which offers the County an opportunity to recover whatever may be left over if the Lender does not have to dispose of all of the assets.

The fiscal impact for the previous Board-approved items confirmed that the County did not receive any direct monetary return for granting a waiver or subordination, but the County does benefit from being able to assist with the growth of the local aviation industry and the community.

ADDITIONAL INFORMATION

Firm Overview

iAero Thrust, LLC (iAero Thrust) provides a range of aircraft engine Maintenance, Repair, and Overhaul (MRO) services, including end-of-lease inspections; engine parts repair and overhaul, and complete engine repair and overhaul. The company has been operating at Miami International Airport (under different names/ownerships) since 1946. The current lease agreement with iAero Thrust is in effect until January 1, 2028 and generates approximately \$512,642.04 in annual revenue to the County.¹ Under construction at the same site is the iAero Thrust Engine Test Center, which is anticipated to be open later in 2021.

General Business Information	
Corporate Registration	Active For-Profit Florida Limited Liability Corporation
Principal Address	5300 N.W. 36 th Street, Building 863 Miami, FL 33166
Principals/Officers	David Doerr, Chief Operating Officer Robert Caputo, Managing Director
Date Filed	October 15, 2010 (as AeroThrust Holdings, LLC) February 4, 2020 (Name change to iAero Thrust, LLC) ²
Workforce	30 employees (As of 8/15/20)*
Annual Revenues	\$7,734,773 Estimated (Revision date: 8/15/20)
Standard Industry Classification (SIC) Code	7699 2200 – Aircraft and Heavy Equipment Repair Services

Sources: [Sunbiz.org](https://www.sunbiz.org); Dunn & Bradstreet, June 8, 2021.

*Dunn & Bradstreet data for the past 3 years indicates there are 30 employees, but Aero Thrust's [website](#)

¹ A 10-year lease was approved by the Board on June 5, 2018 via [Resolution No. R-585-18](#), but the mayoral memo for the latest agenda item ([Legistar No. 210981](#)) states that the lease ends on January 1, 2028, while page 8 of the item states that the lease terminates on April 30, 2028. A substitute item to correct the dates is shown as Legistar No. 211368 on the intra site.

² The mayoral memo for [Legistar No. 210981](#) states that the name change occurred in 2019.

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and the mayoral memo for [Resolution No. R-585-18](#) makes reference to there being over 100+ employees. The final amended [resolution](#) from 2018 was just submitted in May 2021, as a result of a request from OCA.

Ownership History

This company has undergone name changes through acquisitions, but has not changed its business operations:

- 1946 – Air Carrier Engine Services, Inc.
- 1982 – AeroThrust Corporation
- 2010 – AeroThrust Holdings, LLC
- 2020 – iAero Thrust, LLC

Background

In 1946, Air Carrier Engine Services, Inc. (ACES) opened for business at Miami International Airport. On December 16, 1946, ACES received its Repair Station Certificate #3604 from the Civil Aeronautics Administration (predecessor to the FAA) to service aircraft engines. ACES was then acquired by AeroThrust Corporation, a company incorporated in Delaware; in 1982, its name was changed to the same (AeroThrust Corporation).

In December 2009, AeroThrust Corporation filed a Chapter 11 reorganization petition in Wilmington, Delaware; however, the reorganization failed and a liquidation occurred instead. At the time of the bankruptcy declaration, it was reported in the [South Florida Business Journal](#) that its business was heavily impacted by the September 11 terrorist attacks and, after 2008, high oil prices and the recession hurt the company's revenue and profitability. In 2010, AeroThrust Holdings, LLC (AeroThrust Holdings) acquired the Miami-based AeroThrust in the bankruptcy proceedings. AeroThrust Holdings had completely different corporate officers/principals than AeroThrust.

As a long-term tenant at MIA (Building 863 and Building 703A), AeroThrust had not complied with industrial waste permits (IWPs) for its plating facility that it was required to obtain from then-DERM. In 2011, MDAD asserted various claims against Aerothrust in the bankruptcy proceedings, totaling \$2,475,204.67:

- A Chapter 11 administrative claim of \$230,000 for environmental clean-up related to Buildings 863 and 703A;
- A Chapter 11 administrative claim of \$70,444.93 for AeroThrust's use of the buildings in April, May, and June, plus July 1-19, 2010;
- A Chapter 7 administrative expense claim of \$44,491.53 for the Chapter 7 use of the buildings from July 20 through July 31, 2010;
- A pre-petition claim of \$1,290,961.21 for rents and other obligations arising out of the pre-bankruptcy use of the buildings; and
- A pre-petition claim of \$839,307.00 arising out of AeroThrust's failure to leave the buildings in the state of repair required by the leases.

For MDAD to secure as much as possible as a creditor to AeroThrust in the bankruptcy proceedings, the Miami-Dade Board of County Commissioners (Board) approved a Settlement Agreement via [Resolution No. R-395-11](#)³ with the Chapter 7 Bankruptcy

³ This resolution was placed on the agenda by the County Attorney's Office. The item appears to have been approved as part of the Board's consent agenda with no discussion.

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Estate of AeroThrust, PNC Bank (the secured party of AeroThrust's assets); AeroThrust Holdings LLC (the successor to and purchaser of AeroThrust's assets), and the County (MDAD and DERM), which, among other things, provided that:

- AeroThrust Holdings would execute five-year leases for both buildings (generating rental revenue for MDAD); and
- \$230,000 would be made available to the County for AeroThrust Holdings to complete the environmental cleanup, with AeroThrust Holdings being responsible for costs in excess of that amount (as full payment of past rents due).

In 2018, AeroThrust Holdings, LLC was acquired by iAero Group, a privately-held aerospace company which also acquired airframe MRO Miami Tech Aircraft Maintenance in 2018 and Swift Air (a charter airline) in 2019. These companies were rebranded as iAero Thrust, iAero Tech, and iAero Airways, respectively. AeroThrust Holdings officially changed its name to iAero Thrust in February 2020. Blackstone Group, an investment management company based in New York with an office in Miami, is a minority equity owner of iAero Group.

Due Diligence Findings

- AeroThrust Corporation (an inactive corporation) and iAeroThrust were showing on the Finance Department's Delinquent Contractors report:
 - AeroThrust Corporation had outstanding receivables of \$1,636,505.40 due to MDAD (more than 365 days old, as of February 28, 2021) – According to the report, this account was written off, meaning the department took it off its books as an accounting transaction, but the Finance Department noted that it does not preclude the County from collecting the debt.
 - iAero Thrust had outstanding receivables of \$94,679.78 due to MDAD (more than 180 days old, as of February 28, 2021).

In response to OCA's inquiries regarding these delinquencies, MDAD confirmed that, as a result of the Settlement Agreement referenced above ([Resolution No. R-395-11](#)), the accrual of \$1,636,505.40 (representing rent and delinquency charges) on AeroThrust Corporation's account was written-off. MDAD also noted that this liability was not attributed to AeroThrust Holdings, LLC, which was formed in October 2010 by a different ownership group from AeroThrust Corporation. As of June 8, 2021, iAero Thrust is indebted to MDAD for \$20,889.78, but this arrearage is due to rent deferred under a COVID-19 relief agreement executed by the company which it has until July 30, 2021 to settle.

- There were no adverse findings related to this firm's principals/officers. iAero Thrust's corporate officers, David Doerr and Robert Caputo, serve on the Board of Directors for iAero Group. Mr. Caputo is also the sole corporate officer for iAero Thrust Engine Test Center, LLC.
- iAero Thrust is not currently registered as a vendor with Miami-Dade County and has no active lobbyist registered on its behalf with the Clerk of the Board.
- There is one open lawsuit against iAero Thrust (*Starr Indemnity & Liability Company v. iAero Thrust LLC*) in which the Plaintiff (the Insurer) is seeking a declaration that it has no duty to defend the Defendant (the Insured) in an underlying lawsuit under the policy, and reimbursement of the attorney's fees and costs paid by the Plaintiff to the Defendant's counsel (totaling \$1,634,161.27). On April 21, 2021, an extension of certain pre-trial deadlines was requested by both parties until September 2021.

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- At a July 6, 2017 Board meeting (3:44pm) regarding [Resolution No. R-675-17](#)⁴, MDAD stated on the record that the environmental cleanup as required by the bankruptcy settlement was satisfactorily performed and paid for by PNC Bank (the bankruptcy Trustee).
- An audit found that AeroThrust Holdings had been occupying additional space in the building for storage purposes. The company entered into a payment plan on April 5, 2018 to pay MDAD \$163,605.67 on April 9, 2018, which was paid, and \$37,796.84 in 11 monthly payments thereafter to meet the additional space rental payment obligation. On May 21, 2021, MDAD confirmed that the obligations were paid in full, but the department was not able to locate a copy of the audit.
- On January 26, 2021, [Miami-Dade County Public Schools](#) announced George T. Baker Aviation Technical College's partnership with iAero Group to enhance aviation maintenance technician/mechanic training and address the global shortage of long-term technicians and mechanics. iAero Group donated a Lear Jet and a plane engine to improve the quality of students' hands-on training experience. The company will also bring employee mentors and guest speakers, and sponsor visits to iAero Group's different facilities.

⁴ The final amended version of this resolution is not available in Legistar as it was never submitted to the Clerk's Office.

CONTRIBUTORS

Phillip G. Edwards, Esq., Research Manager
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The Office of the Commission Auditor, Miami-Dade Board of County Commissioners

The Office of the Commission Auditor (OCA) was established in September 2002 by Ordinance 03-2 to provide support and professional analysis of the policy, service, budgetary and operational issues before the Miami-Dade Board of County Commissioners. The Commission Auditor's duties include reporting to the Board of County Commissioners on the fiscal operations of County departments, as well as whether the fiscal and legislative policy directions of the Commission are being efficiently and effectively implemented.

These research notes, prepared in collaboration with the Miami Dade County departments as subject matter experts, is substantially less detailed in scope than an audit in accordance with the Generally Accepted Auditing Standards (GAAS). The OCA plans and performs the review to obtain sufficient, appropriate evidence to provide a reasonable basis for its findings and conclusions based on its objectives; accordingly, the OCA does not express an opinion on the data gathered by the subject matter expert(s).