



A Guide to Sharing a Microlight Aircraft as a Private Group

Introduction

Many BMAA members have decided that the most economical way to pursue their microlight flying career is to jointly own a microlight with another member. The joint owners can share the cost of insurance, storage and maintenance as well as saving on their capital investment. It can be a winner in many ways.

However, as well as the benefits of cost reduction there are also potential problems that can arise which need careful consideration before parting with your share to buy your microlight.

This guide is produced at the request of members to help them to be aware of things that should at least be considered before entering into a joint venture to own a microlight. We offer some suggestions, but ultimately it is down to each group to decide on just how they proceed.

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Getting Started

Group Name

The group should have a name. This may be used for banking and registration. It is common to use the aircraft registration within the group's name.

Example

- The group owning and operating microlight aircraft G-ABCD will be known as the "G-ABCD Group".

Number of Share Holders

The group must decide at the outset the number of shares available in the aircraft. The number of shares will determine the amount that each member will have to pay for the initial purchase and monthly and annual fees.

It is possible at a later stage to change the number in the group, for example if a member wants to leave, or if the group decides to increase the number to reduce fixed costs per head.

When the number of share holders changes the value of the share in equity will also change and this must be accounted for in the agreement.

Example

G-ABCD Group – Group size and equity

- Unless by agreement of all shareholders the number of shares available is four (4).
- Each share has one quarter equity in the aircraft and any funds accumulated and held in the group bank account.
- In the event that the number of shares is increased the payment for the additional shares shall be distributed between the existing shareholders. The equity value in the aircraft will then be the value of the aircraft and any associated funds divided by the number of share holders.
- In the event the number of shares is decreased by a member or members selling their share to the group then each member of the group shall equally contribute to purchase the share for sale and the equity of each remaining member will be the value of the aircraft and any associated funds divided by the number of share holders.
- For further details see Selling a Share

Home Base

Although it may seem fairly obvious it is well worth including in the agreement where the aircraft is going to be kept. This may seem obvious but there was a case where because it wasn't written one member of a group flew a shared aircraft to Jersey from its normal home in the Midlands and refused to bring it back. The end result was that another member had to go to Jersey to collect the aircraft. You can imagine that the group didn't function very well!

Example

G-ABCD – Home base

- The home base for the aircraft is XXXXXXXX Airfield.
- Unless by prior agreement of all members the aircraft must be returned to XXXXXXXX Airfield where it will remain parked overnight.

Aircraft Registration

All UK microlights have to be registered with the Civil Aviation Authority (CAA). The aircraft is allocated a registration consisting of letters, always prefixed by the letter G which is the UK designator, for example G-ABCD.

The details of the registration include the aircraft type, engine details, serial numbers and the name and address of the owner(s). For jointly owned aircraft there are two options of how the details of the owners can be registered. Each individual owner can be named on the registration document, or just one of the owners can be named as a trustee of the owning group. In this case only the trustee's name appears on the registration document and the other owners are listed on a separate list held by the CAA. The advantage of the trustee choice is that any changes to the group makeup only have to be notified to the CAA on a new listing and there is no cost. If all members are listed on the registration document and there is a change, a new registration application must be made and there is a cost each time a change is made.

Example

G-ABCD Group – Aircraft Registration

- The aircraft will be registered in the name of a group known as "GABCD Flying Group".
- One member of the group will be appointed as Trustee of the group for registration purposes.
- It will be the responsibility of the Trustee to maintain an accurate record of group members as required for registration of the aircraft and inform the CAA Aircraft Registrations Department of any changes to the group.
- Each member of the group is responsible for informing the Trustee of any changes to their details required for aircraft registration.

Finance

Agreed Value

It is wise to consider writing down an agreed value of the aircraft annually. The figure will be used when purchasing insurance with hull cover; it can also be used in possible payment disputes in the future. The agreed value does not force a share holder to restrict a sale to that value, but it could be the value of a share sold back to the group if that option is agreed.

Example

G-ABCD Group – Agreed Value

- Periodically, for the purpose of insurance valuation and in the event that the group chooses to purchase a share from a member, the aircraft and any non-monetary assets will be valued by the group. The value will be known as the Agreed Value.
- The Agreed Value will be reviewed and agreed annually.

Banking Arrangements

It is recommended that the group opens a specific bank account to hold funds and from which to pay costs. Some banks have special types of accounts for clubs or small societies.

For absolute clarity it is recommended that one individual in the group is tasked with managing the finance of the group, but that payments made from the group account require more than one member to make payments. This then protects the assets of the group in case the Treasurer decides to go to the Bahamas with the group's funds.

All members of the group should have the right to see the bank account records and any other documents dealing with funds at any reasonable time.

Example

G-ABCD Group – Banking Arrangements

- The group will open a bank account in the name of "GABCD Flying Group".
- One member of the group will be appointed Treasurer.
- The Treasurer will be responsible for ensuring payments due to be made to the group by group members are paid and properly recorded.
- The Treasurer will be responsible for ensuring payments due to be made by the group members are paid and properly recorded.
- All payments made by the group from the group bank account will require the signatures of two group members, one of whom shall always be the Treasurer.
- The Treasurer will provide a summary of the group's financial position to all group members at intervals of no longer than three (3) months.
- Any member of the group has the right to inspect the accounts of the group having given the Treasurer at least seven (7) days' notice.

Buying and Selling the Aircraft.

When starting a group purchase it makes sense for each member to have the same proportion of ownership in the aircraft. So, if four pilots form a group they have a quarter of the value of the aircraft each. They would pay a quarter of the purchase cost and any other costs in setting up the group.

If the group decided to sell the aircraft, maybe to fund another aircraft, then each group member is entitled to a quarter of the amount raised by the sale, not the same amount that they spent to buy the aircraft.

It is possible that there will be some funds that have accrued as the result of the hourly rate. That amount should be considered to be part of the value of the aircraft and additionally divided equally at the time that the aircraft is sold by the group after any costs have been covered.

There could be a time when several of the group members want to sell the aircraft, but one, or more others don't want to. The agreement must cater for this. Depending upon the number of members if a certain number want to sell the aircraft it should be possible to reach agreement.

Example

G-ABCD Group – Initial purchase and selling options

- The number in the group shall be 4.
- Each member of the group is to pay one quarter of the purchase price of the aircraft and any associated costs.
- Each member of the group has one quarter equity in the aircraft and one quarter liability for any fees or costs incurred by the operation of the aircraft except for costs arising from flying the aircraft which shall be covered by the hourly rate paid by the individual member.
- In the event that the group decides to sell the aircraft then each member of the group is entitled to one quarter of the value realised by the sale and one quarter of any funds remaining in the group's account following payment of all debts and costs.
- If the group's decision is to sell the aircraft and replace it then the group may decide to leave any funds in the group's account for use with the replacement aircraft.
- In the event that one or two members wish to sell their shares they will be obliged to offer them to the other members of the group first or, if not taken up within a reasonable time, sell them independently in accordance with the section of this agreement "Selling a Share".
- In the event that three members agree to sell the aircraft then the remaining member will be given the opportunity to purchase the three shares, otherwise the aircraft may be sold without the fourth member's consent.

Selling a Share

This is probably one of the most difficult clauses to put into an agreement that all members will agree with; but it is vital that the group agrees before spending any money.

At some time all group members will decide that they no longer want a share in a particular aircraft. This brings several problems to the member and the group. When selling a share can just anybody buy it, or does the group want to somehow approve the new group member? If so then it could be more difficult to find a suitable buyer if the group for some reason won't approve one or more individuals. There is some logic in this stipulation. There might be some personality trait in a potential purchaser that wouldn't fit in with the group, even a question over integrity or pilot skills.

What if the member has to leave the group because they can no longer afford to fly yet they haven't been able to sell their share? The group could offer to buy back the share between them and operate a smaller group or sell the share on at a time that they choose. This has the advantage of keeping known people in the group, or at least giving the group the opportunity to find a new member who does fit in. The disadvantage is that monthly costs will increase as all the members have to divide the leaving member's contribution between them. They might not be able to afford this, and so not be willing to buy the share themselves.

For the member selling a share there is also the question of how much will it be sold for? If a group of four spend £80,000 on an aircraft does it mean that the seller expects to see £20,000 for his share some time later? For the group it shouldn't matter how much the share is sold for if each member is entitled to an equal proportion of the value if sold. If the remaining group members chose to buy the share the value could be agreed to be the proportion of the Agreed Value referred to above. If that is an option it should be written into the agreement.

It must also be clear that any funds held for future annual or maintenance costs do not form part of the equity of the aircraft unless the group decide to sell the aircraft. Selling a share does not include an entitlement to a share of the financial assets.

Example

G-ABCD Group – Selling a Share

- Any member can sell their entire share to the group or to one other person; they cannot sell a part of their share.
- The seller may choose whatever price they wish for the quarter share of equity in the aircraft.
- The member selling a share must ask the group if they wish to purchase the share at the proposed price for general sale or as a proportion of the current Agreed Value, before offering it for general sale.
- If offered on general sale prospective purchasers must agree to the terms of this agreement.
- The group has the right to require that a prospective purchaser passes a check flight with an instructor before being allowed to fly the aircraft as pilot in command.
- The seller is not entitled to a share of any funds held in the group's bank account at the time of sale.

Fixed Costs

One of the benefits of sharing an aircraft is the division of fixed costs between members. Some of the costs are paid monthly, such as hangar or parking fees. Others may be paid annually, such as insurance or fees connected with revalidating the Permit to Fly.

Example

G-ABCD Group – Monthly Payments

The monthly costs for storage and keeping the aircraft in an airworthy condition, not including costs arising from hourly use, will be calculated and each member of the group will pay a monthly contribution on the first day of each calendar month.

Fees for 2021:

Hangar at £150 per month	£1,800 per year
Landing fees £30 per month	£360 per year
Permit to Fly revalidation BMAA cost	£180 per year
Permit to Fly revalidation inspector cost	£200 per year
Total monthly fees	£2,540 per year
Group fee per month	£212 per month
Member's monthly fee (e.g. 4)	£53 per month

Hourly Costs

Aircraft need maintenance throughout their life and this costs money to perform. Every time an engine starts it gets nearer to its next service. Every time an aircraft taxis the tyres wear. Every time the aircraft flies some parts of the airframe near their replacement life. Even just standing still in the hangar some parts, like the fabric of a sail, or the rubber of the carburettor mounts are quietly degrading.

On the basis that the aircraft costs money to run it is usual for a group to charge an hourly rate to cover depreciation and maintenance. The more one individual uses the aircraft the more they contribute to cover those costs. When setting an hourly rate the group must decide a rate that is realistic, not just cheap, otherwise when it comes to spending money there won't be enough and that can lead to a fall-out within the group. The example below suggests £45 per hour, this is not unrealistic.

Fuel

Some groups have an hourly fee that includes fuel, others don't. Including fuel in the hourly rate is perhaps the simplest to operate, especially if there is fuel on the airfield. It has the added benefit of meaning that each time the aircraft is used it hasn't got to be left with a certain amount, or full. This can be difficult to manage, and maybe the next pilot is heavier and cannot fly with a full tank. If fuel is included it is important to know the overall fuel consumption and cost when agreeing an hourly rate. Beware of too low an estimate which will eat into maintenance funds.

Consider how fuel purchased away from home base is to be factored into final costs. For example if a member adds 20 litres how will that be accounted for when the hourly rate is paid. Simple enough if

the cost per litre is the same as the home cost, but if it is more can the whole of the cost be covered or just the equivalent of the home rate? Little things, but if not clearly agreed at the start can lead to problems later.

For non-fixed costs, such as a flying hour rate the group should decide how to account for this and make payment. At the end of each calendar month seems to be logical, unless the group prefers payment in advance, in which case the start of the month may be best.

Example

G-ABCD Group – Hourly Rate

- The number of hours used is determined by the Hobbs meter fitted to the aircraft.
 - The hourly rate for use of the aircraft will be £45.00 per hour including fuel.
 - The fuel is calculated at a cost of £1.25 per litre at an average consumption of 15 litres per hour.
 - Fuel purchased away from the home base will be refunded at the group rate of £1.25 per litre.
- Payment of the hourly rate is to be made monthly in arrears no later than 7 days after the end of the calendar month.
- Payment must be made by bank transfer to the group bank account.
- A reconciliation of payment must be given to the Treasurer using the group format. (example below)

Date	Hobbs Start	Hobbs End	Hours	Cost at £45/hour	Fuel Purchased	Fuel Refund	To Pay
1/1/2021	105.5	107.0	1.5	£67.50	None		£67.50
12/1/2021	130.6	134.0	3.4	£153	20	£25	£128.00
26/1/2021	156.0	157.0	1.0	£45	None		£45.00
Total for January 2021							£240.50

Paying Fees

For fixed costs on a monthly basis it is simplest if members pay directly into the bank account by standing order on a fixed date each month.

For fixed costs on an annual basis, such as insurance, each member will have to pay a share at the start of the policy year. This will no doubt change each year, so a single direct payment to the bank to cover the premium is the best way.

There may be an occasion when a member defaults on agreed payment. This could be the result of unfortunate circumstances and being unable to pay, or just deliberately not paying agreed fees.

Obviously monthly and annual fees need to be paid and if one group member fails to contribute the other members will be forced to make up the shortfall. This is unfair and could cause hardship elsewhere.

The agreement needs to make clear what action can be taken against a non-payer. The example below suggests such action.

Example

G-ABCD Group – Payment of Agreed Fees

- Payment of monthly fixed fees is to be made by the first day of each calendar month in advance.
- Payment of annual fees, such as insurance share, must be paid in advance in full.
- Payment of hourly rate fees is to be made monthly, in arrears, no later than 7 days after the end of the calendar month.
- Payment must be made by bank transfer to the group bank account.
- In the event that any member fails to pay fees due then that member will lose the right to fly the aircraft until such a time as all outstanding fees have been paid.
- In the event that a member continues to default on due payments the outstanding balance will be deducted from the nominal share value as previously agreed until the share value reaches zero at which point the defaulting member ceases to hold a share in the aircraft. The remaining equity is then entirely held by the remaining members.
- Should the defaulting group member choose to sell their share to a person who is not a group member then the new owner may not use the aircraft until any outstanding amount has been settled in full by the seller or by the new share owner.

Operations

Insurance

It is vital that groups agree a policy for insurance. For all aircraft a minimum of third party is required to limits set by regulation. Minimum levels will be published on the CAA website. If passengers are to be carried there must be insurance in place to cover them for injury or death. Lastly, it is usual that a group will insure the hull against accident damage or loss by other means.

The group must consider all possibilities and choose meaningful levels of cover. The minimums may not cover all claims. Most third party cover is now at least five million pounds. Passenger cover should be at a similar level too.

When agreeing on an insurance policy don't forget to agree how any excesses will be covered. It is usual for the pilot that causes a claim pays the excess. If this is to be the case then make sure it is in the agreement.

Most insurance policies have to be paid for in a single payment in advance. When considering how much each person pays think about any particular loading that may be applied for a low hour pilot or one with a claim history. Should these pilots bear a greater proportion of the cost? It may be that there is no loading in which case each member will pay an equal proportion of the cost.

Example

G-ABCD Group – Insurance

- The group will take out an insurance policy covering third part liability, passenger liability and hull cover for the aircraft for both flying and ground risks.
- The Trustee of the group, or another appointed member, is responsible for arranging insurance.
- The minimum combined cover for third party and passenger risks will be £5,000,000.
- The hull cover will be for replacement like for like cost.
- All members will be liable for an equal share of the premium cost payable in full in advance.
- Any member whose actions give rise to a claim will be responsible for paying the insurance excess in full at the time that the claim is paid.
- In the case of a claim which does not arise from the actions of a member, for example theft of whole or part of the aircraft, all members will be equally responsible for paying the insurance excess by equal amounts at the time that the claim is paid.

Pilot Qualifications

Some groups include a requirement for members to maintain their flying skills by a minimum number of hours flying each month or usually on a 30 day rolling period. If this is included it might be a condition of the insurance. For members who don't meet the hour's requirement the group may wish to put in a requirement that the member undertakes a currency check flight with an instructor or examiner. If this is the case make sure that if the instructor or examiner is not confident in the member's ability then the member cannot fly until he has passed a check flight. Because these check flights are not a legal requirement as far as aviation law is concerned you have to write the

requirement into your agreement otherwise a poor check flight doesn't stop the member flying, possibly risking the aircraft.

Example

G-ABCD Group – Pilot Qualifications

- Unless undertaking pilot training all pilots of G-ABCD must be properly licensed in accordance with the current aviation legislation.
- Pilots wishing to undertake flight training in the aircraft may only do so with the agreement of all group members and within any conditions stipulated.
- Only group members may fly as pilot in command of the aircraft unless with the agreement of all the group members, for example when undertaking flight instruction, flight examination or being flown for the purpose of maintenance by a person approved by the group.
- Group members must not fly the aircraft if, within the previous 30 days, they have not completed at least 30 minutes of flight as pilot in command having made at least 1 take-off and landing. In the event that a member cannot meet this requirement they must fly a refresher check flight with an instructor of at least 30 minutes with at least 2 take-offs and landings after which the instructor must confirm that in his opinion the member is capable of safely flying the aircraft before the member can once again fly the aircraft as pilot in command. Failure to satisfactorily pass the check flight will prevent the member from acting as pilot in command until a successful check flight with an instructor has been completed.
- No group member may use the aircraft for any commercial purpose, including flight instruction, unless for instructing another group member in accordance with the paragraphs above.

Booking the Aircraft

The group must agree a booking system for the aircraft that is simple to use. There are online systems available, although a shared calendar should be fine for this purpose.

The group should consider whether they put booking restrictions in place so that every member has an equal opportunity to the popular days, such as weekends. Sometimes members will want to go to a fly-in or other event for a couple of days. Will this be allowed, and if so how often in each year?

Example

G-ABCD Group - Booking

- Members are reminded that the group is formed to share the aircraft and that use must be equitable if the group is to coexist happily.
- When booking the aircraft only make the booking for the intended flight time plus 30 minutes before and after to allow for pre and post flight actions.
- Members may use the online diary booking form to book flight time in advance, except that if the aircraft is not booked members may fly the aircraft at any time.
- Members may book the aircraft for a whole day only twice per calendar month, unless by agreement with all other members.
- Members may book the aircraft for more than one day only once per calendar month, unless by agreement with all other members.

Maintenance

It is the responsibility of all owners to maintain the aircraft in an airworthy condition. This is stated as a condition on the Permit to Fly document.

The group should agree whether one member should be the focal point for maintenance coordination, and if so how information will be passed to that person and from him to the rest of the group.

Some groups prefer to employ specialists to carry out maintenance work on their aircraft; others might include a member who is capable of doing that work. The key to the agreement is to make sure that there is a system for maintenance and that it is done by a competent person.

The group must agree and develop a reporting and record keeping system that is available to all members so that before each flight any servicing requirements or snags are known. It can be useful to have a record sheet carried with the aircraft for noting hours, fuel used, snags and maintenance due times that each member can use to record details of each flight. The person deemed responsible for maintenance can then periodically transfer the details into the aircraft log book. Below is an example of such a record sheet.

Example

G-ABCD Group – Maintenance

Proper maintenance is the responsibility of all group members.

The group will appoint a member of the group as a Maintenance Focal Point (MFP).

The MFP will be responsible for maintaining the aircraft records of maintenance and logbook.

The MFP will be responsible for arranging routine maintenance as required by the manufacturer.

The MFP will be responsible for arranging for the revalidation of the Permit to Fly.

All members must complete the Flight Record Sheet (example below) after every flight.

All members must record on the Flight Record Sheet and report any defects to the MFP who will be responsible for ensuring that the defects are rectified

Date	Hobbs start	Hobbs end	Time	Next engine maintenance due: 413	Time to next maintenance	Next Permit Expiry	Fuel uplift litres	Snags Comments	Signature
1/1/21	402.5	404.0	1.5	413	9.0	3/3/21	28	none	<i>F Bloggs</i>
12/2/21	404.0	408.5	4.5	413	4.5	3/3/21	50	none	<i>J Smith</i>
28/2/21	408.5	412	3.5	413	1.0	3/3/21	30	none	<i>F Bloggs</i>
1/3/21	412	412.3	.3	512.3	100	3/3/21	0	100 hours engine service	<i>A Mechanic</i>
2/3/21	412.3	412.8	.5	512.3	99.5	3/3/21	0	PtF Revalidation check flight	<i>J Smith</i>
3/3/21				512.3	99.5	3/3/22	0	New PtF	<i>J Smith</i>

Looking After the Aircraft

Having usually spent quite a lot of money to purchase the aircraft it is important that all group members do what they can to look after their asset.

Although it may just be obvious to most members, others may require a prompt to ensure that routine tasks such as cleaning the aircraft and putting on covers after use are not left for others to do. These tasks are not to be left as maintenance.

Example

G-ABCD Group – Aircraft Care

To ensure that the aircraft is kept in good condition, after flight all members must:

- Clean the inside of the aircraft
- Clean any mud or similar debris from the exterior of the aircraft including the wheels and inside the wheel spats.
- Fit the aircraft covers.

Personal Equipment

Members of the group should agree what is personal equipment and what belongs to the aircraft.

Most aircraft are fitted with a radio and some with a GPS. If these are part of the aircraft equipment they should be included in the Agreed Value. If they are individual to each member of the group then they will not be included in the Agreed Value.

All pilots will need headsets and perhaps helmets. If these are part of the aircraft equipment they should be included in the Agreed Value. If they are individual to each member of the group then they will not be included in the Agreed Value.

Example

G-ABCD Group – Personal Equipment

Each member of the group is responsible for providing their own headset / helmet which must be compatible with the aircraft's intercom system.