



U.S. Department
of Transportation

Federal Aviation
Administration

Memorandum

Subject: SUBJECT: N3834X; Certificate of
Repossession by Seller After Buyer Default

Date: May 6, 1991

From: Assistant Chief Counsel, AAC-7

Reply to
Attn. of:

To: Manager, Aircraft Registration Branch, AVN-450

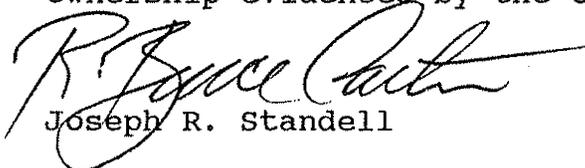
Civil Aircraft N3834X was registered to James Fleming on July 19, 1988. Then on July 7, 1990, he sold it to Trade Development Associates, N.A., Ltd. The Bill of Sale was filed with us in November 1990 and then registered per the application on November 9, 1990.

About the same time, however, the seller found he was not getting paid, and "repossessed" the aircraft. His attempts to locate the buyer were fruitless, as he has demonstrated to us with the returned correspondence (and as stated in his affidavit). In addition, our independent research tells us that Trade Development Associates has forfeited its corporate charter in Delaware, and lost its privileges to do business in Maryland for failure to pay franchise taxes.

The seller is attempting to register the aircraft in his name, claiming ownership by virtue of the equivalent of a Certificate of Repossession, customarily used in security agreements. But this one is based on his rights under the Uniform Commercial Code (UCC) Article on Sales, not the Article on Secured Transactions.

We are of the opinion that the rights of a seller, stated in UCC 2-703, 2-706, and the cases reported with those sections, permit the seller, upon default of the buyer, to repossess the goods identified to the contract, and by doing so, cut off any ownership rights of the defaulting buyer.

We are persuaded that the seller after such repossession may sell the goods, or may reregister in his own name. This registration would be required for further sales demonstrations, etc. Accordingly, we recommend the aircraft be registered to James Fleming in accordance with his Application and on his ownership evidenced by the Certificate of Repossession.


Joseph R. Standell

AAC-7:RBCarter:sd:x3296:5/6/91