

Preparing your Aircraft for Sale



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Once a decision has been made to sell an aircraft, there are certain steps that should be taken in order to make sure the aircraft is ready to be sold. By taking these steps in advance, you will make the sales process easier and will avoid losing a potential sale.

1. Company Status. A business search should be done on the secretary of state website where the selling entity is registered. The selling entity needs to be active and in good standing. If it is not, the selling entity will need to take steps to bring the entity back to an active and good standing status with the state of registration. A sale agreement should not be signed unless the entity is in good standing, since most sales agreements contain a representation that the selling entity is in good standing.

2. Title Searches. For a few hundred dollars, a title search (for both the Federal Aviation Administration ("FAA") and International Registry ("IR")) can be prepared by any of the law firms or aircraft title companies in Oklahoma City, where the FAA registry is located. More often than you might expect, there are liens on an aircraft that the seller did not know about. Clearing an aircraft title of old liens can be time consuming, especially when the lienholder no longer exists, has changed names, or has been acquired by another company.

3. Aircraft Records Organization (paper and electronic). The keeper of the aircraft records should be tasked with making sure all entries in the log books and computerized

maintenance tracking system are complete and up to date. The paper aircraft records should be organized and reviewed to make sure there are no missing entries. All aircraft records should be gathered and centralized so that when it is time to ship the aircraft records for the pre-purchase inspection, there won't be a delay.

4. Specifications Sheet. When the aircraft is listed for sale a specification sheet which describes the aircraft will be developed for marketing purposes. It is imperative that this specification sheet is reviewed by technical experts to make sure the aircraft is being advertised correctly. In some instances, the specification sheet is added to the sale agreement as an exhibit and the seller agrees that the aircraft will be in the condition detailed in the specification sheet at the time of closing. If the specification sheet is not accurate, it could cause the buyer to negotiate a lower purchase price, demand the aircraft be as advertised, or terminate the sale.

5. Loose Equipment. A list should be prepared showing all of the loose equipment being sold with the aircraft. This way there is no debate as to which loose equipment is being sold with the aircraft and which items the seller is allowed to keep.

6. Inspections. All upcoming inspections should be performed and if there is any deferred maintenance it should be brought current. During the sale process, the buyer may request that seller handle all inspections through a certain future date. Therefore it is a good idea to understand what inspections are coming due in order to understand the economic impact of the item being requested.

7. Registration Number. It is important to decide if the registration number currently on the aircraft is going to be retained for future use by the seller. If so, I recommend starting the process to change the registration number and retain the old number even before listing the aircraft for sale, or as you are listing the aircraft for sale. It can take 6-8 weeks for the FAA registry to process the change request and issue the 8050-64 form which allows the

registration number to be changed. Therefore the change request should be made early in the process in order to complete the process prior to sale.

8. Loaner Equipment. If there is any loaner equipment on the aircraft it should be disclosed as part of the sale process. For example, if an engine overhaul is taking place and a loaner engine is currently on the aircraft, arrangements need to be made with the service provider to transfer all agreements to the new owner as part of the sale process.

9. Maintenance Programs. If the aircraft is on any parts programs, APU, engine programs, or the like, the program provider should be contacted to confirm that the programs are paid current and there are no deferrals or deficits on any programs. Any deferrals or deficiencies will need to be resolved by the seller.

10. Building the Sales Team. When you are ready to list the aircraft for sale, you should hire an aircraft broker/consultant to handle the listing for you who has a good understanding of the market for your particular aircraft. This aircraft broker/consultant will be able to help you set a realistic sale price, market the aircraft and handle the logistics of the sale for you. Additionally, you should also have an aviation attorney on retainer who is ready to immediately review a letter of intent or draft a sale agreement when an offer arrives.

By taking the steps above, including building the right sales team, buyers will find less fault with the aircraft and be more willing to buy your aircraft. A properly pre-planned and organized aircraft sale can help make the sales process straightforward and more efficient. ■

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