



U.S. Department  
of Transportation

**Federal Aviation  
Administration**

Mike Monroney  
Aeronautical Center

P.O. Box 25082  
Oklahoma City, Oklahoma 73125

November 5, 1992

Antonio M. Sabino  
Soar Menden  
P.O. Box 1764  
Menden, NV 89423

Dear Mr. Sabino:

Aircraft N697U

This will respond to your recent inquiry regarding opinion regarding an encumbrance on the above referenced aircraft.

You have asked our opinion whether an "encumbrance" on the aircraft created by Conditional Sales Contract (Contract) between Theodore Melscheimer (Seller) and Douglas Soaring Club, Inc. (Buyer) will be discharged by the recordation of a bill of sale executed by the Seller.

You have explained, by way of background, that Theodore Melscheimer, a former owner, entered into the Contract with Douglas Soaring Club, Inc., a partnership in which you were a partner. The Contract was recorded with the FAA Aircraft Registry (Registry) on May 3, 1967. According to the Contract, title to the aircraft was not to pass to the Buyer until the contract balance was paid in full. You have explained that the Buyer completed payment of the contractual amount. Consequently, Mr. Melscheimer, as Seller, executed a bill of sale to the Buyer. However, this instrument was never recorded with the Registry. It is currently in the possession of the treasurer of the Douglas Soaring Club.

You indicated your concern that the Contract represents an encumbrance on the aircraft, in the absence of bill of sale from the Seller to the Buyer upon payment of the contract balance. You inquired whether recordation of the bill of sale executed by the Seller would cause the Contract to be "removed" from the registration records of this aircraft.

Based on our review of the Contract, the Contract did not explicitly provide for execution of a bill of sale from the Seller to the Buyer. Accordingly, the recordation of the bill of sale will not have any effect on the recordation of the Contract. As the instrument was a Conditional Sale Contract, it was sufficient evidence of ownership to support registration of the aircraft in the name of the Seller, pursuant to Section 47.11(a) of the Federal Aviation Regulations (FAR) (14 CFR 47.11(a)). Since the

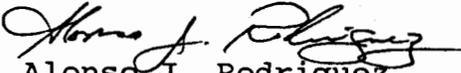
registration was completed at that point, recordation of the bill of sale would be redundant. In any event, the Contract can not be removed from aircraft registration records, as the FAA Aircraft Registry has no statutory or regulatory authority to removed recorded instruments.

For practical purposes, whether or not the Contract is an encumbrance on the aircraft is dependent upon the laws of the State in which the instrument was delivered. Pursuant to Section 49.17(c) of the FAR, the validity of any instrument which eligible for recordation, is governed by the laws of the State or possession in which the instrument was delivered (14 CFR 49.17(c)). As a consequence, the recordation of the Contract by the FAA Registry is not a decision by the FAA that the instrument in fact constitutes an encumbrance on the ownership of the aircraft. Accordingly, assuming that the Contract was delivered in California (as indicated by the addresses by the Seller and Buyer), that State's laws ultimately govern the matter of whether the Contract is, in fact, an encumbrance on the aircraft.

If you have additional questions on this matter, please feel free to contact the undersigned at (405) 954-3296.

Sincerely,

Joseph R. Standell  
Assistant Chief Counsel  
Aeronautical Center

By:   
Alonso J. Rodriguez  
General Attorney