

## Who's your buddy?

I think it is fair to say that most individuals and corporations who purchase aircraft do an excellent job. They know what aircraft they want to purchase; they have searched for a very long time to find the right aircraft; they obtained the proper financing and close the deal with few issues. Unfortunately, there are many aircraft buyers who are first time buyers or do not have a clue about the process involved and who make questionable decisions about an aircraft purchase. While it is difficult to believe, some buyers simply ask "How much?" and write the check – few if any questions are asked. They wind up buying an aircraft they cannot afford or making uninformed decisions. These same buyers may not have even looked at or flown the aircraft before the deal is completed. Needless to say there are many horror stories out there but many of these could be prevented. Part of the problem is knowing who to trust and how to get the help you need to make the final decision. Here are a few of the individuals (or groups) you will encounter along the road to a successful aircraft purchase. This is not an exhaustive list but it should cover the major players in a generalized manner. Some of the individuals can help you and some are out to simply complete the deal. These generalizations are not meant to attack any particular group or person but it is important to understand someone's motivation before writing a check or traveling hundreds of miles to see an aircraft that is misrepresented. Before reading further, you should also note that these are my opinions formed from personal observations and experiences.

**The aircraft seller:** Individuals who have an aircraft to sell have most likely answered many telephone calls or emails before you finally get in touch with them. Do not be surprised if they are frustrated and simply ask for you to show up on the ramp with a cashier's check in hand. After all, they have taken personal time to show their aircraft to many people and have taken many prospects on a flight only to have someone say they are not really interested. Selling an aircraft can be frustrating in and of itself. Part of this frustration may come from misrepresenting the aircraft or overpricing but I think it is fair to say that the seller does not have the buyer's interests in mind. I was looking for an aircraft several months ago and one owner/seller told me the aircraft was out of annual and did not have the instruments certified for IFR flight. When I stated that those items would need to be corrected as part of the purchase agreement, the seller downplayed the seriousness of these items and suggested that I fly the aircraft halfway across the country and deal with these items after the deal is closed. After all, he had done it with a previous aircraft he purchased and it all worked out fine! *Riiiiight* – and there is also a bridge in Brooklyn for sale!!! I have personally seen too many cases where this did not work out OK and the whole thing winds up in court as part of a lawsuit.

All things considered, there are two areas that buyers need to be aware of when dealing with an aircraft seller. The first deals with open disclosure and

representation of the aircraft. An owner may not fully disclose any problems with the aircraft but they should be able to tell you if anything presently needs to be corrected or if there is any damage history. The second deals with the willingness of the owner/seller to work with you to negotiate the purchase agreement (you should have one no matter what anyone tells you) and the related prepurchase inspection. Just remember that this individual wants to sell the aircraft at the best price and they are the present owners. Don't ask them to do something you wouldn't do yourself.

**The aircraft broker/dealer:** There is a difference between an aircraft broker and dealer – at least for the purposes of this article. A typical aircraft dealer pays quite a bit of money to have aircraft sitting on a showroom floor and they typically can assist with financing and filing all the necessary paperwork with the FAA – this type of service and convenience comes at a price. A broker may or may not have the aircraft in their possession and typically act as a seller's agent. I have dealt with honest members of both groups who are willing to work with buyers to find the aircraft they want at a reasonable price. I have also seen quite a few dishonest members of these groups who simply want to close the deal and handle any "issues" later. They have misrepresented aircraft completely or they have omitted items such as damage history. In one instance several years ago, a broker was attempting to sell a particular turbo prop as an executive aircraft. This particular aircraft also had a version that was a cargo turbo. The appraisal report characterized the aircraft as a cargo plane with a nice interior – which is what it was but it certainly was not valued at the level he planned to sell it for. In fact, it was about \$200K shy. In another instance, a well publicized broker asked me to falsify a report so that a deal could close. I refused and we never did business again.

I believe that it is fair to say that no one can buy and sell aircraft at fair market values and make money as a business – as is the case in vehicles. For a given aircraft, someone on either end of the deal winds up paying a commission (which is OK within reason since many dealers do incur expenses and need to make a profit) or being taken advantage of because they do not know the value of their aircraft. I have always had a fundamental problem with someone who has a financial stake in the deal telling me what the aircraft is worth – especially if their commission is tied to a percentage of the aircraft's selling price. Once again, the buyer is going to have to determine who is honest or dishonest and who they should trust and if the amount they are paying in commission is really worth it.

**The aircraft lender:** The only reason I include the aircraft lender here is because at some point, a buyer will most likely need to deal with one. Regardless of the ads and what they tell you, the aircraft lender is interested in only one thing – closing the deal and signing you up for payments. A good number of lenders simply take the dealer's/broker's word for the value of the aircraft (remember that aircraft that was \$200K below the selling price?) and they could care less if the aircraft is a pile of scrap aluminum. They typically are in

business to make loans on aircraft and they have little involvement in the satisfaction of your purchase other than the loan itself. While a buyer should shop around for the best terms and best interest rate, do not expect the lender to provide much assistance beyond financing. Many do not know the first thing about aircraft or aviation and a good number will not even have anyone look at the aircraft.

**The buyer's agent:** A buyer's agent works for the buyer and their services can involve everything from helping the buyer decide what aircraft they should purchase to finding and flying the aircraft, helping the buyer close the deal and even delivering the aircraft to the buyer's location. They typically have no financial interest in the outcome of the deal and they can quickly sort out the misrepresented aircraft from the true deals. Needless to say that a buyer's agent will not be in business for long if they do not provide a high level of customer satisfaction.

A buyer's agent's services do not come cheap and a buyer needs to know beforehand what services they need before an agent is sent off looking for an airplane. I have assisted customers once they have narrowed down the possibilities to two or three aircraft scattered about the country by providing them appraisal reports that detail the condition of the aircraft and its fair market value. This allows them to make informed decisions about which aircraft to pursue and what negotiating points to consider. A good agent will also assist in negotiating the deal. Spending a few hundred or even a couple thousand dollars for a buyer's agent typically saves several times that amount when considering the impact of making an uninformed or emotional decision.

The bottom line is that any buyer needs to clearly understand what someone is getting out of a deal financially before writing the check or falling in love with a particular airplane. Too many "love affairs" wind up in court because the buyer bought a great paint job and no one ever examined the log books to determine that the aircraft has major damage history or is presently damaged and unairworthy. When you find the airplane of your dreams, get it appraised by a professional appraiser (someone not tied to the deal) and have a prepurchase inspection completed (by a mechanic of your choice) at a very minimum. If you have the financial resources, look into getting assistance from a buyer's agent who is impartial to the deal and can provide an objective opinion.



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