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SAMPLE PARTNERS



AeronomX LLC

614.437.9685
walter@AeronomX.com

- Analysis of Current Usage of Aircraft Share
- Summary of NetJets Share Ownership
- Comparison of Alternative Travel Options
- Discussion of Options
- Recommendations

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Current Usage – Flight Hours

- An average of 30% to 35% of flights are one-way.
- An average of 65% to 70% of flights are round-trip.

YEAR 1	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
ONE-WAY	1.1	1.1	1.3	4.0	1.0	1.0	0.8	1.0	1.0	1.4	1.3		
	1.0		1.2	4.5	1.2	1.0	1.1	1.1			1.2		
	1.0		1.1		1.2	1.2		0.9					
	1.2		1.1		1.2	1.1		1.2					
	0.9		0.9		1.1	1.0							
OW TOTAL	5.2	1.1	5.6	8.5	6.8	6.4	1.9	4.2	1.0	1.4	2.5	0.0	44.6 45%
ROUND-TRIP	6.0	2.2	5.1	5.9			7.4		9.8			3.1	
				1.9					2.6				
				10.0									
R/T TOTAL	6.0	2.2	5.1	17.8	0.0	0.0	7.4	0.0	12.4	0.0	0.0	3.1	54.0 55%
ALL TOTAL	11.2	3.3	10.7	26.3	6.8	6.4	9.3	4.2	13.4	1.4	2.5	3.1	98.6

YEAR 2	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
ONE-WAY	1.1		1.2	1.1	0.9	1.1	0.9		3.0		1.2	1.1	
	0.9		1.1	1.1	1.1	1.4			0.8				
				1.3	2.4	1.0			1.2				
					3.3	1.2			3.3				
									1.2				
OW TOTAL	2.0	0.0	2.3	3.5	7.7	4.7	0.9	0.0	9.5	0.0	1.2	1.1	32.9 27%
ROUND-TRIP	6.8	2.3	2.4	10.5	2.0		1.7	2.4	2.4	6.3	6.6	2.2	
	1.9	2.4	6.2	2.5	5.8		2.1	1.9	6.9	2.2	2.1	2.3	
							7.0						
R/T TOTAL	8.7	4.7	8.6	18.8	2.0	0.0	10.8	4.3	9.3	8.5	8.7	4.5	88.9 73%
ALL TOTAL	10.7	4.7	10.9	22.3	9.7	4.7	11.7	4.3	18.8	8.5	9.9	5.6	121.8

YEAR 3	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
ONE-WAY	1.4		1.2			1.1	0.9	1.0	1.1	3.0	5.1		
	1.3		1.0				1.0		0.9	2.6			
	0.9						1.2		1.0				
	1.1						1.1						
OW TOTAL	4.7	0.0	2.2	0.0	0.0	1.1	4.2	1.0	3.0	5.6	5.1	0.0	26.9 35%
ROUND-TRIP		2.2		2.2	2.0	12.3	3.4	3.6		2.1	2.3	2.3	
		10.1		6.4									
R/T TOTAL	0.0	12.3	0.0	8.6	2.0	12.3	3.4	3.6	0.0	2.1	2.3	2.3	48.9 65%
ALL TOTAL	4.7	12.3	2.2	8.6	2.0	13.4	7.6	4.6	3.0	7.7	7.4	2.3	75.8

YEAR 4	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
ONE-WAY	1.2				1.2	1.3	1.2	1.1	1.1	3.1	1.1		
	1.1				1.1	1.0	1.9	1.4		1.1	1.3		
						1.1	1.7	0.8					
							1.6	1.1					
							1.0						
							1.1						
OW TOTAL	2.3	0.0	0.0	0.0	2.3	3.4	8.5	4.4	1.1	4.2	2.4	0.0	28.6 29%
ROUND-TRIP	2.2	2.1	2.4	10.7	2.4		7.0	1.8	2.3	5.5	2.3	2.4	
		2.4	2.3	2.2						2.0	6.7	2.2	
		1.9		7.6									
R/T TOTAL	2.2	6.4	4.7	20.5	2.4	0.0	7.0	1.8	2.3	7.5	9.0	4.6	68.4 71%
ALL TOTAL	4.5	6.4	4.7	20.5	4.7	3.4	15.5	6.2	3.4	11.7	11.4	4.6	97.0

Current Usage – Passenger Loads & Segment Lengths

- An average of 60% of flights have 1 to 4 passengers (i.e. a light jet size).

- An average of 35% of flight have 5 to 8 passengers (i.e. a medium jet size).

- An average of 5% of flights have 9 to 12 passengers (i.e. a large jet size).

- An average of 80% to 85% of flights are 2 hours or less.

- An average of 95% of flights are 4 hours or less.

- Only an average of 5% of flights are longer than 4 hours.

YEAR 1	Flight Duration in Hours						
# Trips with:	1.0 or less	1.1 to 2.0	2.1 to 3.0	3.1 to 4.0	4.1 to 5.0	5.1 to 6.0	Percentage
1 to 4 Pax	10	15	2	4	4	0	60%
5 to 8 Pax	6	12	4	0	1	0	40%
9 to 12 Pax	0	0	0	0	0	0	0%
Percentage	28%	47%	10%	7%	9%	0%	
YEAR 2	Flight Duration in Hours						
# Trips with:	1.0 or less	1.1 to 2.0	2.1 to 3.0	3.1 to 4.0	4.1 to 5.0	5.1 to 6.0	Percentage
1 to 4 Pax	14	17	6	7	1	0	61%
5 to 8 Pax	7	15	5	1	0	0	38%
9 to 12 Pax	0	0	1	0	0	0	1%
Percentage	28%	43%	16%	11%	1%	0%	
YEAR 3	Flight Duration in Hours						
# Trips with:	1.0 or less	1.1 to 2.0	2.1 to 3.0	3.1 to 4.0	4.1 to 5.0	5.1 to 6.0	Percentage
1 to 4 Pax	9	18	2	0	0	1	65%
5 to 8 Pax	3	7	0	1	1	1	28%
9 to 12 Pax	0	1	0	0	1	1	7%
Percentage	26%	57%	4%	2%	4%	7%	
YEAR 4	Flight Duration in Hours						
# Trips with:	1.0 or less	1.1 to 2.0	2.1 to 3.0	3.1 to 4.0	4.1 to 5.0	5.1 to 6.0	Percentage
1 to 4 Pax	10	20	2	4	1	0	58%
5 to 8 Pax	4	17	2	3	0	0	41%
9 to 12 Pax	0	1	0	0	0	0	2%
Percentage	22%	59%	6%	11%	2%	0%	



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Current Usage – Destinations

•An average of 75% of flights are into and out of Las Vegas, Reno, and Monterrey.

	Year 1		Year 2		Year 3		Year 4		TOTAL %
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	
Las Vegas	21	36%	29	39%	17	34%	26	41%	38%
Reno	17	29%	18	24%	18	36%	16	25%	28%
Monterrey	6	10%	9	12%	5	10%	8	13%	11%
Little Rock	3	5%	6	8%	2	4%	3	5%	6%
Oklahoma City	1	2%	3	4%	0	0%	2	3%	2%
San Jose	1	2%	0	0%	0	0%	0	0%	0%
Springdale AR	1	2%	1	1%	0	0%	0	0%	1%
Aiken SC	1	2%	0	0%	0	0%	0	0%	0%
Carlsbad	1	2%	1	1%	1	2%	0	0%	1%
Ft Smith AR	1	2%	2	3%	0	0%	2	3%	2%
Washington DC	2	3%	0	0%	2	4%	1	2%	2%
Los Angeles	2	3%	0	0%	2	4%	0	0%	2%
Santa Ana	1	2%	1	1%	0	0%	3	5%	2%
Fayetteville AR	0	0%	1	1%	0	0%	0	0%	0%
Sacramento	0	0%	1	1%	0	0%	0	0%	0%
Teterboro NJ	0	0%	1	1%	1	2%	0	0%	1%
Columbia MO	0	0%	1	1%	0	0%	0	0%	0%
Tulsa	0	0%	0	0%	1	2%	0	0%	0%
San Diego	0	0%	0	0%	1	2%	0	0%	0%
Dallas	0	0%	0	0%	0	0%	1	2%	0%
Vancouver	0	0%	0	0%	0	0%	2	3%	1%
SUBTOTAL	58		74		50		64		

- 67% Residual Value
- Residual Value should be included into the “all-in” cost of flights
- Excel share would be a good aircraft for current mission

- Original purchase of 1/8 share (100 occupied hours)
- Purchase price \$1,626,750 on 10/15/2001
- Offered repurchase price of \$1,093,750
- Repurchase is only a 67% residual value
- Renewed Monthly Management Fee is \$16,724
- Renewed Occupied Hourly Fee is \$2,511, plus current fuel surcharge averaging \$785/hour
- Offer for 1/8 share in Excel (which fulfills the mission well)
 - \$1,370,000 Purchase Price
 - \$15,976 Monthly Management Fee
 - \$1,925 Occupied Hourly Rate
 - Presumed Fuel Surcharge ~ \$700/hour

- Compared on the next page will be your current NetJets share, and
- NetJets Excel share
- Whole ownership of pre-owned Hawker 800XP and selling charter time.
- Whole ownership of pre-owned Lear 60 and selling charter time.
- Sentient Jet charter proposal

- Continuing into the next 5 years with your current 1/8 share of a NetJets Hawker 800XP for 100 occupied flight hours. The residual value will be lower since the aircraft will be 10 years old instead of it now being only 5 years old.
- The NetJets proposal for 1/8 share of a Citation Excel.
- A comparable 1/8 share in a Lear 60 with Flexjet.
- Purchase a whole pre-owned Hawker 800XP. Continue to fly 100 owner hours. Sell off 300 hours of charter. Prognosis of residual value for pre-owned aircraft is good in that values currently are rising. Should you want to fly more hours for yourself, all you have to do pay for direct operating costs. For fractional ownership you have to buy more share to fly more.
- Purchase a whole pre-owned Lear 60, another example of a mid-sized jet. Same as Hawker above.
- Accessing charter aircraft through Sentient Jet. Shown is a mixed use of small, medium and large jets.
- Jet Productions was not included in the analysis since they are a low capitalized broker with extremely limited protections to their clients.



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Alternatives - Analysis

- For over the 5 year period, all of the options on a post-tax NPV basis (literally the bottom line shown) are all rather close in cost.
- Except for your existing share which will have incurred less residual value.

Owner Hours per Year	100	Income Tax Rate	34.0%
Owner Reposition Rate	35%	NPV Discount Rate	6.0%
Charter Hours per Year	300	Depreciation Pro-Rata	100%

	Existing 1/8 NetJets Share Hawker 800XP	New 1/8 NetJets Share Excel	New 1/8 FlexJet Share Lear 60	Whole Pre-Owned Hawker 800XP	Whole Pre-Owned Lear 60	Charter Sentient Jet Light Jet	Charter Sentient Jet Mid Jet	Charter Sentient Jet Large Jet	Charter Sentient Jet TOTAL
Acquisition Price	\$1,626,750	\$1,370,000	\$1,425,000	\$9,000,000	\$7,000,000	\$0	\$0	\$0	\$0
Ownership Repositioning Hours (Charter Only) Percentage of Use (Charter Only) One-Way (Charter Only) Round-Trip	NA	NA	NA	35	35	0 60% 35% 65%	0 35% 35% 65%	0 5% 35% 65%	\$0 100%
Direct Operating Cost/Hour	\$2,511	\$1,925	\$1,930	\$1,248	\$1,222	\$0	\$0	\$0	
Fuel Surcharge/Hour	\$785	\$700	\$916	\$0					
Fixed Costs/Year	NA	NA	NA	\$586,000	\$546,000	\$0	\$0	\$0	
Monthly Management Fee	\$16,724	\$15,976	\$15,400	\$4,000	\$4,000	\$0	\$0	\$0	
Charter Rate/Hour (Round-Trip)	NA	NA	NA	\$3,200	\$3,000	\$3,300	\$4,700	\$8,200	
Charter Rate/Hour (One-Way)						\$4,050	\$5,800	\$9,800	
1-YEAR OPERATING TOTALS									
Direct Hourly Costs	\$354,320	\$282,188	\$305,945	\$499,200	\$488,800	\$229,781	\$191,323	\$47,085	\$468,189
Fixed Costs	\$200,688	\$191,712	\$184,800	\$586,000	\$546,000	\$0	\$0	\$0	\$0
Charter Revenue (85%)	NA	NA	NA	(\$816,000)	(\$765,000)	NA	NA	NA	
Total Operating Costs	\$555,008	\$473,900	\$490,745	\$269,200	\$269,800				\$468,189
"All-in" Operating Cost per Owner Occupied Hour	\$5,550	\$4,739	\$4,907	\$2,692	\$2,698				\$4,682
5-YEAR TOTALS									
Direct Hourly Cost 5-YR	\$1,771,600	\$1,410,938	\$1,529,725	\$2,714,400	\$2,657,850	\$1,148,906	\$956,616	\$235,425	\$2,340,947
Fixed Costs 5-YR	\$1,003,440	\$958,560	\$924,000	\$3,170,000	\$2,970,000	\$0	\$0	\$0	\$0
Charter Revenue (85%)	NA	NA	NA	(\$4,080,000)	(\$3,825,000)	NA	NA	NA	
Total Operating Expenses	\$2,775,040	\$2,369,498	\$2,453,725	\$1,804,400	\$1,802,850	\$1,148,906	\$956,616	\$235,425	\$2,340,947
Depreciation (Pro-Rated)	\$0	\$1,291,088	\$1,342,921	\$6,992,100	\$5,438,300	\$0	\$0	\$0	\$0
Loss (Income) Before Tax	\$2,775,040	\$3,660,586	\$3,796,646	\$8,796,500	\$7,241,150	\$1,148,906	\$956,616	\$235,425	\$2,340,947
Income Tax Expense (Benefit)	(\$943,514)	(\$1,244,599)	(\$1,290,860)	(\$2,990,810)	(\$2,461,991)	(\$390,628)	(\$325,249)	(\$80,045)	(\$795,922)
Resale Residual Value After 5 YRS	57%	68%	68%	90%	90%	0%	0%	0%	0%
Resale Price (Tax Deferred in Like-Kind Exchange)	\$927,248	\$931,600	\$969,000	\$8,100,000	\$6,300,000	\$0	\$0	\$0	
Net Expense or (Income) on Balance Sheet	\$904,279	\$1,484,386	\$1,536,786	(\$2,294,310)	(\$1,520,841)	\$758,278	\$631,366	\$155,381	\$1,545,025
Cash Flow YR-1 Post-Tax	\$1,993,055	\$1,589,614	\$1,651,991	\$8,800,907	\$6,897,874	\$151,656	\$126,273	\$31,076	\$309,005
Cash Flow YR-2 Post-Tax	\$366,305	\$163,718	\$168,852	(\$511,213)	(\$344,886)	\$151,656	\$126,273	\$31,076	\$309,005
Cash Flow YR-3 Post-Tax	\$366,305	\$223,340	\$230,868	(\$297,013)	(\$178,286)	\$151,656	\$126,273	\$31,076	\$309,005
Cash Flow YR-4 Post-Tax	\$366,305	\$259,114	\$268,077	(\$144,013)	(\$59,286)	\$151,656	\$126,273	\$31,076	\$309,005
Cash Flow YR-5 Post-Tax	(\$560,942)	(\$672,486)	(\$700,923)	(\$8,135,077)	(\$6,274,558)	\$151,656	\$126,273	\$31,076	\$309,005
NPV PRE-TAX Cash Next 5 Years	\$3,179,672	\$2,271,543	\$2,354,662	\$3,366,168	\$2,914,045	\$851,162	\$708,705	\$174,414	\$1,734,280
NPV POST-TAX Cash Next 5 Years	\$2,384,788	\$1,535,585	\$1,591,173	\$1,405,311	\$1,315,115	\$638,829	\$531,909	\$130,904	\$1,301,641

Alternatives – Not Just COSTS, also CONTROL

- There are varying degrees of the owner's control over different aspects of owning and operating the aircraft.

	WHOLE AIRCRAFT IN-HOUSE FLIGHT DEPARTMENT	WHOLE AIRCRAFT MANAGEMENT COMPANY	FRACTIONAL OWNERSHIP	CHARTER
SERVICE QUALITY	<ul style="list-style-type: none"> • Highest level of control/service possible • Immediate availability likely • If aircraft available, use charter, time share, etc. • Best control/selection 	<ul style="list-style-type: none"> • Potentially excellent; customizable • Immediate availability likely 	<ul style="list-style-type: none"> • Potentially excellent; more generic • Aircraft availability guaranteed at all times 	<ul style="list-style-type: none"> • Potentially excellent; more generic • Possible inconsistent service • Availability on market no guarantee • If aircraft available, must use other airlines
AIRCRAFT ADMINISTRATION	<ul style="list-style-type: none"> • Owner maintains control of aircraft management operations • Personnel costs paid by owner 	<ul style="list-style-type: none"> • Owner/lessor maintains control of aircraft management operations 	<ul style="list-style-type: none"> • Owner/lessor maintains control of aircraft management operations 	<ul style="list-style-type: none"> • None, not applicable • Personnel not on owner's payroll
CREW QUALITY	<ul style="list-style-type: none"> • Control of pilot/crew selection • Owner maintains control of pilot/crew selection 	<ul style="list-style-type: none"> • Owner/lessor maintains control of pilot/crew selection 	<ul style="list-style-type: none"> • Owner/lessor maintains control of pilot/crew selection 	<ul style="list-style-type: none"> • None, not applicable • Personnel not on owner's payroll

Not Just COSTS, also CONTROL con't.

- There are varying degrees of the owner's control over different aspects of owning and operating the aircraft.

	WHOLE AIRCRAFT IN-HOUSE FLIGHT DEPARTMENT	WHOLE AIRCRAFT MANAGEMENT COMPANY	FRACTIONAL OWNERSHIP	CHARTER
OPERATING COSTS (see spreadsheets)	<ul style="list-style-type: none"> • Variable; utilization-dependent lowest cost of operation at reasonable utilization levels • Subject to departmental expense 	<ul style="list-style-type: none"> • Variable; utilization dependent • Annual costs may be higher than in-house flight department because of management fee and head office position 	<ul style="list-style-type: none"> • Fixed on a per-hour basis, based upon flight time plus set grossed-up per hour fee 	<ul style="list-style-type: none"> • Lowest overall cost at minimum usage levels • Consistent at low rates, subject to negotiated reduction in usage • Subject to charges for landing • Subject to deadhead expense
COST OFFSETS	<ul style="list-style-type: none"> • There is a chance that charter help offsets 	<ul style="list-style-type: none"> • There are no cost offsets 	<ul style="list-style-type: none"> • None available 	<ul style="list-style-type: none"> • None available
LIABILITY	<ul style="list-style-type: none"> • Complete liability 	<ul style="list-style-type: none"> • Complete liability 	<ul style="list-style-type: none"> • Shared liability with fractional provider 	<ul style="list-style-type: none"> • None available
CAPITAL COMMITMENT (see spreadsheets)	<ul style="list-style-type: none"> • High initial investment needed to acquire aircraft 	<ul style="list-style-type: none"> • High initial investment needed to acquire aircraft 	<ul style="list-style-type: none"> • Low capital outlay required as a percentage of an aircraft share, which may or may not be negotiable 	<ul style="list-style-type: none"> • None available

Not Just COSTS, also CONTROL Con't

• There are varying degrees of the owner's control over different aspects of owning and operating the aircraft.

	WHOLE AIRCRAFT IN-HOUSE FLIGHT DEPARTMENT	WHOLE AIRCRAFT MANAGEMENT COMPANY	FRACTIONAL OWNERSHIP	CHARTER
TAX CONSEQUENCES (see spreadsheets)	<ul style="list-style-type: none"> No commercial Federal Excise Tax applicable Noncommercial fuel tax applicable Maximum depreciation benefit 	<ul style="list-style-type: none"> No commercial Federal Excise Tax (owners pay noncommercial fuel tax) Maximum depreciation benefit 	<ul style="list-style-type: none"> Owners share tax liabilities and benefits Federal Excise Tax 	<ul style="list-style-type: none"> Federal Excise Taxes imposed on charter rate No depreciation tax benefit (no aircraft owned)
AIRCRAFT ACQUISITION AND DISPOSITION	<ul style="list-style-type: none"> Can purchase aircraft at any price Can select aircraft make/interior/exterior Can upgrade/downgrade and sell 	<ul style="list-style-type: none"> Can lease or purchase aircraft Can select aircraft make/interior/exterior Can choose upgrade/downgrade 	<ul style="list-style-type: none"> Can lease or purchase aircraft Can select aircraft make/interior/exterior Can choose upgrade/downgrade 	<ul style="list-style-type: none"> None, no ownership

SAMPLE

- Las Vegas prevalent source for charter jets.
- One-way trips.
- Sizing up and down.
- Multiple aircraft.
- NPV Cost
- Ownership control.

- Las Vegas is major business jet destination and thus would be easy for Sentient Jet or other charter card program to source a charter aircraft.
- Your one-way trips are well served by the existing fractional share, though many of these trips are short (under 2 hours). Sentient Jet's one-way program should likewise do well. Whole ownership would involve repositioning the aircraft prior to, or after, a one-way trip. However, the repositioning flights would likewise be short in length and not run up too significant a cost.
- Fractional and charter allow you to trade up and down in size aircraft to fit the needs of the trip. With whole aircraft ownership this is still available, albeit on a chartered basis. Trading down in size is not significant a factor since the incremental difference of direct operating costs does not justify chartering to down-size. However, sizing-up is a physical need that can only be fulfilled by chartering an aircraft that is physically larger. Your large aircraft need, though, is negligible, only once or twice a year.
- Fractional and charter allow you to have more than one aircraft flying at one time. You had only one or two occurrences, however, over the four years of use. With whole aircraft ownership, you can likewise supplement another aircraft with charter.
- From a post-tax net present value (NPV) perspective, over the 5 year period, all the choices are close in cost.
- From a perspective of ownership control, whole ownership allows the most control.

- Do want more control?
- Product consistency.
- NetJets is strong.
- Hawker vs. Excel.
- Renew your Hawker share.

- Since Sample Partners has previously owned aircraft, you understand the pros and cons of ownership control with a wholly-owned aircraft.
- Unless you want to have the control of choosing your pilots, how the aircraft is maintained, and who the previous passengers onboard were, then fractional or charter allow more of the “hassle-free” access to private jet travel.
- For consistency of service and product appearance, fractional has it over charter. With fractional, the planes look the same, the pilots look the same, and their results are rather predictable (good or bad). Chartered aircraft vary in appearance, age, and condition – as well as the pilots.
- NetJets is arguably the best fractional company. They are well capitalized, and consistent. Next choice would be Bombardier’s Flexjet program. Flight Options has some problems, and in fact we have had several clients that have exited Flight Options to go into whole ownership.
- My recommendation is that you stay with a NetJets fractional aircraft share. Renewing your existing share or going with a new Excel share is so close in performance as to how you use the aircraft. It is a matter of personal preference. With a purchase of the Excel share, you should do a 1031 Like-Kind Exchange and roll your basis into the next aircraft. However, the residual value of the Hawker share will not go down much more over the next 5 years as it has already – thus dollar-wise it would be less than the devaluation of the Excel share over the next 5 years.
- Final recommendation: renew your existing NetJets Hawker share, unless you want control with whole ownership – which has the same NPV as fractional.