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# What You Need to Know When Buying a Pre-owned Aircraft

by John T. Van Geffen

Would-be bizjet owners are increasingly dipping their toes back into the market, buying up the vast inventory of used business aircraft currently available. While you will find some of the most attractive prices the industry has seen in years, there are important issues to consider before you sign-up. *FlyCorporate* turned to industry expert and lawyer, John T. Van Geffen of Michael Dworkin and Associates, for a rundown of the fundamentals of buying used aircraft:

All too often, buyers discover that their "perfect" aircraft has some defect that they did not know about when they made the purchase. In rare cases, curing that defect can be impossible. In other cases, it can cost as much (or even more) than the aircraft itself.

Unlike automobile purchases, there are no established protections for aircraft

buyers. The prospective owner is responsible for inspection and making sure the aircraft is airworthy. Airworthy means that the aircraft conforms to its type certificate (TC).

An aircraft only conforms to its TC when its configuration and the components installed are as described in the drawings, specifications, and other data

that are part of the TC. A type certificate may also include Supplemental Type Certificates (STC) for new components installed since the aircraft was built, Airworthiness Directives (AD) issued by regulatory bodies, and field-approved alterations that have been incorporated into the aircraft. The aircraft must also be in a condition for safe operation.»



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## Purchase Agreement

A precise and thorough purchase agreement is needed to ensure you are buying an aircraft that is airworthy and not a flying money pit. The purchase agreement is a written document that contains a detailed identification of the parties involved in the transaction; a description of the aircraft and its installed equipment; details of total times/cycles on the airframe, engine(s) and components with a limited lifetime; procedures for pre-purchase inspections, sale closure and delivery; appropriate warranties; and details of remedies to be undertaken if any of the terms of the purchase agreement are breached.

The purchase agreement should also contain a warranty that the aircraft has a clear and marketable title. Called a title search, this information can be provided by an aircraft title company or through your aviation attorney. If your aircraft has been registered outside the United States, a search of each of the foreign registries and the international registry (established under the Cape Town Convention) would be appropriate. If your aircraft is registered in the US, the only way to ensure it has a clean title is through an FAA title search.

The title search will reveal the identity of the registered owner and any second parties, any recorded liens, all previous owners (even those the seller may not disclose) or any defects in the chain of title. Sometimes buyers discover that the seller may not actually be the person lawfully entitled to sell the aircraft. A title report may be the only way to accurately acquire this information.

## Pre-purchase Inspection

A pre-purchase inspection should also be carried out before the sale is finalised. Aircraft must be inspected every year, so it is possible that the sale will coincide with one of these annual inspections. However, you should beware of aircraft advertised as having a "fresh annual." Often these are performed by a friend of the owner and may just be window dressing for the sale. Done correctly, a pre-purchase inspection should include:

- A written pre-purchase inspection agreement.
- An inspection protocol defined by the buyer and that includes the manufacturer's restrictions for continued airworthiness as guidance.
- The buyer's selected (and certified) mechanic or repair station.
- A detailed audit of the aircraft, its engines, component logs and historical records.»

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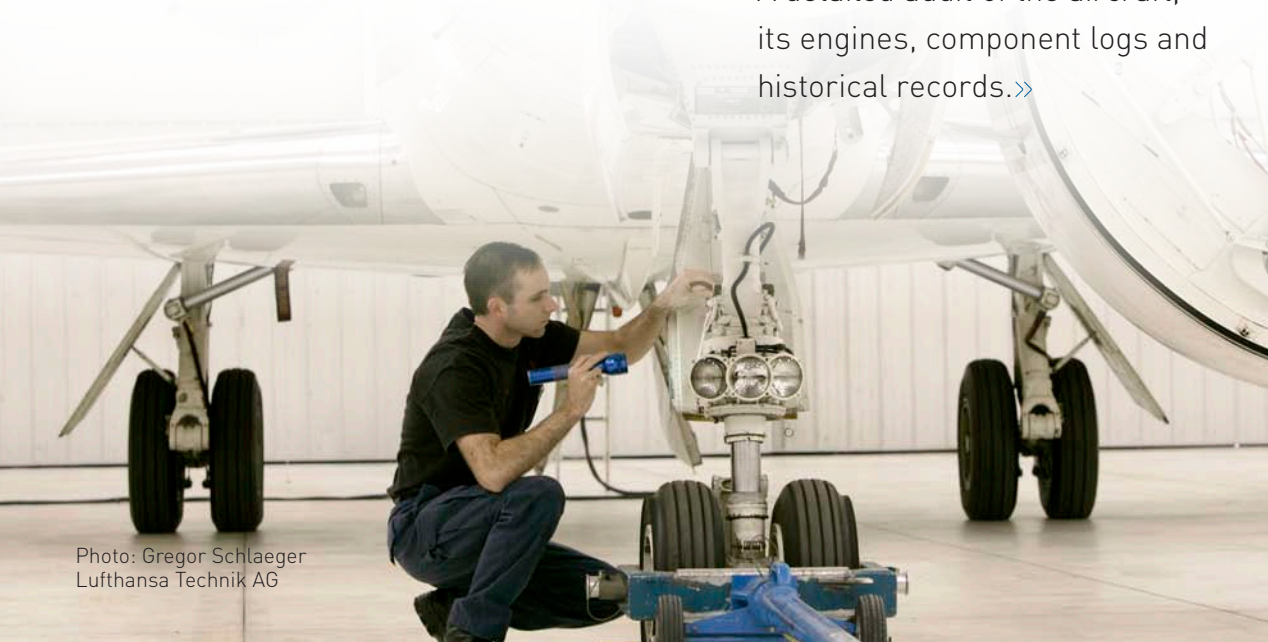
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### Major Repair or Alteration Form

Any alteration that changes the weight and balance of the aircraft must be reported on a Major Repair or Alteration Form (for example, in the US this is FAA form 337). The alterations must be in compliance with the requirements of your national certifying authority, such as EASA in Europe or the FAA in the US. Compliance occurs when approved maintenance is reported to that authority. If the work is not done properly or is not reported, the aircraft is not airworthy.

A detailed records audit should be carried out to ensure that all items have been reported on the 337 form. Engine, propeller and maintenance log books should also be checked to ensure that entries are accurate. All equipment that has been installed on the aircraft must be inspected to insure against unlawful and unreported maintenance and to ensure that an approval exists for each such installation.

### Warranties

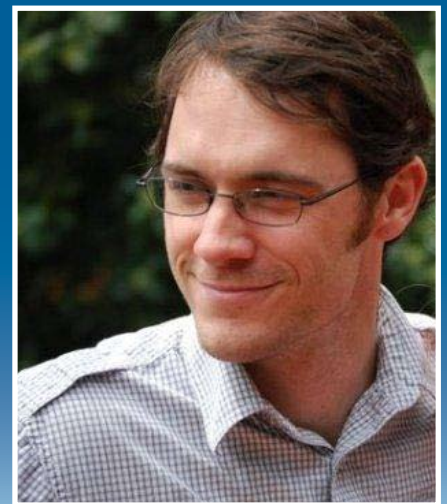
Once the pre-purchase inspection is completed and you have decided to buy the aircraft, warranties will further ensure that your investment is protected. The main warranties you will need are:

<b>Warranty of Airworthiness</b>	Ensures that the aircraft is airworthy and if it is not, that the seller will cure all defects to make the aircraft airworthy.
<b>Warranty of Title</b>	Conveys clear and marketable title and imposes upon the seller the obligation to correct any and all discrepancies
<b>Warranty Bill of Sale</b>	Protects the buyer by ensuring that the person acting as seller is actually legally allowed to sell the aircraft and is conveying clear and marketable title.

If you are thinking of buying an aircraft, protect yourself in the beginning by taking the proper steps, it will be well worth your investment. ■

#### About the author

John T. Van Geffen was admitted to the California Bar in 2006 after graduating from Santa Clara School of Law where he concentrated in International Law and Global policy. He currently serves as the Western-Pacific Regional VP of the NTSB Bar Association and frequently speaks before various Northern California Pilot Associations. Michael Dworkin and Associates has more than 34 years of experience specializing in regulatory, commercial and civil aviation law.



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