

Aircraft Associates' Acquisition Process

When a client engages Aircraft Associates to assist them in acquiring a suitable aircraft, typically they already have an aircraft type in mind, sometimes even a specific aircraft, and just need our expertise to help guide them through the acquisition process. Sometimes however, when we take the time to find out how the client came upon the airplane they want to buy, we learn that some critical questions about the aircraft and how it is to be used were overlooked. Often we find that many buyers look for an airplane that will meet their needs 100% of the time when, in fact, a different and less expensive airplane will not only meet their mission profile 90% of the time at a lesser cost, it is actually a better airplane for the mission.

Furthermore, for the first-time aircraft buyer, most are unfamiliar with the acquisition process and don't realize that buying an airplane is far more complicated than buying a house... albeit with a seemingly infinite amount of variables that affect both cost and value.

For these reasons, we've taken the time to put together a list of questions that should be answered when you are considering the purchase of an airplane. We've also outlined the acquisition process so that a potential buyer understands *exactly* how the process works and can gauge if they are qualified to undertake the task on their own. To potential buyers that choose to "go it alone," we would offer that our acquisition clients typically see a return on the fees they pay Aircraft Associates of 200% or greater, due almost exclusively to our market knowledge.

I. Assess the Buyer's Pilot Qualifications

i. Is the Buyer a pilot and if so, what airman certificate does he or she possess?

- 1. Not a pilot*
- 2. Student Pilot*
- 3. Sport Pilot*
- 4. Recreational Pilot*
- 5. Private Pilot*
- 6. Flight Instructor*
- 7. Commercial Pilot*
- 8. ATP / Airline Transport Pilot*

ii. What pilot ratings does the potential aircraft buyer possess?

- 1. No Ratings*
- 2. Instrument Rating*
- 3. Instrument Instructor*
- 4. Multi-engine Rating*
- 5. Multi-engine Instructor*
- 6. Seaplane Rating*
- 7. Helicopter Rating*

- iii. *What aircraft endorsements does the potential aircraft Buyer possess?*
1. *Tailwheel Endorsement*
 2. *High Performance Endorsement*
 3. *Complex Aircraft Endorsement*
 4. *High Altitude Endorsement*
- iv. *What is the level of the Buyer's flight experience?*
1. *No flight experience*
 2. *Student pilot experience only*
 3. *0 – 500 flight hours*
 4. *500 – 1000 flight hours*
 5. *1000 – 1500 flight hours*
 6. *1500 – 2000 flight hours*
 7. *2000 – 5000 flight hours*
 8. *Greater than 5,000 flight hours*
- v. *What is the potential Buyer's flight experience in years?*
1. *1 – 2 Years*
 2. *2 – 5 Years*
 3. *5 – 10 Years*
 4. *10 – 15 Years*
 5. *15 – 20 Years*
 6. *30 – 30 Years*
 7. *30 – 40 Years*
 8. *Greater than 40 Years*
- vi. *What is the potential Buyer's pilot-in-command flight experience in the Make and Model of airplane he or she is looking to acquire?*
1. *No Experience*
 2. *Introductory (less than two hours PIC)*
 3. *5 – 10 hours PIC*
 4. *10 – 20 hours PIC*
 5. *20 – 30 hours PIC*
 6. *Greater than 30 hours PIC*

II. Assess the Buyer's Aircraft Ownership Experience

- i. *Is this the potential Buyer's first aircraft ownership experience?*
1. *Yes*
 2. *No*

- ii. *If the potential Buyer has owned an aircraft before, please select the type.*
 - 1. *Single-engine fixed gear*
 - 2. *Single-engine high performance*
 - 3. *Single-engine complex – normally aspirated*
 - 4. *Single-engine complex - turbocharged*
 - 5. *Single-engine - turbine*
 - 6. *Multi-engine piston*
 - 7. *Multi-engine turbine*
 - 8. *Multi-engine turbine*
 - 9. *Other*
- iii. *Is the Buyer knowledgeable about common aircraft maintenance items and their related cost?*
 - 1. *Yes*
 - 2. *No*
 - 3. *Not certain*
- iv. *Does the Buyer understand the differences in aircraft insurance coverage?*
 - 1. *Yes*
 - 2. *No*
 - 3. *Not certain*
- v. *Does the Buyer have a shop that they've worked with in the past?*
 - 1. *Yes*
 - 2. *No*

III. Assess the Buyer's Mission Profile

- i. *IFR or VFR operation*
- ii. *Day or night operation*
- iii. *Over water or mountain operation*
- iv. *Business or pleasure*
- v. *Average stage length*
- vi. *Average number of passengers*
- vii. *Average payload requirements*
- viii. *Planned destinations*
- ix. *Airport specifications required*

IV. Determine Suitable Aircraft Based On Mission Profile

- i. *Single or multi-engine*
- ii. *Piston or turbine*
- iii. *Range requirements*
- iv. *Takeoff and landing distances*

- v. *Cost of operation*
- vi. *Qualified maintenance availability*
- vii. *Aircraft equipment requirements or “needs”*
- viii. *Buyer’s desirables or “wants”*

V. Determine Most Advantageous Ownership Structure

- i. *Individual*
- ii. *Co-ownership*
- iii. *Partnership*
- iv. *Corporate or LLC*
- v. *Other*

VI. Develop A Five Year Ownership & Operating Budget

a. *Fixed Costs*

- i. *Hangar*
- ii. *Insurance*
- iii. *Pilot training*
- iv. *Periodic maintenance*
- v. *Software update services*
- vi. *Aircraft modernization*

b. *Variable Costs*

- i. *Engine reserves*
- ii. *Aircraft parts*
- iii. *Fuel*
- iv. *Lubrication*
- v. *RON and landing fees*

VII. Conduct Nationwide Off-Market Aircraft Search

- i. *Direct mail*
- ii. *Email blast*
- iii. *Online industry publications*
- iv. *Online industry websites*

VIII. Qualify Potential Aircraft Candidates

- i. *Has the aircraft been flying actively?*
- ii. *Are the logbooks complete and original?*
- iii. *Does the airplane have any known damage history?*
- iv. *Is the aircraft “in annual?”*
- v. *Has the airplane been hangared?*
- vi. *Does the aircraft have any internal or external corrosion?*
- vii. *Does the airplane require any maintenance?*
- viii. *Does the aircraft require any equipment upgrades?*
- ix. *Has the seller completed the Seller Questionnaire*

IX. Determine an “Offer Price” for the Aircraft

- i. *Based upon a value appraisal*
- ii. *Based upon the Buyer’s “must haves”*
- iii. *Based upon a five year exit strategy*

X. Assess Seller Interest based on Offer Price

- i. *No interest – Pass on the aircraft*
- ii. *Moderate interest – Request information*
- iii. *Extreme interest – Schedule an onsite visit*

XI. Request the Aircraft Records

- i. *Aircraft spec sheet*
- ii. *Complete digital logbooks*
- iii. *Detailed digital pictures*
- iv. *Aircraft modifications & equipment list*
- v. *337 forms*
- vi. *Current weight & balance*

XII. Conduct a Thorough Records Review

- i. *Identify and evaluate potential problematic areas based on the logbook review*
- ii. *Adjust the initial aircraft value appraisal*
- iii. *Identify additional equipment not identified on the spec sheet*
- iv. *Adjust the initial aircraft value appraisal based on the records review*

XIII. Conduct an Online Search of Government Records

- i. Aircraft registration*
- ii. NTSB aircraft accident reports*
- iii. FAA aircraft registration & ownership history*

XIV. Determine Aircraft Specific Suitability

- i. Aircraft is not suitable – Notify the Seller*
- ii. Aircraft is not suitable at the initial offer price – Discuss the findings with the Seller*
- iii. Aircraft is suitable for further evaluation – Schedule a date with the Seller to conduct a pre-buy inspection*

XV. Engage an aircraft title company

- 1. Open a transaction file*
- 2. Provide copy of the Aircraft Purchase Agreement or APA*
- 3. Provide a refundable escrow deposit stated in the APA*
- 4. Request and evaluate the aircraft's title history*

XVI. If applicable, confirm Buyer's commitment of financing

- i. Bank name, contact name, address, phone number, ABA routing number, account number*

XVII. Identify a suitable maintenance inspection facility

- i. Obtain shop owner name, address, phone, email*
- ii. Obtain the shop's website*
- iii. Inquire about the shop hourly/flat rate*
- iv. Does the shop perform pre-buy inspections?*
- v. What is the shops experience with the aircraft being inspected?*
- vi. Can they provide a courtesy car? At what rate?*
- vii. Can they pickup the aircraft for inspection? At what rate?*

XVIII. Prepare the Required Paperwork

- i. *In advance of the pre-buy inspection*
 - 1. *Aircraft Inspection Report*
 - 2. *Delivery & Acceptance*
 - 3. *Warranty Bill of Sale*
 - 4. *Aircraft Registration*
 - 5. *Aircraft Bill Of Sale*

XIX. Conduct the Pre-Buy Inspection

- i. *In accordance with the aircraft manufacturer or type club recommended item list items*
- ii. *Identify all maintenance issues uncovered*
- iii. *Assess maintenance items cost to rectify and completion times*
- iv. *Classify maintenance items as airworthy (Seller's item) or non-airworthy (Buyer's item)*

XX. Execute Aircraft Inspection Report (AIR)

- i. *The aircraft is in the condition required for delivery*
 - a. *Aircraft is hereby technically accepted*
 - b. *Buyer or Buyer's agent executes the AIR*
 - c. *Buyer deposit becomes non-refundable*
 - d. *Buyer funds the remaining purchase amount with the title company*
 - e. *Escrow agent notifies the Buyer or/and Buyer's Agent of receipt of funds*
- ii. *The aircraft is satisfactory subject to conditions*
 - a. *In accordance with the aircraft purchase agreement*
 - b. *Buyer or Buyer's agent executes the AIR*
 - c. *Buyer deposit becomes non-refundable*
 - d. *Shop provides list of airworthy items from the pre-buy inspection*
 - e. *Seller remediates all airworthy discrepancies*
 - f. *Airworthy discrepancies are at seller's sole expense*

XXIII. Closing

- i. Buyer or Buyer's Agent notifies the title company of the desired date and time to close the transaction
- ii. Title company requests written authorization from the buyer to disburse funds
- iii. Buyer provides written authorization via email for the title company to release the funds held in escrow to the seller
- iv. Title company wire transfers funds held in escrow to the seller
- v. Seller confirms receipt of funds transferred by the title company with the Buyer or Buyer's Agent
- vi. Transaction is now closed
 - a. Liability for the aircraft is transferred to the buyer
 - b. Title company provides the buyer with the executed Bill of Sale from the seller and records the transaction with the FAA
 - c. Title company provides the buyer with an executed Aircraft Registration form and records the registration with the FAA
 - d. Title company provides all closing records to both buyer and seller including a settlement sheet for the transaction

XXIV. Post-Closing Items

- i. Buyer or Buyer's Agent executes the Delivery & Acceptance form for the Seller