

# Encouraging Aircraft Buyers to Have Patience - Trust the Process



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In all types of transactions, you run into the phrase “time kills deals” and I actually believe that can be the case with aircraft purchases, especially when there is limited inventory, such as we are facing in certain aircraft categories in 2021. When it takes weeks to draft an initial purchase agreement or return comments on a purchase agreement, those avoidable delays can impact the success of an aircraft purchase. But lately I have encountered what I consider to be artificial deadlines that put unnecessary pressures on aspects of the Aircraft purchase process.

In a typical aircraft purchase transaction, after the purchase agreement is executed by the parties, the Aircraft is moved to an inspection facility and undergoes a pre-purchase inspection, the scope of which the parties have usually already agreed upon. However, neither party really knows with absolute certainty how long the inspection is going to take nor what is going to be found during the inspection and thereafter, how long the correction of discrepancies will take. Recently, during purchase agreement

negotiations, I was asked to state that the inspection would not take longer than 7 days. As long as the parties agree on the scope of the inspection prior to the start of the inspection, I don’t understand or accept why the purchaser would or could possibly commit to the amount of time the inspection will take. While there is an estimated number of days from the inspection facility the purchaser does not control the schedule of the inspection facility or its workers.

Additionally, I have been asked to establish a hard closing date by which time the transaction must close. Depending on the date selected, this can be reasonable as the parties don’t want to be committed to a transaction for numerous months, but again it must be done in a way that the purchaser is not obligated to commit to a process and timeline that is outside of their control. Neither the purchaser nor the seller know at the time the purchase agreement is executed what discrepancies will be found or how long it will take to repair the discrepancies in order to return the aircraft to service. If there is a hard closing date established by the parties that can’t be achieved once the process has started (through no fault of either party), then either the agreement will terminate or the parties will have to agree to amend the purchase agreement.

Finally, more and more frequently, I have been seeing many purchasers enter into an agreement to purchase an aircraft and start planning to use the aircraft for a specific flight in the future. This creates an unnecessary stress on

the aircraft purchase process. Because of this self-imposed deadline, the purchaser may be willing to accept the aircraft and take delivery of it before all of the inspections that should be done to confirm the condition of the aircraft are completed or elect not to have all of the discrepancies fixed prior to close (if they are not airworthiness items). While such decision may be satisfying in the short term in order to be able to use the new aircraft for the planned flight, the costs associated with such decision to close early, could end up being substantial.

Generally speaking, it is important that both parties are committed to closing the transaction as quickly as possible. However, forcing specific dates into an uncertain process simply adds unnecessary stress, possible defaults and pressure to accept an aircraft in a condition that is less than required by the purchase agreement. At the start of the process the parties, particularly the purchaser, should understand that there are variables in the process which cannot be predicted. The purchase timeline is fluid and an unwillingness to allow the process to follow the normal course, could end up costing the purchaser more than they bargained for. ■

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