PA Consulting Group

# Private Jet Travel:

## Understanding the options

October 2003

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Prepared for: Bombardier Aerospace, Flexjet

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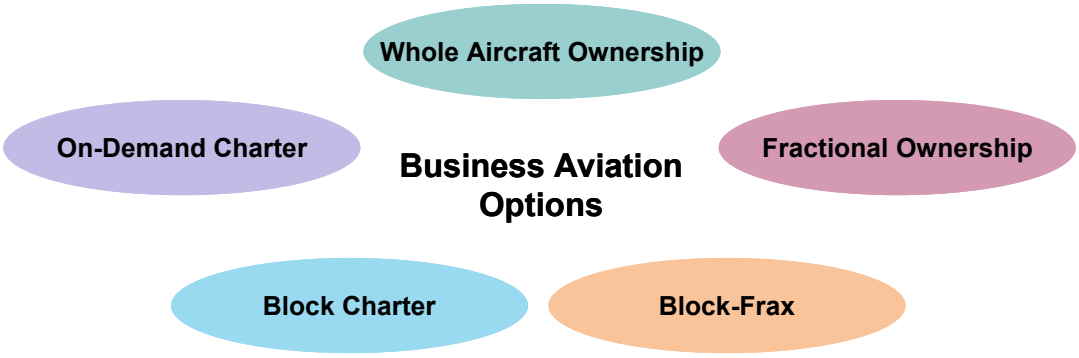
## *EXECUTIVE SUMMARY*

This Study has been designed to clearly outline and take some of the mystery out of business aviation offerings. We do not intend to help you choose a particular travel solution (e.g., Fractional Company "X" vs. Charter Company "Y"). That decision depends too highly on your own individual financial position and requirements. Instead, this Study aims to help you:

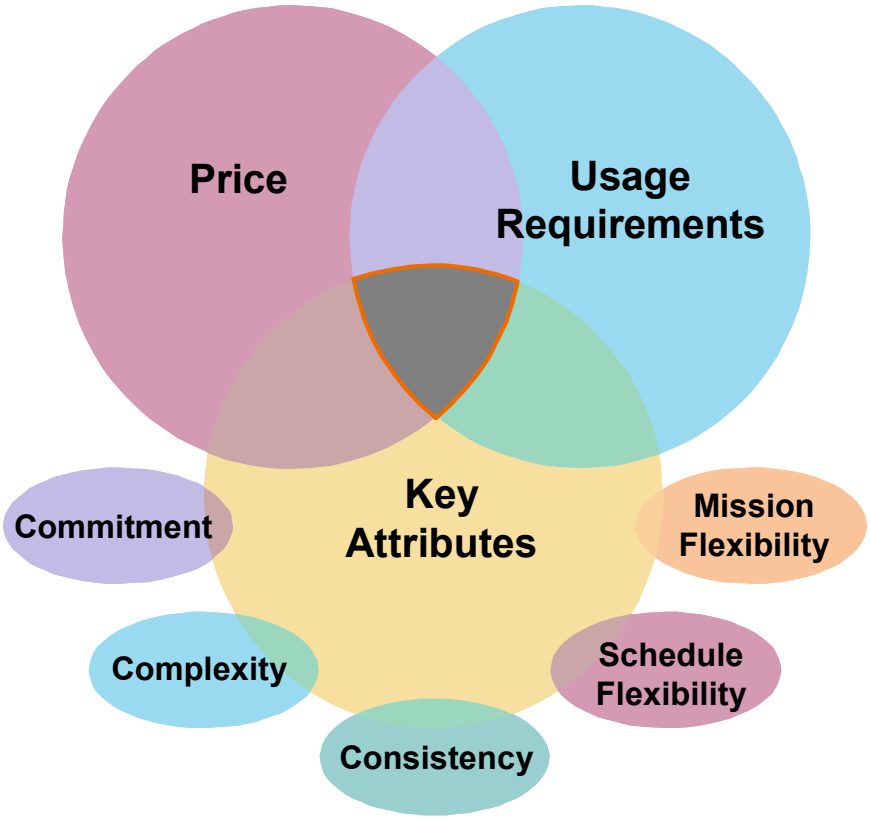
1. Understand industry terminology
2. Understand the key differences between business aviation alternatives
3. Narrow your best options down to two or three; and
4. Identify which characteristics are important to you - and why.

The Study focuses on the five major segments of the business aviation industry:




The Definitions chapter provides a high-level overview of each program, introduces the range of offerings within each program and outlines defining characteristics.

The following figure graphically illustrates the confluence of the three main factors that should drive your business aviation decision-making process: a group of "key attributes" that tend to impact decisions, your usage requirements, and price. The intersection point highlighted is unique to each consumer: the importance of each factor, including the five key attributes, will depend on the needs and means of each potential business aviation user. In our view, there is no "right" solution for everyone, and there is a segment of the market that will tend to gravitate toward each type of program.




PA developed the key attributes for decision-making by identifying and categorizing characteristics (other than pricing and usage requirements) that are, in one form or another, common to all business aviation travel options. A summary table appears on page 4-2 comparing each program, relative to the others, for each key attribute. Again, your specific needs will dictate what is important to you.

Usage requirement is defined as an estimation of your annual air travel needs - usually measured in flight hours. Though individual circumstances can and do vary, Whole Aircraft Ownership is generally best-suited for those with the highest air travel needs, and Charter the lowest, with the remaining options (Fractional, Block-Frax and Block Charter) falling in the middle.

Price is the most difficult of the three factors to summarize. It is often also the most important. Beyond the obvious obstacles (e.g., pricing differences between competitors or among different aircraft sizes), PA has identified five areas that cause difficulty with program-to-program pricing comparisons:

1. Program complexity
2. Cost uncertainty
3. Price opacity in some programs (e.g., hidden charges)
4. Taxation rules
5. Your individual usage patterns

In order to illustrate these issues, and their interplay, we have created a number of hypothetical customer profiles. Each profile contains a scenario with defined travel needs and a number of "real life" issues that drive decision-making and allow the fictitious company or individual to drill down to two or three business aviation options. We then apply the critical factors (key attributes, usage requirements and price) to the specific needs, requirements, and preferences of each hypothetical consumer.

We believe that this same approach can be used by any consumer attempting to slice through the confusion in the marketplace, narrow down the range of options and determine the key factors on which a rigorous and knowledgeable decision can be made. We hope you find this Study clear, useful and insightful.

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## 1. INTRODUCTION

Confusion. Tinged with curiosity.

That might sum up the market's response to the recent proliferation of new methods of packaging the use of business aviation aircraft.

Open up any major periodical and you will see them: "membership" programs, "charter" services, "fractional" programs, "block" charter. Some have attracted well-known investors in recent years, and reams of publicity about how they are taking the country by storm. Some purport to involve "thousands" of aircraft. *Are they for real?* Many quote prices that look astonishingly affordable. *Are there hidden charges?* Most suggest that they're the right solution for you. *Where does the truth lie? And, more importantly, how do you wade through all of the marketing pitches to find it?*

We at PA Consulting Group, Inc. ("PA") offer this Business Aviation Options Study to try to answer some of these questions. Although we are experts in the business aviation sector, we too feel inundated by the abundance of new programs that seem to have sprung up virtually over night. We study their materials and ask ourselves "what is this program really all about?" Fortunately, unlike the average consumer, we have the benefit of having worked on the development of programs of this type and are closely in tune with the sector, putting us in good position to try to separate the wheat from the chaff, and the truth from the hype.

Bombardier Aerospace, Flexjet also noticed that there is a great deal of confusion in the market. They too felt that it would be helpful to provide some guidance to consumers, and therefore commissioned this Study. Of course their interests are not purely altruistic: they offer products in nearly every business aviation sector and felt the need to clarify some of the differences between the various types of offerings in order to support their own sales efforts. But they charged us with presenting the differences in a fair, objective and unbiased way, which we have tried mightily to do. This approach, we hope, will ensure that this Study offers value to the reader attempting to understand the various options.

Our objective is to provide you, the reader, with sufficient information so that you will:

(i) Understand the nomenclature of business aviation offerings;

(ii) Have a fundamental understanding of how they function and some ways in which they are different from each other;

(iii) Begin to discern the two or three program types that best suit your needs; and

(iv) Identify the likely key decision criteria that will help you choose the right program from your short-list.

As an introduction to these programs, this Study cannot possibly answer all of the possible questions or deal with all of the nuances between types of offerings, much less between specific competing programs. We hope, though, that it offers enough insight to allow you to hone in on the issues that matter most to you or your business, and support more informed decisions by business aviation consumers.

## 2. DEFINITIONS

We begin by briefly introducing the reader to today's business aviation offerings through the following definitions.

Whole Aircraft Ownership. Owning aircraft has been the transportation solution of choice for many companies and individuals from the dawn of aviation. It remains an extremely flexible and powerful travel tool. The capabilities of today's aircraft -- from a 30-minute hop, to carrying a team of twelve between the U.S. East Coast and Asia -- and their variety -- from light piston aircraft all the way to modified commercial transport jets -- could scarcely have been dreamed of a few decades ago. There are also myriad ways to hold, operate, finance and even share the use of private aircraft. In this Study we refer to the acquisition or lease of a 100 percent interest in new or used turbine aircraft (jet or turboprop), employing an internal or "external" (management company) flight department.

On-Demand Charter. Also known as "air taxi", traditional charter provides on-demand access to a wide range of aircraft for almost any conceivable type of mission. From booking a single one-hour trip, it could also extend to dozens of trips each year, varying mission profiles and use of a wide range of aircraft. Thousands of companies offer On-Demand Charter services. Some own their aircraft, some leverage downtime on aircraft that they manage on behalf of private owners, and some are pure brokers matching supply with demand, either via online "demand aggregation" engines or through old-fashioned means such as the telephone.

Block Charter. In its purest form, "Block Charter" has been around for decades and involves simply buying a block of charter hours. It has enjoyed resurgence in recent years, with several companies marketing new, more sophisticated Block Charter programs. These companies typically sell blocks of 25, 50, or 100 hours. Payment is in advance and the account is debited as usage is incurred -- either on an hour-by-hour or dollar-by-dollar basis -- based on the type of aircraft used, flight hours consumed and any miscellaneous costs. Some take the form of membership card programs, with the card's color reflecting the level of commitment and available benefits.

Fractional Ownership. As the first truly creative concept to hit business aviation in decades, fractional aircraft ownership (sometimes called "frax") appeared in the mid-1980s and has taken the industry by storm ever since. It is best viewed as a means of obtaining a partial interest in an aircraft, combined with a mechanism for sharing in all of the aircraft in the program (which can be hundreds). All operations are arranged and managed by the program manager. Fractions begin with a one-sixteenth share, typically providing 50 hours per year over multiple years.

Block-Frax. Borrowing characteristics from both Block Charter and Fractional Ownership is an offering that, for purposes of this Study, we refer to as "Block-Frax". Block-Frax companies acquire Fractional Ownership shares and sublease those shares (and hours) to customers. They are able to offer smaller blocks of time (typically beginning at 25 hours) than those available under Fractional Ownership, along with rights to participate in the Fractional Ownership network. Block-Frax companies do not operate aircraft – an affiliate of the Fractional Ownership program does -- and their customers do not hold title to their aircraft. Customers typically pay up-front for the year's usage.

While these definitions stress typical and common aspects of the respective offerings, they are cursory and mask some significant differences between programs. In the following Chapter we offer a much greater level of detail, particularly about Fractional Ownership, Block Charter and Block-Frax programs, which is where most of the confusion in the market seems to lie. We will also attempt to identify key areas to consider when evaluating specific companies offering similar programs.

## 3. PROGRAM CHARACTERISTICS

In this Chapter, we will point out some crucial aspects of the programs, with an emphasis on the less-traditional Fractional, Block-Frax and Block Charter offerings. We have chosen these aspects based on our observation of issues that tend to drive purchase decisions. We also point out some key financial and operational considerations of each offering.

### Fractional Ownership

Fractional Ownership offers customers the ability to enjoy many aircraft ownership benefits at an overall cost lower than Whole Aircraft Ownership. This is made possible by dividing the aircraft into smaller shares (fractions), giving customers the option to buy the portion (i.e., number of flight hours) of an aircraft that best fits their needs. New U.S. Federal Aviation Regulations prohibit Fractional shares to be sold in increments less than 1/16$^{th}$, typically equating to 50 hours per year. Above that threshold, programs often offer customized solutions based on your travel needs.

*The big picture of Fractional*

| Share | Typical Annual Hours |
|---|---|
| 1/16$^{th}$ | 50 |
| 1/8$^{th}$ | 100 |
| 1/4$^{th}$ | 200 |
| Half | 400 |

Some Fractional programs offer both new and used aircraft. The programs range from small, regional programs to nation-wide networks employing hundreds of aircraft, sophisticated operations centers and thousands of staff. Network economies afforded by a large fleet of similar (or even identical) aircraft, always available to all the owners, make the "anytime, from anywhere to anywhere" concept achievable.

*Defining Fractional contracts*

Three key agreements form the core of the Fractional arrangement. The aircraft share **purchase agreement** governs share acquisition (this might also take the form of a lease). In the aircraft **management agreement**, you "hire" the Fractional program to manage your share of your aircraft. Services provided by the management company include providing pilots, arranging for maintenance, catering, weather reporting, reservations, and scheduling.

The third key document, the **exchange agreement**, allows for aircraft sharing, and has traditionally been known as the "master interchange agreement" (though under the new Fractional regulations it will likely be called a "dry lease exchange" agreement). This document serves as a contract: 1) between all owners of an individual serial-numbered aircraft (i.e., so that combined, their share ownership equals 100%); and 2) between all owners of one aircraft and all owners of the

other aircraft in the Fractional Ownership program. This contract, by and between all Fractional owners in the program, allows an owner of one specific aircraft to use an aircraft owned by another group of individuals.

As you will be taking legal ownership of an aircraft share, the documentation involved in Fractional Ownership is fairly substantial. While outside advice is not necessary, it is common.

Financial Considerations of Fractional

The Fractional programs, whether new or used, generally follow the same financial model. Payments fall under three categories: share acquisition cost, aircraft management fee, and an occupied hourly charge. The **acquisition cost** reflects the shareowner's portion of the "sticker price" of the aircraft (i.e., a quarter share owner will pay 25 percent of the price of the aircraft). The "sticker price", however, could be wholesale, retail, retail-plus, or anywhere in between. The program typically agrees to repurchase your share at the end of the term for "fair market value", less a remarketing fee. You assume the risk or reward as the value of the aircraft changes during the ownership period.

The **management fee** is typically paid to the Fractional program on a monthly basis. The amount differs by the type of aircraft involved and the size of share owned. The fee is meant to cover fixed costs such as pilot salaries and expenses, insurance, and other miscellaneous costs. As contract terms can often last five years or more, most programs include escalation clauses on the monthly management fee (often a derivative of CPI).

***Fractional fee structure***

The **occupied hourly rate** is the amount paid for each flight hour used. The bigger the aircraft the higher the rate. Fuel and maintenance are the biggest drivers of this fee. You pay for the time from takeoff to landing, with most programs adding time (typically 1/10 hour) before takeoff and after landing to compensate for time spent on the ground (e.g., taxi time). Most programs have set one hour as the minimum flight time charged. The occupied hourly rate is often escalated based on a CPI derivative, with a separate adjustment for the price of fuel.

The major Fractional programs do not directly charge you for any type of repositioning flights (i.e., flights required to move the aircraft to where it is needed, flights to maintenance bases, etc.). Expenses associated with these flights are "built in" to the program rates and spread among all the shareowners. Of course, a large network of aircraft allows programs to more efficiently serve customers' trip requirements.

***Unique Fractional benefits***

If you live in a relatively remote area, Fractional (or Block-Frax - see next section) may be the most economically viable options. The Fractional operating model does not penalize inefficient travel or levy a fee for positioning flights as others do.

Fractional is usually a great value for users with high annual travel requirements or from a per-hour perspective over multiple years. In addition, the highly

structured fee schedule removes much of the guesswork from business aviation expenditures. Excluding adjustments for inflation, your total out-of pocket expenses over several years can be identified even before your share is purchased.

Operational Considerations of Fractional

As noted above, the Fractional share you acquire dictates the number of flight hours to which you are entitled. Many Fractional programs, especially the larger ones, have built sophisticated aircraft optimization models that predict the best way to position the fleet throughout the network. This allows the programs to minimize positioning flights, thus lowering fleet operating costs, and giving customers the ability to reserve a flight with minimal advance notice. However, advance notice requirements do exist and often differ by aircraft and share ownership level.

***"Reservation" rules***

Service is guaranteed most of the time. When you "book" a flight, the aircraft will be waiting for you at the departure airport - fueled, staffed, and catered as needed for the trip (custom catering usually costs extra). Fractional programs offer a standard time window during which you can arrive at the airport past your scheduled departure time and avoid any late fees. If that standard is exceeded, programs often reserve the right to redeploy the aircraft and assess a penalty (which differs in each program).

***Extensive in-house capabilities***

Many Fractional customers cite the extensive in-house capabilities of the program manager as a major factor influencing their purchase decision. The program manager is responsible for all of the services requiring aviation expertise. Some consumers feel more comfortable if all of these activities – among them crucial services such as pilot selection and crew training, maintenance, flight planning, dispatch and scheduling – are overseen by a single entity whose job is to ensure that operating, safety and consistency standards are set at a very high level and are constantly met.

Fractional programs also have rules outlining the geographic area served. Though there are regional programs, the major programs serve the entire United States. Some offer extended services such as to or from areas within 200 miles of the U.S. border or the Caribbean. Further, some programs offer reciprocal access to programs that they operate in other regions of the world.

To avoid aircraft demand becoming misaligned with availability, Fractional programs require more advance notice on "peak days", especially for smaller Fractional shareholders. Specific days covered and the associated rules will be stated in your contract.

***Fractional onboard experience***

A key selling point for Fractional programs is service consistency. While chances are that you will rarely, if ever, fly on your own specific aircraft, you will almost always fly on an aircraft identical to the one in which you own a share. The paint scheme is the same, the interior is the same and the service is the same. Short of owning your own aircraft outright, Fractional programs offer the highest level of aircraft customization. There are, though, occasional exceptions to this

consistency. In certain instances of high demand, the program usually reserves the right to charter an aircraft from outside the network to meet that demand. Such aircraft are not likely to look the same as your aircraft and may even be an entirely different model. That said, in such circumstances you may even get lucky and gain access to an aircraft larger than the one for which you paid. The major programs typically perform thorough audits of the operators and aircraft that they "charter in" to ensure safety and consistency standards are met.

***Aircraft type flexibility***

Fractional share ownership also gives you an opportunity to "upgrade" or "downgrade" to bigger or smaller aircraft in the fleet, based on formulas that outline the number of hours you are "charged" for using a program aircraft other than your own. Another Fractional Ownership benefit not typically available to whole aircraft owners is the concept of multiple or simultaneous use. This benefit gives you (i.e., your staff or family) the ability to use more than one aircraft at the same time, offering added flexibility. The rules surrounding "upgrades", "downgrades", and simultaneous use differ greatly by program, share level, and aircraft type owned. In general, it is easier to "downgrade" than it is to "upgrade"; some programs limit or even prohibit the "upgrade" benefits for owners of light aircraft or smaller Fractional shares.

New Fractional regulations – following current industry "best practices" -- impose training, flight-and-duty time, maintenance, and record-keeping obligations on the Fractional programs similar to those governing Charter operations. They also clarify that the Fractional program participant is in "operational control" of an aircraft (whether or not they own a share in that specific aircraft) during their own flights, though the program is in operational control for positioning and similar flights. This imposes some of the regulatory compliance requirements on the Fractional customer, though specific functions can be delegated to the program.

Key Areas to Consider When Evaluating Fractional

- Whether usage will exceed the typical 50-hour minimum
- Typical travel patterns (degree of inefficiency)
- Speed of aircraft chosen (as some fees are driven by flight time)
- Size of the Fractional network
- Mix and age of aircraft in fleet
- Service levels guarantees
- Stability of the Fractional program manager
- Policies relating to "chartering in" non-program aircraft (frequency, audit procedures)
- Repurchase terms and market depreciation risk
- Approaches to shielding potential liability
- Rules regarding how allocated hours are used and carried over

## "Block-Frax"

As noted, new Federal Aviation Regulations issued in September 2003 essentially prevent Fractional programs from selling shares in blocks smaller than 1/16th increments (typically equating to 50 hours per year). If the average trip in a light jet is 1.5 hours, this limitation can make Fractional unattractive for customers requiring less than 30 flight segments per year. Several companies have found a way to give customers some of Fractional Ownership's benefits in time blocks starting at 25 hours.

***Block-Frax rules and minimum requirements***

For purposes of this Study, the concept is referred to as "Block-Frax" since it is achieved by a company acquiring (in some form) a "standard" Fractional Ownership share and then subleasing that share (and its associated flight hours) to others in smaller time blocks. The Block-Frax program enters into the same (or at least similar) agreements with a Fractional company as those required of traditional customers. The customer, in turn, executes documents outlining services promised by, and payments due to, the Block-Frax company. In effect, the Block-Frax company acts as a broker and vehicle to give customers access to Fractional networks at lower hourly commitments. They do not operate aircraft.

### Financial Considerations of Block-Frax

***Block-Frax fees***

While structurally similar to Fractional, the financial aspects of Block-Frax programs are similar to Block Charter (see below for full discussion of Block Charter). You pay one upfront fee based on the number of hours required. There is no long-term commitment (usually year-to-year) and it is renewable if desired. Block-Frax programs, however, are usually offered at an hourly price point that is higher than Fractional. And if you do choose to renew the contract for an additional year, there is no guarantee that the upfront fee will remain the same. Like with Fractional Ownership, you can expect that increases in fuel price will be passed along to you via a mechanism defined in your Block-Frax contract. As you are only leasing the aircraft from the Block-Frax company, you are not at risk for any changes in the value of your aircraft during the contract term.

### Operational Considerations of Block-Frax

***A subset of Fractional***

Generally, as a Block-Frax customer, you can expect operational considerations to very closely mirror the Fractional program from which the Block-Frax company acquired the share. Aircraft "upgrades" and "downgrades" are often possible but may be handled on an as-available basis and as outlined in your contract.

***Operator holds liability***

Block-Frax programs operate under the same aviation regulations that govern On-Demand Charter. They are commercial operations during which the operator (usually associated with the affiliated Fractional program management company), not the customer, is in "operational control" and therefore holds the primary liability for the safety and regulatory compliance for the flight.

Key Areas to Consider When Evaluating Block-Frax

- Whether usage will be lower than the 50-hour typical Fractional minimum
- Typical travel patterns
- Speed of aircraft chosen (as some fees are driven by flight time)
- Size and age of the affiliated Fractional network
- Service level guarantees
- Up-front payment
- Carry-forward allowances
- Potential limitations on downgrades and, especially, upgrades
- Whether a rewards program is offered

## Block Charter

Like Block-Frax, Block Charter offers benefits (e.g., easier scheduling, guaranteed availability) to customers that agree to pay in advance for air transport services they intend to use during the year. While operationally similar to Fractional Ownership programs, there is no transfer of ownership to the customer under a Block Charter contract.

Some Block Charter programs offer a dedicated fleet that they own or lease. They might augment this fleet with excess capacity on aircraft they manage on behalf of private owners, and/or with similar aircraft available for charter from third-party charter companies. They might audit the safety and consistency of these backup aircraft themselves, or rely on outside audit firms to conduct these inspections. At the opposite end of this scale are Block Charter companies that can be viewed as pure brokers: they match customer needs with aircraft provided and operated by third-party charter companies, in some cases with no auditing of such third parties.

***There is a range of Block Charter offerings***

Both types offer customers similar transportation options, but the consistency, cost, and service standards can vary greatly by the nature of the chosen company.

Financial Considerations of Block Charter

The financial structure of Block Charter contracts is much like that of Block-Frax. One comprehensive upfront fee either covers your aircraft use for a fixed number of hours, or forms an account that is "debited" based on aircraft usage at a pre-set hourly fee. Note that a dollar-for-dollar "debiting" can mean that the customer winds up getting fewer hours if the hourly "charge" is increased.

The various Block Charter programs handle miscellaneous charges in differing ways. While some may truly offer an all-inclusive hourly rate, others may bill you for overnight fees (if incurred), standard catering, fuel surcharges, etc. Some charge taxi time on top of flight time, and some add further additional charges. You should be prepared to ask Block Charter operators to provide you with a list of any charges that fall outside of standard fees.

***Block Charter fee structures and forms***

Some Block Charter providers market themselves as "Membership Card" programs, where you can add value to the card balance at any time. They do, however, require a minimum balance to initiate membership. Other programs require similar levels of upfront payment, but treat the relationship with you as more of a one-year contract. With most programs, any balance of your upfront payment remaining at the completion of your term is forfeited – you are indeed committing to use the number of hours you agree to purchase.

As an incentive, some Block Charter programs offer a frequent user program, similar to commercial airlines (one is even offered in conjunction with a major airline). Rewards can be in the form of additional hours, discounts for renewal, or other flexibility-enhancing enticements.

While the occupied hourly rate is standard in Fractional programs (regardless of how you use your aircraft), Block Charter programs often price roundtrip flights less expensively on a cost-per-hour basis than one-way trips. Further, some limit the number of one-way trips you can use as a predefined percentage of total hours. This can be a very important financial consideration, especially if your travel will be less than perfectly efficient (meaning not all trips will be round-trips from the aircraft's home base). Some of the programs offer an incentive for using the aircraft efficiently, others a disincentive for using it inefficiently, and some simply charge for all the time incurred, just as a traditional On-Demand Charter company would. It is crucial when considering these programs to understand how these charges will be incurred based on your own likely flight profile.

***Your travel patterns drive Block Charter prices***

As the concept of Block Charter is relatively new, at least in its modern incarnation, and encompasses a range of service offerings, it is critical that you fully understand the nuances of a program before you commit. Finally though, there are an increasing number of national programs, regional programs also exist. While a Dallas-based program may make sense if you are based in Dallas, it is not likely to if you are based in Miami, as most of your trips could be considered one-way (and hence more expensive).

***Do your research!***

Operational Considerations of Block Charter

As noted above, the way that a Block Charter program procures and operates your trips may be an important consideration. Some programs own or lease a portion of the fleet available to their customers. The balance of their fleet is comprised of aircraft that they manage on behalf of other owners. As such, their owned, leased and managed fleet defines the universe of aircraft that these programs provide to their customers. As needed, they often reserve the right to charter outside aircraft to provide additional lift. They are also likely to audit carefully the consistency, quality, and safety standards of the operator and aircraft that they use to augment their fleet. A key benefit of this type of Block Charter program is consistency. The pilot and crew pool is small, increasing the chances that they will become familiar with you and your needs. Aircraft interiors and exteriors are likely to be more standardized, especially those that are owned or leased. Some programs have a hierarchy of Charter companies that can provide lift to their customers, cascading down to alternatives. This allows them to maximize quality.

***Whose fleet are you chartering?***

Others take a more *ad hoc* approach. Increasingly more common are Block Charter programs that aggregate demand (customers) and match them with aggregated supply (aircraft from a variety of operators). These programs might advertise that they have a fleet of 2,000 aircraft, by which you can quickly determine that they are advertising their access, as a broker, to the larger pool of Charter aircraft operated by third parties. If that is the case, they probably do not perform audits of all of these operators and aircraft themselves, though they might require that they pass certain third-party audit standards. Regardless of the aircraft quality, however, aircraft interiors and exteriors from these Block Charter operators are likely to be more inconsistent. Your tastes may differ considerably from those of the aircraft owner.

In terms of service options, guarantees, and availability, Block Charter programs are similar to Fractional and Block-Frax. The same issues (i.e., peak days, advance notice requirements, access to aircraft of different sizes, etc.) should be considered, as each program will offer different options.

Key Areas to Consider When Evaluating Block Charter

- Dedicated fleet versus brokerage
- Regional versus national programs
- Audit policies
- Cost of inefficient versus efficient flights
- Probe for any "hidden" charges
- Expectations of consistency

## On-Demand Charter

Aircraft Charter is the original business aviation alternative to those without the requirements or means for aircraft ownership. It remains the best option for those with minimal flight requirements. Traditionally, Charter has been booked directly with an operator, either through a Fixed Base Operator (FBO) or through the phone book. In most instances, the fleet mix of the Charter operator that you call limits your options, hence the term "air taxi."

***Charter via the internet***

In the last five years, a number of online Charter booking web sites have been developed that simplify and consolidate the process, giving you more aircraft options. The companies behind these web sites have relationships with Charter operators around the country (in some cases, around the world). By simply indicating your needs on the site, you are presented with a list of aircraft options, availability and price quotes for your planned trip. As with Block Charter companies, some of the "demand aggregation" web sites have very strict criteria for operators to qualify for inclusion. In some cases, the same company offers both On-Demand Charter and Block Charter services.

### Financial Considerations of Charter

Charter pricing fluctuates based on your travel requirements. First, you pay by the hour for your flight. If your travel plans call for a return flight the same day, and you meet any minimum daily flight time requirements, the hourly charge will comprise the bulk of your bill. If your plans require a longer stay, you might have to pay the per night overnight fee, covering aircraft parking and crew expenses, and you may also incur a daily minimum charge to compensate the operator for the opportunity cost of keeping the aircraft idle.

***Charter pricing structure – beware of "empty legs"!***

Alternatively, you might be charged the hourly charge of the aircraft returning to your point of origin - without anyone onboard. If you require another Charter journey back to your origin at a later date, you pay for the time it takes the aircraft to get back to where you are (again empty) as well as your actual flight time. It is this aspect of Charter (paying for empty or "deadhead" legs) that can make it prohibitively expensive if used inefficiently. Indeed, the most inefficient types of travel can produce hourly costs double the listed hourly rate.

Some Charter operators advertise all-inclusive hourly rates. Others use lower base prices to attract attention, but often have higher daily flight time minimums or charge separately for items included in a higher priced option. The best way to compare the true cost of Charter is to get firm price quotes on actual trips that you intend to fly.

All that said, chartering can be the lowest-cost way to use business aviation if your travel is very efficient and you use it wisely.

### Operational Considerations of Charter

There are very few operational considerations for Charter services. For a price, you can usually get the exact type of aircraft to take you wherever you want to

go, whenever you want to leave. Charter can be the most flexible of all business aviation options in terms of obtaining the right aircraft for any specific mission, the ability to book at the last second, go anywhere you want to go and at any time. Of course, it is always subject to availability, the service delivery can sometimes be inconsistent, especially between operators, and you will have to pay for whatever inefficiencies you drive.

Charter requires no significant level of aviation knowledge or expertise to utilize. Similarly, there are no great liability concerns as the Charter company bears responsibility for regulatory and safety compliance.

Key Areas to Consider When Evaluating Charter

- Reputation of Charter company and/or "broker"
- Audit approach and standards of operator and/or "broker"
- Efficiency of travel (e.g., time between outbound and return flights)
- Quality of aircraft chartered and consistency of delivery
- Frequency of Charter needs
- Advertised versus actual Charter cost
- Operator fleet number and variety of aircraft

## Whole Aircraft Ownership

For some, buying an aircraft is the ultimate transportation solution. Except when out of service for maintenance, the aircraft is always there to take you wherever you want to go, whenever you want to leave. It can be painted and configured however you like. Of course, you will need to find pilots, maintain the aircraft, and see to the range of other requirements to keep an aircraft (or a fleet of them) in the air.

### Financial Considerations of Ownership

***Buying is just the beginning***

Not all companies, and few individuals, have the means to purchase jet aircraft. If in such a position, however, the benefits are often indispensable. The largest and most obvious financial consideration is the cost of aircraft acquisition. There is no way to generalize the financing structure of an aircraft acquisition; it could range from a relatively simple all-cash deal to the most complex, tax-considered, lawyer-driven transaction that one could imagine. Regardless, it is a paper-intensive, complicated process that often requires outside advisors to ensure that regulatory, legal and insurance requirements are met.

After the aircraft is acquired, owners usually either: 1) hire an aircraft management company to serve as an "external flight department" by providing key services requiring aviation competence (i.e., hire and train pilots, flight planning, aircraft scheduling, maintenance, fueling, etc.); or 2) conduct such activities through an internal flight department. Building an internal flight department offers the highest degree of control, but also a higher level of complexity. Using an aircraft management company involves incurring the cost of a "middle man", but this will be offset to some degree by the management company's ability to pass through cost savings on volume purchases of fuel, insurance, and the like.

### Operational Considerations of Ownership

***It is always there, but . . .***

Aircraft ownership (especially if it is part of a larger fleet) offers a tremendous amount of flexibility. There are no pre-set rules regarding advance notice requirements, availability is always guaranteed (barring maintenance or crew-related downtime), last-minute, or even enroute, travel changes are easily accommodated, and there are no "peak days" where rules can become more restrictive.

However, without access to a fleet, your flight options will be limited by the range and capacity of your aircraft. Most buyers will choose an aircraft that meets their "best fit" requirement, meaning that it will not be the most efficient travel option for some trips and incapable of performing others, but will meet their needs most of the time. Plus, when your "one-aircraft" fleet is "down" for scheduled or unscheduled maintenance, your options revert to Charter or commercial airlines.

Key Areas to Consider When Evaluating Ownership

- New or used aircraft
- Risk of market depreciation
- Sharing arrangements (e.g., co-ownership, joint ownership, interchange, time sharing or dry leasing)
- Internal flight department versus contracting with an aircraft management company
- Possibility of chartering out excess flight capacity to reduce overall costs
- Strategies for shielding potential liability exposure
- Cash flow considerations
- Own versus lease decisions and balance sheet treatment
- Public company disclosure requirements

## 4. KEY ATTRIBUTES

Chapter 3 of this Study provides an overview of the financial and operational aspects of the various business aviation service offerings. But what issues tend to drive purchase decisions? Clearly, price is always a major factor, and we address that in the next chapter.

In addition to price, and in order to facilitate comparisons across service offerings, we offer the following list of five Key Attributes that, though somewhat subjective, in our experience tend to drive consumers' decisions among the business aviation categories: Commitment, Complexity, Consistency, Schedule Flexibility and Mission Flexibility. The table entitled "Attributes by Program" illustrates how the programs compare across each of the five key attributes. For example, as the shaded bar is at the extreme "Low" end of the Commitment attribute for Charter, this indicates that Charter requires a low commitment level, compared to the other alternatives.

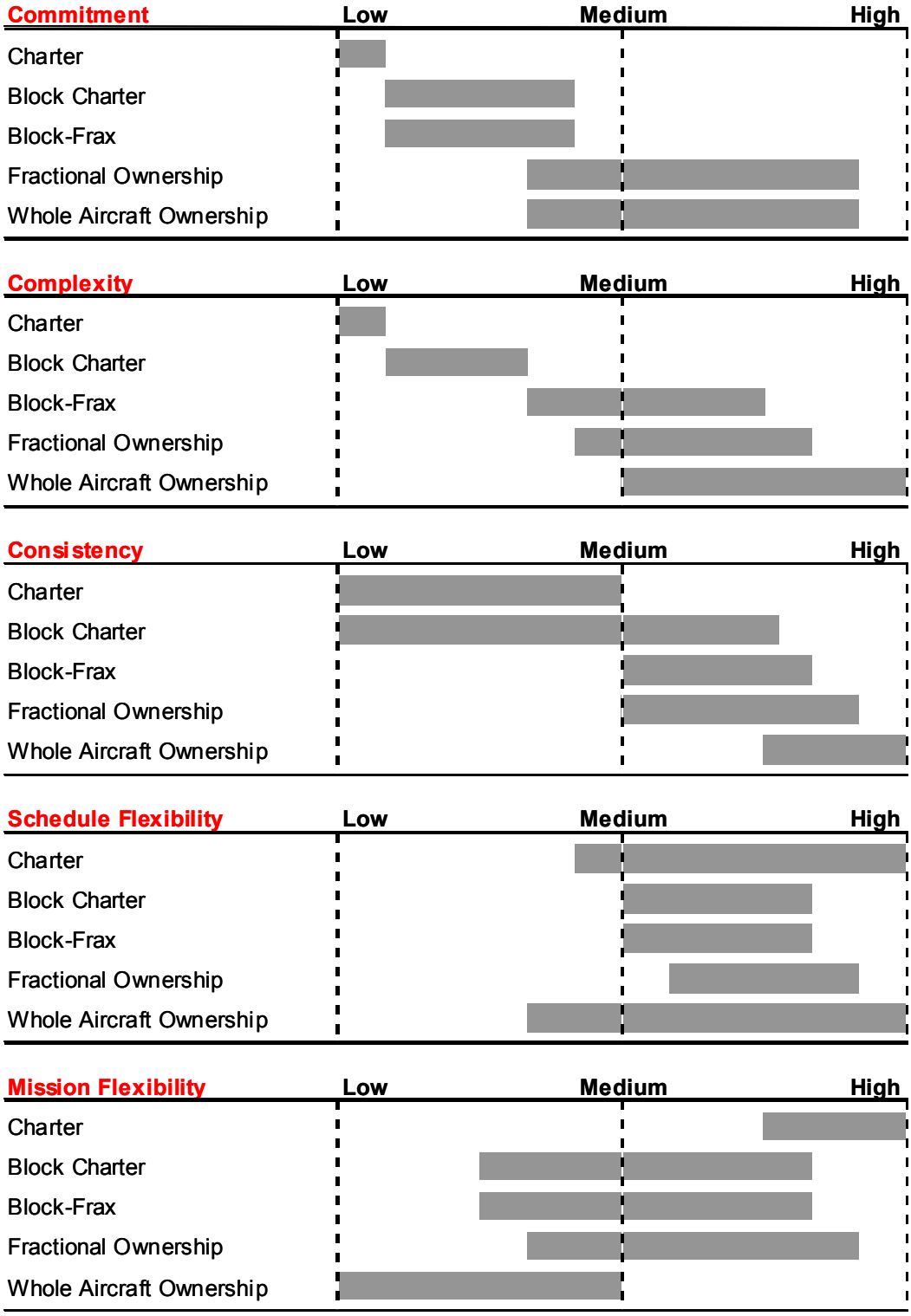
***Key Attributes:***

- ***Commitment***
- ***Complexity***
- ***Consistency***
- ***Schedule Flexibility***
- ***Mission Flexibility***

Note also that the shaded bars in the table differ in length. This is significant in two ways. First, each bar represents the entire range of services offered by all the companies in a particular program category. Some competitors may have a more robust or flexible program than others. In this way, the shaded bar length represents the entire program category.

Second, the bar length also captures the range of offerings that may be available within a program. For example, ownership of a large jet would offer more usage flexibility than ownership of a light jet (i.e., transcontinental range) and one-quarter Fractional shares usually offers an owner more flexibility than a one-sixteenth owner is afforded. In this way, the bars also capture the variation within program categories.

## Key Attributes by Program



### Commitment

The commitment attribute captures the degree to which you must commit to a business aviation service offering. This includes issues such as whether or not you have to sign a contract. What is the length of the term? How easy is it to terminate, and what are the associated penalties? How easy is it to renew? Some business aviation users are prepared for a long-term commitment while others prefer the flexibility to pay as they go.

***Charter is trip by trip***

Charter. Charter falls at the low end of the commitment scale, as there are no requirements beyond what you agree to with each individual trip.

***Block Charter/ Block-Frax are usually one year***

Block Charter and Block-Frax. Block Charter and Block-Frax both require a somewhat higher level of commitment, as you will normally be asked to sign a one-year contract. Some programs offer prorated refunds for unused hours if you leave the program.

***Fractional is usually multi year***

Fractional. The term of Fractional contracts vary by program; they are typically multi-year arrangements with penalties for early termination (e.g., after one, two or three years - depending on the program). On the other hand, Fractional programs do provide you with a guaranteed buyback at the end of your term. This assurance provides many with peace-of-mind that there is someone standing ready to buy back their share at termination.

***Ownership is at will, but . . .***

Ownership. With Whole Aircraft Ownership, you do not have a specified contract, unless you hire an aircraft management firm. These agreements typically span a single year, with termination on 30 or 60 days notice. But you do have to acquire the asset, with the associated costs and risks. If you build an internal flight department (i.e., pilots, mechanics, etc.), you have made a fairly significant commitment to your aviation operations. You have the flexibility to determine at any moment to dispose of your aircraft, but you will need to find a buyer, will likely incur brokerage fees, related sales expenses, and transaction costs.

### Complexity

Complexity encompasses the degree of time, money and other resources required to engage the services of a business aviation program. With some offerings you would be wise to have either a high industry competence level or retain the services of advisors to assist you with the transaction.

*Charter is very easy*

Charter. Charter is the least complex option. While a little more complex than buying a commercial airline ticket, your "reservation" process should be painless and simple.

*Block Charter has a simple contract*

Block Charter. Block Charter requires you to enter into a more complex contract, outlining the program's fees and services. It is usually, however, one document and is relatively straightforward.

Fractional. Fractional programs require you to execute fairly complex agreements. You should consider tax implications (depreciation, passive loss rules, state sales and use tax) any time you own an interest in an aircraft, such as in Fractional. You might need to consider accounting (e.g., balance sheet) and disclosure requirements. And you should consider strategies for limiting liability associated with the ownership and operation of aircraft.

*Fractional and Block-Frax are more complex*

Block-Frax. Block-Frax programs require that you enter into a set of agreements that are derivative of Fractional and as such, fairly complicated. But you do not own the asset and therefore the complexity level is reduced compared to programs where you do obtain title.

*Ownership is complex*

Ownership. Acquiring a turbine aircraft is a sizeable business transaction. Selection requires thorough analysis and expertise. The acquisition and financing/lease transactions themselves can be fairly complex. Ownership implies the need to consider tax, accounting and liability matters and perhaps disclosure requirements. As operator, you will have to comply with aviation regulations, and you might choose to establish an internal flight department or contract for those services with a third party (the latter being a fairly straightforward proposition).

### Consistency

*Service and operational consistency*

For some, access to a consistent air travel experience is a major consideration in their move to business aviation. Consistency can be measured in terms of access to the same or virtually identical aircraft or crew/ground support staff that over time become familiar with your needs. Further, the ability to "personalize" an aircraft to reflect one's own tastes or to portray a certain image is important for some business aviation users. This customization could include paint scheme, interior configuration, and onboard items with custom logos. Consistency also encompasses operational consistency – setting and sticking to strict standards for pilot selection and crew training, maintenance, flight planning, dispatch and scheduling. The most critical aspect of consistency, though, is probably the degree to which the quality of the overall product delivery is met flight after flight.

Ownership. Whole aircraft ownership affords the highest level of consistency. From accoutrements to pilots, you can achieve consistency all the way, and it is within your own control. You establish your own policies and standards and, unless your internal or external flight department fails to deliver, that is what you get.

***With Ownership, it's yours!***

Fractional and Block-Frax. Fractional Ownership programs, with their fleets of practically identically configured aircraft, offer a consistency level close to full aircraft ownership. Most programs, however, reserve the right to charter non-program aircraft to transport customers in times of high demand (especially peak travel days). This practice, when used, can dilute the consistency of Fractional programs. Some Fractional programs contractually limit their own ability to use non-program aircraft to minimize such dilution. In large Fractional networks, you might not get the same flight crew very often, but they will be trained and qualified to a consistent standard of performance and customer service. Based on the extensive in-house capabilities of Fractional managers, these programs also offer a very high degree of operational consistency in areas such as pilot selection and crew training, maintenance, flight planning, dispatch and scheduling. As Block-Frax programs are actually operated by Fractional operators, the rules generally mirror Fractional. Therefore consistency is quite high, with outside Charter used as needed.

***Different, yet identical aircraft***

***High operational consistency***

Block Charter. The consistency of Block Charter ordinarily tends to be somewhat below that of Fractional, though it can vary greatly from one specific program to the next. Dedicated fleets ordinarily offer high consistency. To the extent that it consists of managed aircraft (owned by third parties) the consistency could be somewhat lower, as the specific owner might choose a different interior look or configuration, or different avionics suite. These tend to be cosmetic differences. If backup aircraft are chartered in from third parties, the operational and cosmetic consistency will be driven by the program's approach to auditing this lift. If they are pure brokers, consistency will be low.

***Block Charter consistency depends on the program***

Charter. Charter can offer high consistency, if you go to the same provider for the same aircraft all the time. But if, as is more often the case, you need to mix and match aircraft and operators, consistency will be low.

***Charter consistency can be low***

**Schedule Flexibility**

Schedule flexibility encompasses business aviation users' ability to schedule or change their travel plans with minimal notice, or otherwise use their aircraft when they want, without constraints. Key factors include the degree to which aircraft availability is guaranteed, advance notice requirements, travel constraints on peak days and the rules associated with trip cancellation.

Charter. On-Demand Charter programs offer a high level of schedule flexibility, though it comes at a price. Most operators will allow you to extend a stay, change plans enroute, or delay a scheduled departure provided that you compensate the operator for the time involved. At times, however, the aircraft that best fits your needs may not be immediately available.

***Flexibility can often be bought with Charter***

Ownership. Schedule flexibility is a double-edged sword with Whole Aircraft Ownership, especially if you own only one aircraft. The downside becomes evident when your aircraft is unavailable due to scheduled (or unscheduled) maintenance. Without your ultimately flexible transport solution available, you are left with Charter options or the airlines. At all other times, though, you have nearly perfect schedule flexibility – you go when you want to go.

***Ownership is highly flexible, but . . .***

Block Charter and Block-Frax. Block Charter and Block-Frax programs generally provide a fairly high level of schedule flexibility. Advance notice requirements are measured in hours and availability is usually guaranteed. Trip cancellation rules vary, and fees may be assessed. Rules often become more stringent on peak travel days.

***Block Charter and Block-Frax are flexible***

Fractional. Fractional programs tend to require less advance notice than Block Charter (a benefit of their larger networks and pricing philosophy). Availability and notice requirements, however, in some programs are dictated by aircraft type and share size, with larger aircraft and shares equating to higher levels of schedule flexibility.

***Fractional is very flexible***

**Mission Flexibility**

Similar to schedule flexibility, mission flexibility is driven by the presence of aircraft-related options. It relates not to when you can go, but the degree to which you can match the aircraft to your mission and go where you want to go. It encompasses the ability to select the optimal aircraft for each trip (based on capacity, range, etc.), access to multiple aircraft at one time, and the geographic area defining a program's service area.

Charter. On-Demand Charter offers the highest level of mission flexibility as each of your journeys can be customized with the optimal aircraft type - you are never constrained with program boundaries. You may be constrained by market availability (i.e., a specific aircraft at a specific time), especially when operating from rural areas, but will normally be able to obtain an appropriate aircraft in your region even on short notice. Some of the Charter operating rules, designed to enhance safety margins, can be operationally limiting as compared to Whole Aircraft Ownership. These include crew flight, duty, and rest-time requirements, methods of calculating minimum runway lengths required, and choice of airports to use in bad weather.

***Charter is very flexible***

Ownership. Conversely, your options are much more limited with Whole Aircraft Ownership. Though there are no geographic limits (absent any international prohibitions in your insurance policy), you are tied to the size and availability of your own aircraft. Larger aircraft offer more flexibility than light aircraft, but you can end up wasting a great deal of money if you are using a large aircraft on short routes with few passengers. You might also need to use airports with runway lengths that match your aircraft (larger aircraft tending to require longer runways). Corporations that maintain a fleet of aircraft can choose the right aircraft for the specific mission. Aircraft owners can also augment their fleet with other business aviation options. Operationally, aircraft owners normally maintain "operational control" for their own flights, and as such are allowed a somewhat

***Ownership best if needs are consistent***

higher level of operational flexibility compared to commercial operations such as Charter.

Fractional. Among the remaining options, Fractional programs have set the mission flexibility standard. Fractional program service areas usually include the United States plus a buffer (i.e., 200 miles beyond the border). Some programs specifically include the Caribbean, Canada and Mexico. Further, some offer reciprocal rights with affiliated Fractional companies in other parts of the world. Downgrades to aircraft smaller than your aircraft are usually guaranteed. Upgrades are available as well, but are in many instances limited by your aircraft type or ownership level. Under the new FAA regulations governing Fractionals, the programs must comply with operational restrictions similar to those of Charter operators; the larger programs already do so.

***Fractional has set standard for flexibility***

Block Charter and Block-Frax. Block Charter and Block-Frax have much in common with Fractional programs, but tend to offer somewhat lower mission flexibility. For example, upgrades and downgrades are less likely to be guaranteed and peak day limitations are likely to be stricter. Block-Frax offers access to international flights (as offered by the Fractional operator's reciprocal agreements), which may be attractive to certain customers.

***Block Charter and Block-Frax are very flexible but can vary***

## 5. PRICING

A lucky few might be able to consider business aviation options without considering price. We wish we were in this group, but we are not. Nor, we suspect, are most of you.

***Smaller shares have lowered costs of business aviation***

Indeed, the recent business aviation offerings have been designed to a large extent with price in mind. The success of Fractional programs has been largely driven by the simple notion of reducing the acquisition cost by selling shares in the aircraft. Block-Frax breaks Fractional down into even smaller shares. And Block Charter uses a different mechanism to achieve very similar objectives: reducing the aggregate cost to the user by selling discrete portions of usage well below those associated with Whole Aircraft Ownership. (Of course, the programs also offer increased benefits – i.e., value -- to the users through guarantees, tie-ins, upgrades/downgrades and many other aspects previously discussed.) Used aircraft programs bring some of these price points down even further. And a new generation of "micro" jets currently in development could do the same for Ownership, and all the other offerings, simply by virtue of a much lower price point (though their capabilities will be lower than those of larger jets as well).

As the aggregate price of business aviation usage drops through these developments, it invites participation by larger segments of the market (smaller companies, less well-heeled individuals). Thus, the last 15 years of the business aviation market have been characterized by ever-increasing access to business aviation aircraft in ever-decreasing chunks.

The burst of new offerings, though, has also spurred competition among similar programs. They are often chasing the same customers. This has led to increased price competition.

***Direct pricing comparison is difficult***

As a result, savvy customers would like to compare their all-in cost per flight hour (or even more precisely, per mile, which captures differences in aircraft speed), rather than just the aggregate cost. Unfortunately, it is far from easy to make this comparison, even within a program category, much less across programs. At that level, it is not even as simple as apples-to-oranges; it is apples-to-oranges-to-bananas-to-watermelon.

Why is this so? Because some of the programs tend to be **complex**. Because some of the costs are **uncertain** and some are **opaque**. Because **taxation** plays a major role. And because the costs can vary greatly by the **usage patterns** of the customer. We will address each of these factors, and the degree to which they impact analyzing the financial aspects of each program type.

**Complexity**

Some programs by their very nature have a high level of financial complexity.

Whole Aircraft Ownership, as an example, typically involves a laundry list of fixed expenses (financing or lease payment, pilot salaries or monthly management fees, hangar rentals, chart subscriptions, insurance) and variable expenses (fuel, maintenance, maintenance reserves, airport charges, catering, weather reports and charts for specific flights; these are often called "DOC's", for Direct Operating Costs).

Charter prices, at the other end of the scale, are not particularly complicated. You pay the agreed hourly rate for each flight hour, plus any incidentals (we are ignoring positioning flights, daily minimums and similar "inefficiency" issues here, as they're dealt with in the discussion of usage patterns).

Block Charter and Block-Frax programs generally offer an uncomplicated pricing model. Pre-pay and commit to a defined number of hours at a pre-determined rate. Some, though, debit on the basis of dollars, effectively meaning that the price per hour can be escalated.

Fractional programs have a somewhat more complex pricing model. You pay three main charges – acquisition cost, monthly management fee and occupied hourly rate. These mimic the same categories of expenditures noted for Ownership, but are aggregated and therefore somewhat simplified. They are subject to various escalation provisions. Upgrading and downgrading impact pricing, but in clear, formulaic fashion. You will also pay a take-off/landing fee that is designed to compensate the program for the costs of the taxi portion of the trip, on top of the flight hours.

**Uncertainty**

Many costs in business aviation are uncertain.

Whole Aircraft Ownership can involve a high degree of financial uncertainty. Some costs are fairly predictable (e.g., pilot salaries) and some are quite volatile (fuel and, lately, insurance). A financial analysis of the all-in cost of Ownership will be fairly heavily dependent on the resale ("residual value") assumption used. How much will the aircraft be worth when you go to sell it? Other costs are also uncertain. How much will you spend if the FAA decides that your aircraft needs a special inspection under an Airworthiness Directive or Service Bulletin? What will you pay for the next heavy maintenance visit (this can be smoothed through "power-by-the-hour" programs)? What kind of interest rate can you get on an aircraft loan, or should you lease? And how do you account for the "opportunity cost" of the investment?

***Ownership can be highly uncertain***

Fractional programs often identify their price certainty, especially as compared to Ownership, as a major contributor to their success. The Acquisition cost is what

***Fractional is mixed***

it is. The Monthly Management Fee is essentially fixed, though it might have a CPI-based escalation. The Occupied Hourly Rate is also essentially fixed, though subject to inflation and fuel escalation. The main area of financial uncertainty in a Fractional program relates to the resale value of the share. The program commits to pay you fair market value (less the remarking fee) but how much will that be at termination?

***Block Charter, Block-Frax, and Charter are mostly certain, with exceptions***

Block Charter, Block-Frax and Charter programs offer an even higher level of financial certainty. After all fees have been disclosed and agreed to, charter has almost no uncertainty. Within a contract term, you can predict most of your Block Charter and Block-Frax costs quite accurately (but there are fuel escalators, and see our comment on the potential for rate escalation where the programs debit on a dollar, rather than hour, basis).

**Opacity**

***Beware of hidden charges***

Some, though by no means all, of the programs quite naturally do not go out of their way to point out some of the smaller costs that users can incur. These are sometimes called "hidden charges", though they are typically spelled out in the contract. Nonetheless, they can add up, and comparing a quoted price from such a program can give a false picture, without diving in deeply, especially if comparing it to a true "all-in" price from another program. Overnight charges and daily minimum fees in some programs have to be analyzed. Similarly, some charge a take-off/landing fee that might exceed the true ground time, depending on airports used.

**Taxation**

***Tax issues can be complex***

The financial aspects of the programs can be heavily driven by tax considerations, especially, though not exclusively, if you take title to the asset. How much depreciation will you take? Over what time frame? Accelerated or straight-line? What about recapture at the time of sale? Or capital gains tax? Will you engage in a like-kind exchange? Will you have to pay any state sales and use taxes? What about Federal transportation Excise Taxes on "commercial" operations? What will your tax bracket be at the time of resale? Will your holding company create "passive" losses, and if so do you have sufficient passive gains to offset them? Which of your trips are for legitimate business purposes allowing income tax deductions? These questions just begin to scratch the surface of the types of taxation issues that can come up.

Whole Aircraft Ownership and Fractional programs can involve business deduction, depreciation, capital gains, like-kind exchange, states sales and use, and potentially "passive" loss taxation issues.

Block Charter, Block-Frax and Charter programs would ordinarily involve only Federal transportation Excise Tax, business deduction and potentially "passive" loss issues.

An extremely important point in performing financial analyses of various business aviation options, though, is that if any of these options involve ownership (Ownership or Fractional), it is absolutely essential to include an "after-tax" scenario to get an apples-to-apples comparison (or use a lease cost as a proxy for ownership). Depreciation expense, and its tax treatment, can be such a crucial driver of the true financial picture of these programs that failing to consider it can grossly skew the results.

**Usage Patterns**

The final factor making it difficult to compare the all-in price of various business aviation programs might be the most important – the **travel patterns of the user**.

If you Charter an aircraft from New York to Chicago, attend a mid-day meeting and return that same night, your cost will essentially be the quoted hourly rate times the number of flight hours (with perhaps some incidental charges for specific catering requests, or arranging for a car). If you want to come back three days later, though, you might wind up paying double this amount, because the Charter company cannot afford to have an aircraft sit idle waiting for you instead of earning revenue. So they might charge you for the "empty leg" back to New York, then the additional return to Chicago to pick you up. Or would you be better off paying for the "daily minimum" level of hours, even though you're not actually using them? Then what about the overnight charges? And if the aircraft you charter is not based at a nearby airport, will you be charged for the positioning flight? On both ends of the trip?

***High penalty for inefficient use with Charter***

Block Charter programs are typically not quite as hard on inefficient users as On-Demand Charter tends to be. Some offer a round-trip (i.e., efficient) hourly price and a one-way (i.e., inefficient) hourly price. The inefficient price might be 30-40 percent higher than the efficient price. Not as bad as double, but still a factor that must be considered against your true travel requirements. Other Block Charter programs keep the hourly fee constant, but allow half of the hours to be used one-way (the net result is not that different from the approach just described). Others turn this around and offer an incentive (i.e., discount) for efficient use.

***Block Charter often rewards efficiency***

Fractional and Block-Frax programs, due to their anywhere-anytime approach and network scale, come down on the opposite end of the spectrum from On-Demand Charter: there is no charge for positioning or empty leg flights and no penalty for inefficient use. While this means that the cost is spread around all the program users, it is also reduced by network optimization practices.

***Inefficiency is borne by all owners with Fractional and Block-Frax***

All of these factors interact to make it extremely difficult to compare within or across program types without conducting rigorous financial analyses in order to derive a true, "all-in" apples-to-apples price per hour or mile. But by working through each of the cost areas described above, digging into the details of the program, and applying them to your projected "real world" trip requirements, you can make a much more informed financial decision. In Appendix A, we provide some representative pricing information for various business aviation offerings.

## 6. HYPOTHETICAL CUSTOMER PROFILES

In this section, we offer hypothetical profiles of potential business aviation customers. While they are fictitious, in our experience they do represent composite snapshots of customers typically considering business aviation. The purpose of this Chapter is to illustrate the key attributes and assist the reader in selecting a program that matches his or her needs. Accordingly, we have not provided profiles that obviously fall into only one category – such as an individual needing only 10 hours per year that might fit only into the Charter value proposition, or a company wanting 400 hours of usage on a well-defined set of routes requiring only one aircraft type for whom Ownership might be the obvious choice. Rather, we have attempted to provide profiles that are more nuanced and complex, and narrow the list of possibilities down to two or three options, with some insight into how this user, and perhaps the reader, might decide between these options.

After providing each profile, we then plot the hypothetical customer's needs against the key attributes introduced in the preceding chapter. Colored columns are plotted against each attribute's bar chart in order to indicate where the customer falls on that attribute. Are they willing to deal with a high degree of complexity (in which case the column falls on the high end of the range), or do they insist on a low level? Referring to the chart for Profile 1, for example, shows that the customer desires a low level of commitment but can live with a high degree of complexity.

The color of each column indicates the level of importance that the hypothetical customer ascribes to the attribute in question, red being high, yellow being medium and green low. Referring again to the Profile 1 chart, the customer considers commitment and consistency to be very important attributes, but the other three are of low importance.

The combination of the color and position of each column suggests (i) which attributes are the most important to that customer and (ii) which program offerings tend to match up with the customer's desires for that attribute. The Profile 1 chart quickly shows, as an example, that this particular hypothetical customer will want to consider Block Charter and Block-Frax carefully because they match up well with his desired position on the attributes he considers most important, commitment (willing to commit) and consistency (requires a high degree).

The reader should keep in mind that the key attributes must be considered in conjunction with the two other key factors: price and usage requirements. Each profile contains a summary that considers all three factors.

Profile 1 - The Semi-Retired Executive

Mr. Neary had a long and successful career in the banking industry. While he officially retired a few years back, he keeps busy as a part-time consultant and sits on the Board of a number of public companies.

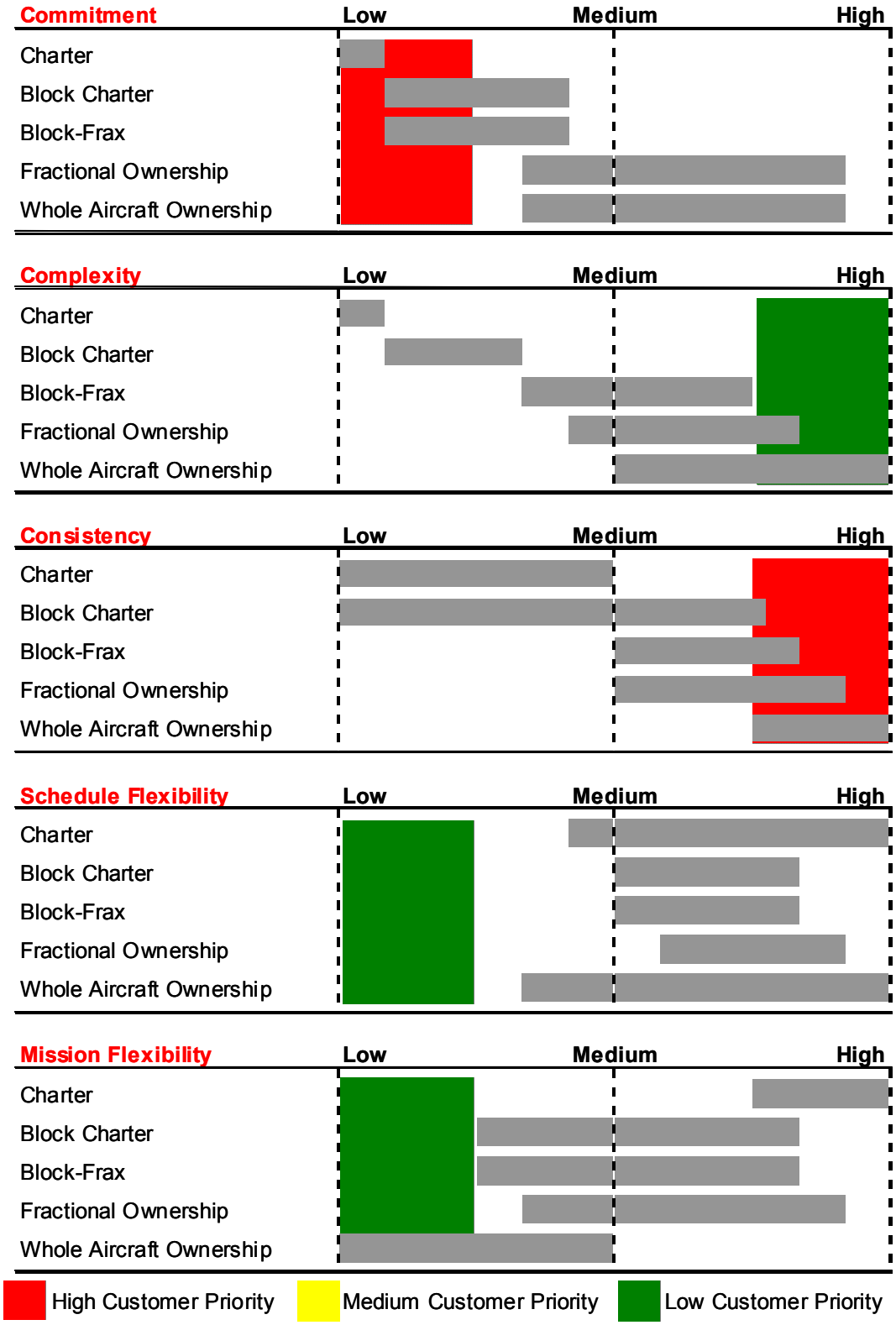
His main home is in the New York City suburbs, but he has vacation homes in Naples, FL and Bar Harbor, ME. Between board meetings, traveling between his homes and other trips, Mr. Neary travels 12-15 times per year. His travel needs are considered “one-way”, as he usually stays at his destinations for at least a few weeks. Travel requirements are always determined in advance, with very few “emergency” trips. Sometimes he travels alone, but most frequently he travels with his wife and other family members.

Mr. Neary worked hard for what he has, and is extremely value-conscience. All major purchases must meet his strict “value per dollar” analysis. He will spend time and money to ensure that he is getting the best deal possible. However, consistent service, personalization and their associated benefits are equally important, and he is willing to pay for them.

His financial plan is well designed and invested. At this stage of his life, he is risk-averse and would much rather keep his asset allocation intact than worry about aircraft ownership.

What business aviation options should he consider?

## The Semi-Retired Executive



Summary

| | |
|---|---|
| Travel Requirements: | - 25-30 hours per year<br>- Most missions probably achievable with a light jet |
| Travel Efficiency Level: | - Low |
| Financial Implications: | - Value conscience<br>- No asset investment<br>- Consider programs without inefficiency penalties |
| Programs to consider: | - Block Charter or Block-Frax |

Mr. Neary's strong opposition to infusing capital into a transportation solution eliminates whole and fractional aircraft ownership from consideration. This is further reinforced by his relatively low annual travel requirements. While Charter meets one of his key criteria (low commitment), it will probably not meet his desire for a consistent travel experience and will tend to be expensive for inefficient users like him. He is likely to explore various Block Charter programs (especially those that offer a consistent product and do not penalize inefficient use too harshly) and Block-Frax options, choosing one that his advisors feel offers him the best aircraft at the best price.

Profile 2 - The Successful Small Company CEO

Anne Fischer is the President and CEO of a successful architecture and engineering firm. Her quality, creativity and pricing have caused it to be one of the most sought after A&E firms in the country. She takes about 30 trips per year, practically all of which are one-day or at most two-day round trips on the airlines. The financial success of her business puts her in the position to consider business aviation alternatives to meet her exhausting travel needs, and she would very much like to reduce the time, stress and hassle factor of her own travel.

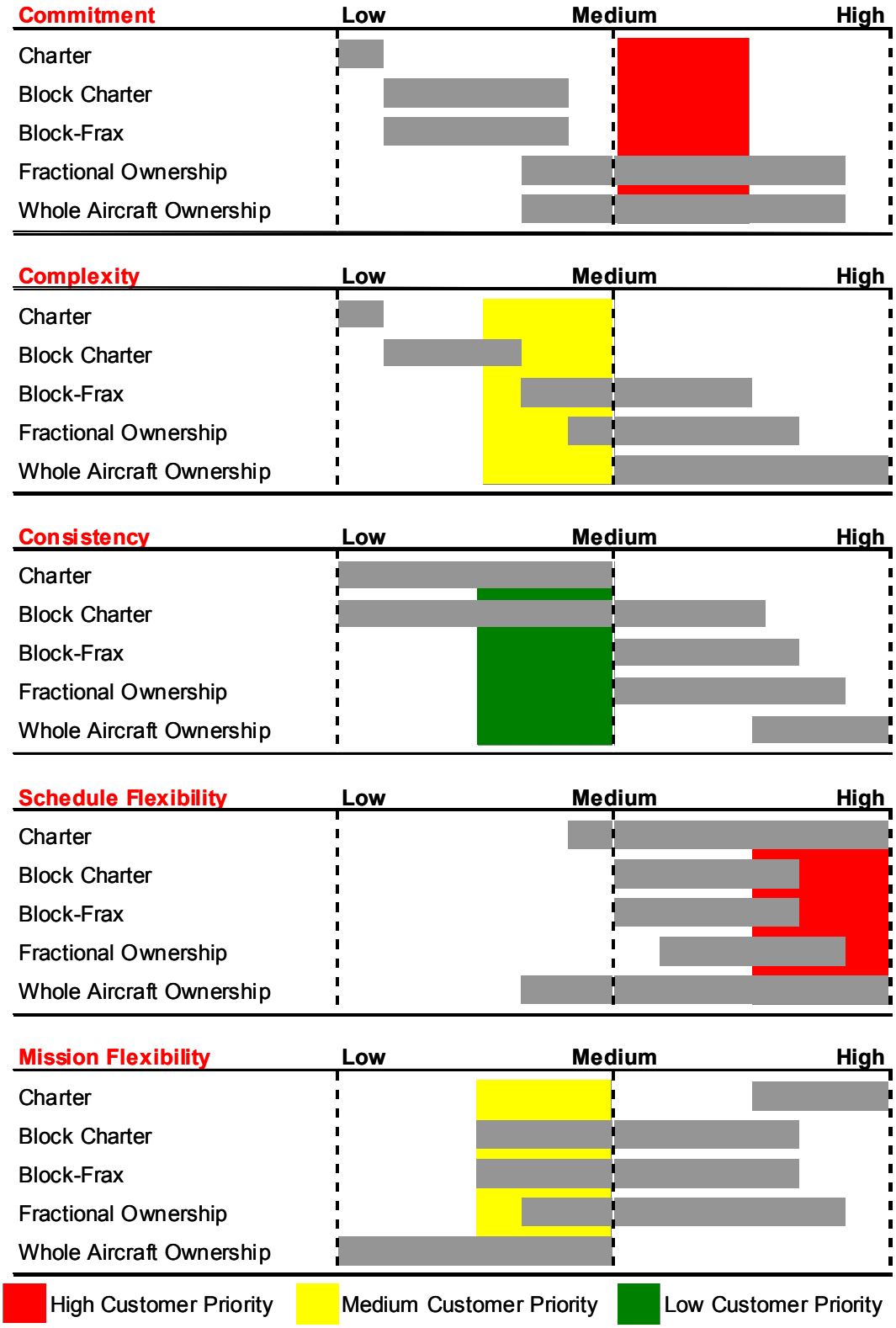
Ms. Fischer is confident in her needs, as her assistant has summarized her travel patterns over the last few years in a report. The report showed that her travel is quite consistent, and that about 80% is for business, 20% personal. Historically, all of her travel has been on commercial airlines (much in first class). The report also showed that much of her travel was on last minute notice, with quite a few “change fees” for itineraries changed at the airport. She is frustrated with the cost of flexible business fares on the airlines, especially compared to the perceived value when considering cancellations, connections and the impact on her schedule. To her, any business aviation alternative is a step up. She will be the sole user of the aircraft, except if business needs dictate that colleagues travel with her. On these infrequent occasions, there might be one or two additional passengers.

She plans to use the aircraft to heighten the image of her firm, bringing it into the world of the bigger A&Es. Additionally, Ms. Fischer is intrigued by the concept of aircraft ownership, thinking that it may help diversify her company’s investment portfolio (one of her friends bought an aircraft in a strong market and ended up selling it for more than he paid). However, as this is the company’s first foray into business aviation, price has to be the primary consideration. She is willing to sacrifice some service options for a more affordable solution.

The thought of hiring outside consultants and attorneys to assist with a transaction bothers her, though she understands that research and analysis is critical to matching the right product to her individual needs.

What should she do?

## The Successful Small Company CEO



Summary

| | |
|---|---|
| Travel Requirements: | - 50-60 hours |
| Travel Efficiency Level: | - Mostly efficient |
| Financial Implications: | - Consider programs that reward efficiency<br>- Will consider an investment<br>- Price is primary issue |
| Programs to Consider: | - Charter, Block Charter, or Fractional |

Ms. Fischer's highest priority is schedule flexibility. As she is an efficient traveler and is not overly concerned with consistency, she should consider Charter and Block Charter as these offer pricing structures that reward efficient users (unlike Block-Frax and Fractional). They are both a substantial "step-up" from commercial aviation and would probably meet her flexibility needs (though she will need to check the service area of any Block Charter program). Although she is open-minded, whole Aircraft Ownership would not be an effective use of her capital based on her current usage requirements. Fractional could be considered because she might want to own a portion of an aircraft, but its pricing structure would not reward her efficient use.

Profile 3 - The Corporate Workhorse

GrowthCo Inc. is a $500 million manufacturing company headquartered in Topeka, KS - with eight plants located across the United States. GrowthCo is managed by a three-person executive team. The executives travel extensively throughout the US, generally in groups of one or two. While travel needs fluctuate from year to year, the GrowthCo executive team collectively travels the equivalent of 125 to150 hours per year. Travel schedules are wearing on this group. No trip lasts less than two days, as all airline travel requires at least one connection (and often two) in each direction. An internal analysis has valued the team's time at $500-$700 per hour. They are each practically indispensable and the CEO is considering business aviation to remove some of the travel pressure. He believes that the time savings of business aviation can easily justify the expense.

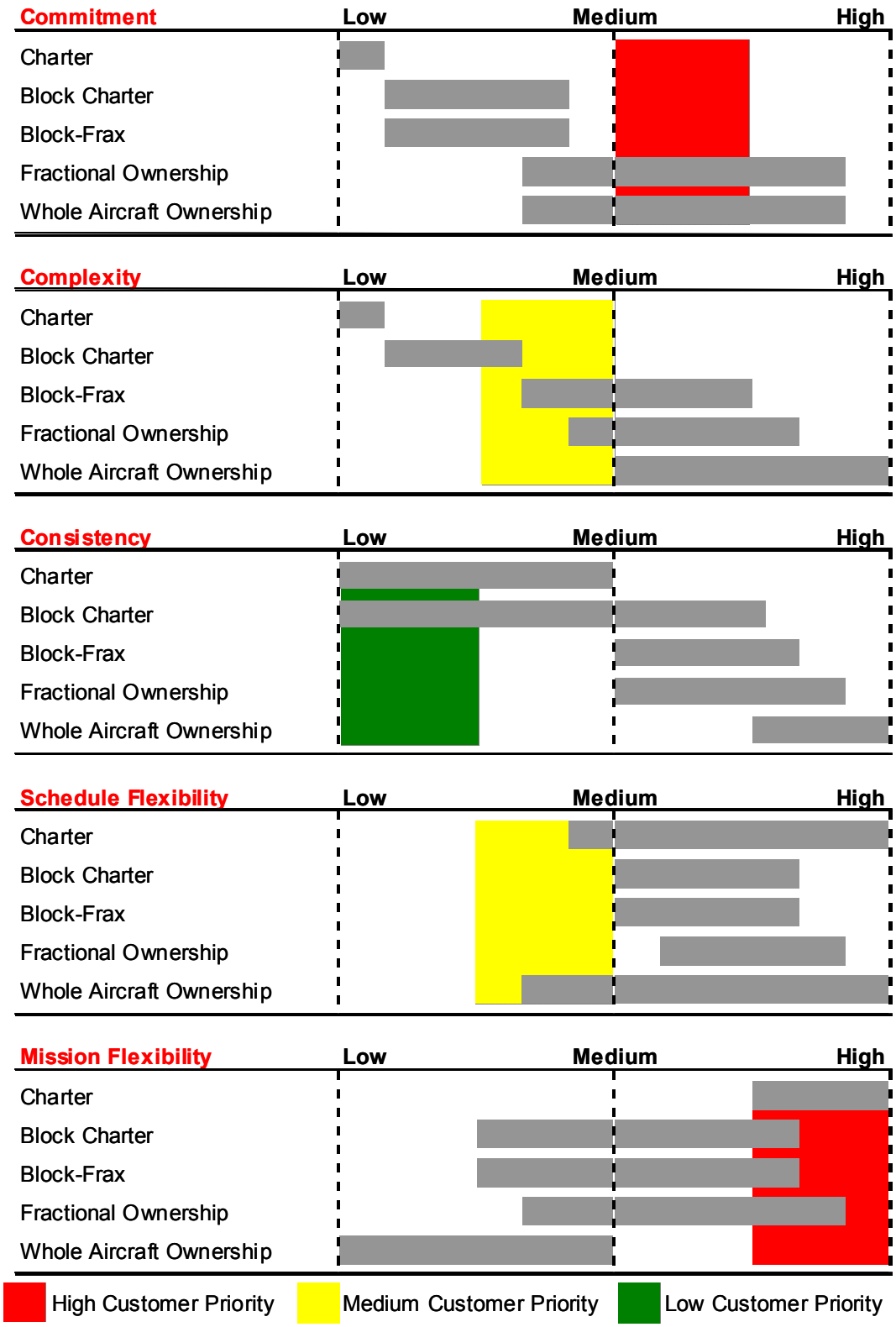
Trips range from simple "out and back" trips to extended "tours", where three or more plants are visited in succession. It is rare that the team needs to stay at one site for more than one day. Travel patterns are relatively predictable, and while it occasionally is required, last-minute changes are more exceptions than rules. However, when travel needs arise, "getting there" is not optional.

Though GrowthCo is privately held, the CEO is concerned about shareholders' reaction to the use of business aviation. To mitigate these concerns, management has assured the Board that using business aviation will in no way divert capital resources from, or investment in, the business.

GrowthCo is not looking for a status symbol. Instead, it is looking for a legitimate transportation option that allows its executive team to operate more efficiently, trading "getting there" time with office / home time. As such, a consistent travel experience is not important. To make the right decision, GrowthCo will invest some time, but there is not an abundance of that available, and no one in the company knows a great deal about aviation matters.

What business aviation alternatives are likely to meet GrowthCo's needs?

## The Corporate Workhorse



Summary

| | |
|---|---|
| Travel Requirements: | - 125-150 hours |
| Travel Efficiency Level: | - Mixed |
| Financial Implications: | - Operational / Financial balance<br>- Concerns about shareholder perceptions |
| Programs to Consider: | - Fractional, Block Charter, or Block-Frax |

While Charter may have been an option to GrowthCo when its travel requirements were lower, there are more economical alternatives available at current travel levels. GrowthCo has indicated that they do not want to invest significant capital in a transportation solution (ruling out Whole Aircraft Ownership; while it could be lease-financed reducing capital requirements, it would probably be marginal in any case at this usage level). That leaves Fractional, Block Charter, and Block-Frax, any of which could meet the mission flexibility requirements and tolerance for complexity. A key point of consideration for GrowthCo may be the number of years their travel requirements are likely to remain at the current levels. A longer time horizon may favor Fractional programs, shorter Block Charter or Block-Frax.

Profile 4 - The Fleet Supplement

Captain Mike Dooley runs the flight department and is Chief Pilot for GlobalCo, a Fortune 50 international conglomerate. Captain Dooley manages an existing fleet of five corporate aircraft (one heavy jet, one midsize jet, two light jets and one turbine helicopter).

The aircraft are used for a wide array of domestic and international travel, often carrying groups of four or more people. Last-minute trips and changes are common. The company's executives demand total flexibility in their travel in order to respond to the market and make critical sales visits. In addition, GlobalCo executives often use the corporate fleet to "connect" with international commercial flights. As with any fleet this size, it is often the case on any given day that one of the aircraft is down for maintenance, reducing the fleet capacity and flexibility. If it happens to be the one needed for a crucial mission, the company executives will be neither forgiving nor understanding. The "show must go on" and it will be up to Captain Dooley to find a solution, no questions asked.

Captain Dooley's superiors have already chosen to incur the expenses associated with the establishment of a GlobalCo flight department. They like the control and certainty the internal flight department brings, and want someone responsible for its oversight on the payroll. The company is not averse to bringing additional aircraft into the fleet provided that it is financially rational to do so. Captain Dooley also has the company's legal and financial resources to assist him in obtaining the right aircraft resource for the best price. And he has a relationship with a broker/acquisition consultant, and often retains an aviation lawyer as outside counsel to assist on transactional, regulatory, and tax matters.

Each aircraft in the existing fleet is definitively GlobalCo, with common interiors, themes and accessories. Management considers this an extension of their brand, uses the aircraft to create "captive audience" situations for closing major sales, and will accept nothing less with new capacity.

Last year, there was demand for 100 flight hours beyond what the existing fleet could supply. Some was serviced through Charter, though the executives sometimes complained about the service standard received, and the inefficiency of their travel produced very large deadhead, overnight and daily minimum charges. Some of the excess demand was met through commercial airline flights, requiring connections and the use of, and hassle associated with, major commercial airports. Captain Dooley wants to find alternatives for serving that unmet demand, while at the same time maximizing the overall efficiency of the fleet. He understands that it is the one-way trips and deadhead legs that drive his department's costs up, without providing any value to the company.

How can Captain Dooley best service this excess demand?

## The Fleet Supplement

Summary

| | |
|---|---|
| Travel Requirements: | - 100 hours |
| Travel Efficiency Level: | - Very inefficient |
| Financial Implications: | - Established flight department<br>- Minimize cost of existing inefficiencies |
| Programs to Consider: | - Fractional or Whole Aircraft |

GlobalCo wants it all - consistency and total flexibility. As a company with an existing fleet and available resources, neither commitment nor complexity are concerns. Fractional would be a very good option for GlobalCo, as it would best meet their flexibility requirements and offer a way to minimize one-way trip costs, at a minimal incremental capital cost. The schedule and mission flexibility of Fractional, combined with lack of any penalties for inefficient use, make it an extremely attractive option to supplement a corporate fleet of aircraft. Alternatively, by adding a sixth aircraft to the fleet, GlobalCo could easily meet the excess demand and have capacity for growth. To maximize schedule and mission flexibility with this option, historical travel patterns must be evaluated carefully to identify what aircraft would make the optimal addition to the fleet. The downside, though, is that the company will bear the full cost of inefficient use, and it will not obtain access to a network of aircraft like it would with Fractional.

**Profile 5- The Investors**

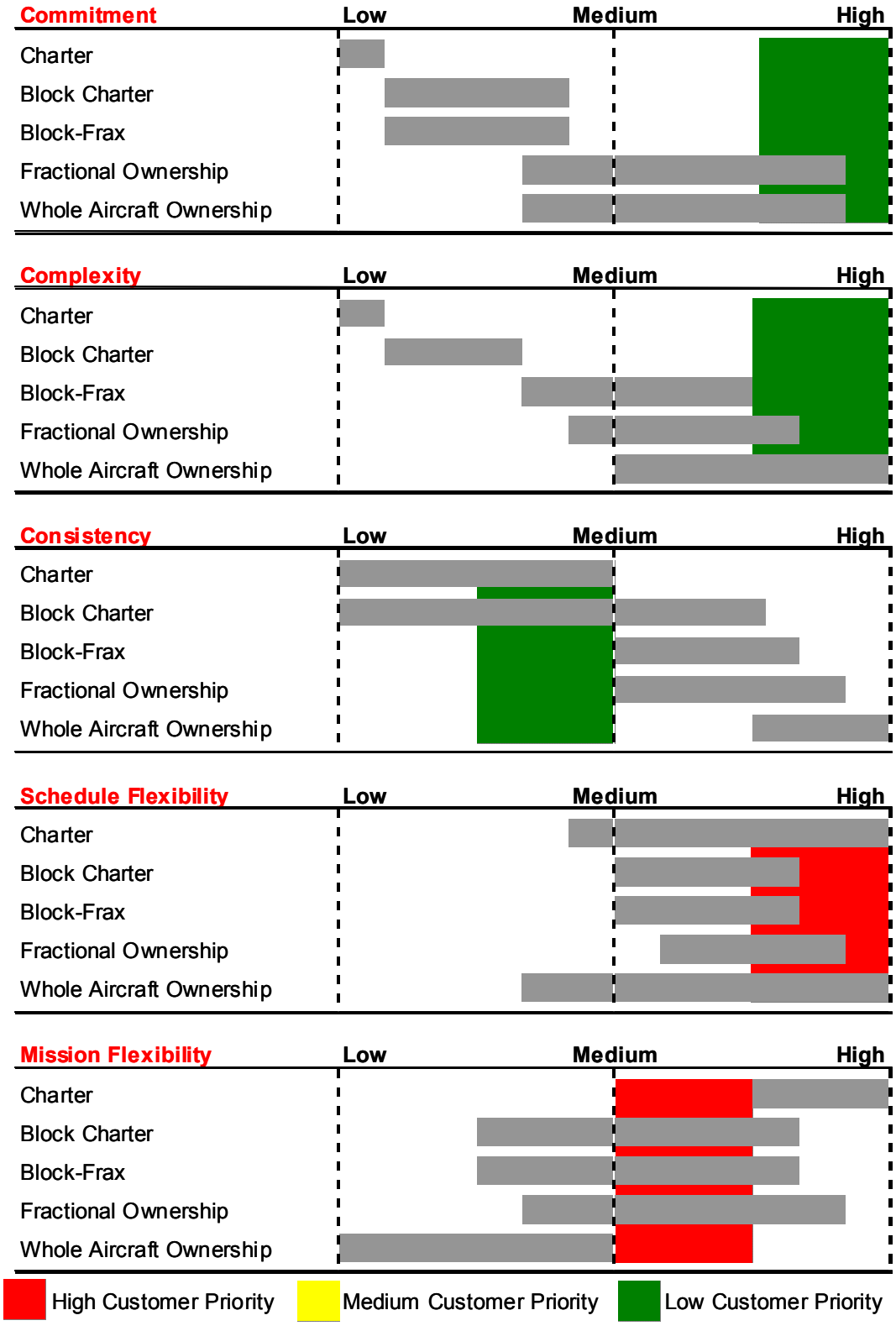
InvestCo was formed in the late 1990s by three technology industry executives that all happened to enjoy spending time in Sun Valley. In a span of two years, each had sold a business. They decided to open a venture capital fund in the area, and move their families to Sun Valley full time. Due to the varied experience and backgrounds of the founders, the InvestCo fund has become extremely popular. In addition to the founders, the firm employs ten financial analysts and various administrative staff.

It focuses on companies in the U.S. high-tech corridors of Silicon Valley (outside San Francisco), Silicon Alley (Manhattan) and Austin. Its vendors, suppliers and other investments are spread across the country, and even overseas. Commercial service has become inadequate for InvestCo's needs. Trips, typically involving a founder traveling with one or two analysts, are frequently of the fire drill variety with little or no notice and lasting from a few hours to more than a week. When investor "road shows" occur, as many as ten people travel identical itineraries - often covering multiple cities in one day. As deals heat up, it is often the case that two or three deal teams must travel to different locations at the same time. Total travel needs that cannot be adequately serviced by the commercial airlines are between 175 and 200 hours per year.

As an investment fund, management is more concerned about maintaining steady cash flow than the effect of assets on its balance sheet. In fact, the corporate financial structure would benefit from any asset depreciation. The founders want a multi-year solution with predictable costs. They have the skills and time to evaluate their options thoroughly.

What business aviation option meets InvestCo's needs?

## The Investors



Summary

| | |
|---|---|
| Travel Requirements: | -175-200 hours |
| Travel Efficiency Level: | -Low |
| Financial Implications: | -Expense predictability desired<br>-Can benefit from asset appreciation or depreciation<br>-Programs without inefficiency penalties |
| Programs to consider: | -Fractional or Block-Frax |

InvestCo's needs are truly all over the board and their travel requirements are fairly substantial. They have simultaneous trips -- some very inefficient -- and they require differing types of aircraft for various missions. At this level of usage, they might consider Whole Aircraft Ownership (probably by contracting with a management company that would Charter out the aircraft during inactive periods). But owning a single aircraft will not allow for three "teams" often traveling simultaneously to different locations. Nor would it provide access to various aircraft types. Highly inefficient travel and the number of hours required (and potentially the remoteness of Sun Valley) are likely to eliminate Charter. Block Charter could be an option if there is a program in the region that does not penalize inefficient use and that allows access to a larger fleet and simultaneous use.

The one-way nature and simultaneous use benefits of Fractional and Block-Frax would give InvestCo the level of flexibility they need. Those programs will also allow the company to take advantage of aircraft that best fit specific trips. Both fall within the commitment and complexity ranges that InvestCo can handle. While InvestCo is likely to evaluate both options, the extra flexibility and more predictable expense of Fractional (especially over multiple years) might sway their choice in that direction. And at this level of usage over several years, Fractional could prove to be much more cost effective than Block-Frax.

## 7. CONCLUSION

Business aviation has to some degree always been a fairly complex, though immensely powerful, transportation solution. Paradoxically, today's offerings are in many ways more straightforward, less confusing and more flexible than traditional approaches. Yet our sense is that the proliferation of new methods of packaging business aviation has led to increased confusion in the market.

The purpose of this Study has been to attempt to clear up some of this confusion, and provide the reader a sound foundation for deciding on a short list of program types that offer a good fit. A secondary purpose has been to identify the key attributes that might form the basis of the reader's further research and decision-making.

While this Study has been sponsored by the Flexjet fractional program of Bombardier Aerospace, we have attempted to ensure that it is fair and accurate in its depiction of the various business aviation offerings. As Bombardier has offerings in nearly all of these categories, they have shared this desire and have sponsored this Study in the interest of educating and informing consumers about the benefits of, and variations on, business aviation.

We have attempted to avoid comparisons between specific companies and programs in the business aviation space, rather focusing on the broader categories involved. Inevitably, there will be exceptions to some of the general statements we have made, or new programs may come along that differ from those with which we are most familiar. Again, we have attempted to emphasize the common aspects within a type of service offering, and naturally have tended to rely on the specifics of the larger, well-known programs.

Finally, we encourage the reader to obtain qualified advice and conduct appropriate research supporting your own purchase decisions. The information contained in this Study is of a general nature, and might not be completely accurate, or current, with respect to any specific program. We hope, though, that it will serve as a useful point of reference for beginning such research.

## 8. ABOUT PA CONSULTING GROUP

The Transportation Practice of PA Consulting Group, Inc. part of the global PA Consulting family, provides strategic, economic and operational consulting services to clients ranging from commercial airlines to airports, manufacturers, vendors and governments. As a significant part of this global transportation practice, PA provides management consulting services to the business aviation sector.

Our clients include many companies specializing in business aviation – such as Charter operators/brokers, management companies, Fractional programs, manufacturers and financial institutions. We also advise companies and individuals in the development of aircraft ownership and operating structures, aircraft selection and acquisition, aircraft financing/leasing and regulatory compliance programs.

Our team has worked extensively in the business aviation sector for well over a decade:

Michael Fleming. Michael leads PA's business aviation services. He advises on strategy, business planning, financial analysis and M&A matters, working at the forefront of major initiatives in the sector. Michael began his career in business aviation in 1990 at AMR Avanti Sales and, later Piaggio Aviation, handling contracts and financial analyses. He then moved to United Airlines, where he negotiated aircraft transactions and performed related financial analyses. In 1994, Michael joined the aviation consulting firm that became PA's Transportation Practice. For many years he also served as a partner in an aviation law firm, representing clients in aircraft transactions, finance/lease arrangements and aviation regulatory matters. Michael holds an M.B.A. in Finance, a J.D. and is an instrument-rated private pilot.

Ed Scerbo. Ed has over 12 years' experience both as an executive and a consultant in the aviation and information technology industries. Ed advises clients on the economic, strategic and technical aspects of the business aviation sector, in areas such as acquisitions, strategic planning, business planning, revenue/cost modeling and market development. Ed earned a B.S. in Airway Science Management and a Private Pilot certificate from Florida Institute of Technology.

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## *APPENDIX A: RELATIVE PRICING ANALYSIS*

Release 1.1

October 16, 2003

Overview

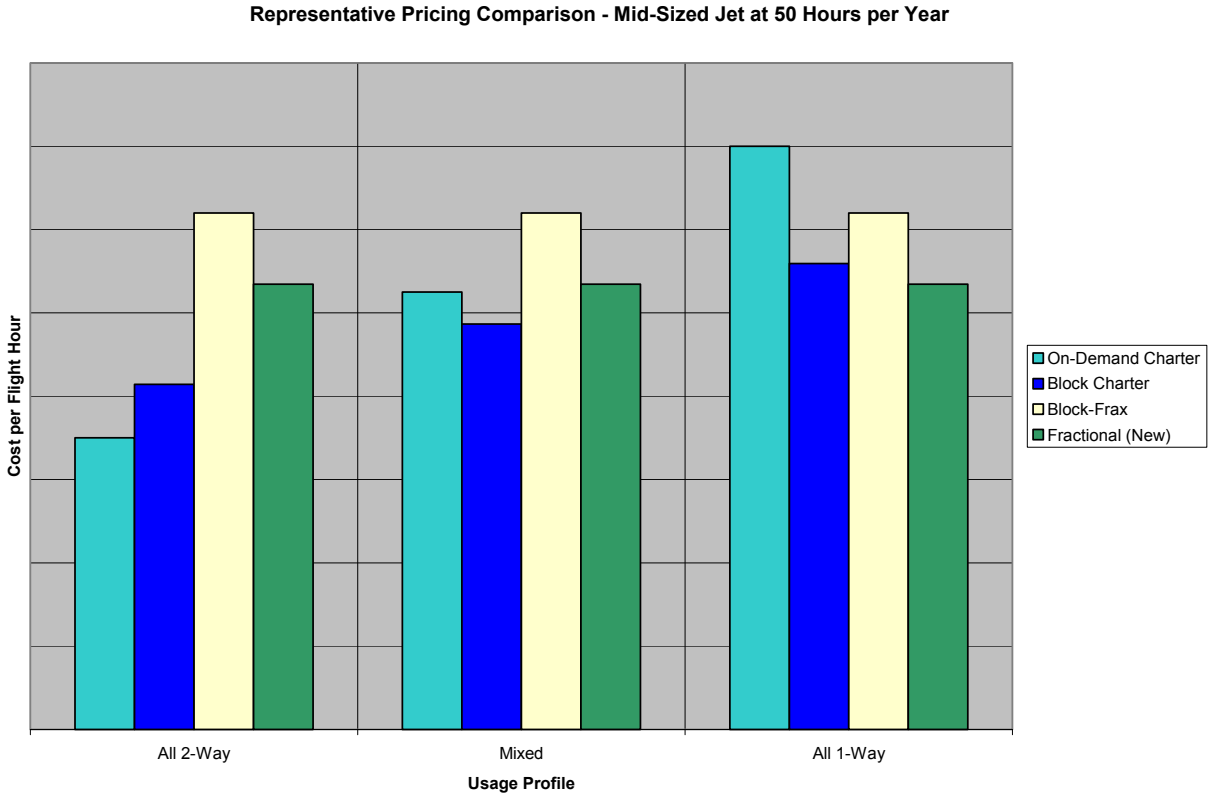
As part of our Private Jet Travel study commissioned by Bombardier Aerospace, Flexjet, we at PA Consulting Group have conducted an analysis of the relative pricing of various business aviation offerings. We believe this analysis demonstrates our key point that pricing can never be considered in a vacuum – it depends heavily on the travel patterns of the consumer.

We have included On-Demand Charter, Block Charter, Block-Frax and Fractional programs, using prices from the respective Bombardier Aerospace programs. We have not included Whole Aircraft Ownership in this analysis due to the variability in costs and their heavy dependence on the user's usage, taxation and internal cost-allocation practices (e.g., the cost of staffing an internal flight department and whether or not the owner charters out excess time on the aircraft).

Nor have we attempted to capture all the variation between specific programs within the same category -- Fractional program X versus Fractional program Y, or Block Charter program A versus Block Charter program B. Rather, the purpose of this analysis is to demonstrate the broad differences in the pricing approach between program categories, and the impact of the user's own travel patterns. Accordingly, our results -- based on costs per flight hour -- are shown in relative terms to avoid over-reliance on individual figures and to improve the currency and shelf life of the analysis. The Methodology and Assumptions section provides further details.

Results

In the main body of the Study, we state our belief that each of the business aviation offerings is suited to some segment of the market, and that the attractiveness of the programs depends to a great extent on the preferences and needs of the consumer. Our pricing analysis bears this out. The following chart summarizes the approximate relative cost per flight hour for each of the program categories, based on using a mid-sized jet aircraft for 50 hours per year.




The "Usage Profile" along the X-axis indicates the way that the consumer will use the aircraft. "All 2-Way" usage means that all flights are purely efficient, involving out-and-back round trips on the same day and no positioning or empty segments. "All 1-Way" means the opposite: all purely inefficient trips that involve a segment from point A to point B alone. From the On-Demand Charter perspective, these are all trips that would require charging the customer twice the cost of the segment flown (because of the need to bring the aircraft back to the origin airport empty). These are, in other words, worst-case scenario trips from an efficiency perspective. "Mixed" is the mid-point, and simply means that half the hours are derived from efficient travel and half from inefficient travel.

The chart demonstrates the cost benefits of On-Demand Charter if usage is purely efficient. Conversely, it also demonstrates the stiff penalty for inefficient use embedded in the On-Demand Charter value proposition. It is also clear that, in general, the pricing model of Block Charter has been geared toward the mixed-use customer.

Block-Frax and Fractional neither penalize inefficiency nor award efficiency – the price is the same no matter how efficiently you use the aircraft. Consequently, their pricing favors the inefficient user. As discussed in the main body of the Study, Block-Frax programs offer access to many of the benefits of the full Fractional network but at a commitment level below Fractional's 50-hour minimum. Clearly, though, this comes at a premium to the user. Fractional programs can offer the lowest overall cost per hour for inefficient travel, but require longer commitments and usage at or above 50 hours annually.

The following table depicts an index of these price levels.

| | All 2-Way | Mixed | All 1-Way |
|---|---|---|---|
| **On-Demand Charter** | **1.00** | 1.08 | 1.31 |
| **Block Charter** | 1.18 | **1.00** | 1.05 |
| **Block-Frax** | 1.77 | 1.27 | 1.16 |
| **Fractional (new)** | 1.53 | 1.10 | **1.00** |

In each column, again defined by efficiency of use, the lowest cost solution is indexed at 1.00, and the other options in the column are indexed against that lowest cost solution (i.e., each column is indexed to the lowest cost solution in *that* column). The variation in the index captures the approximate price differential between program types based on similar types of usage. As an example, On-Demand Charter is the lowest cost solution for two-way travel, and is therefore indexed at 1.00 in that column. Block charter might be 18% higher (1.18 index) than On-Demand Charter for purely efficient travel at these usage levels. Conversely, Fractional is the lowest cost solution for purely inefficient travel at these usage levels, hence its 1.00 index under the third column, and On-Demand Charter might exceed the cost of Fractional by 31% (1.31 index) under these circumstances. We caution the reader that these percentages should be viewed as rough, representative figures only, as they will depend on your own circumstances and the specifics of the programs you are considering.

Based on this analysis, we conclude that there is a market segment well suited to each type of offering, and that the price of the offerings is heavily influenced by the usage patterns of the consumer.

Methodology and Assumptions

We began with base costs per flight hour, and conducted analyses for all included program types at 25, 50 and 100-hour annual usage levels. All analyses are based on mid-sized aircraft, meaning Learjet 60. On-Demand Charter prices are based upon multiple trip requests from several well-known demand aggregators. We have ignored daily minimum and overnight charges for On-Demand Charter, on the notion that we have already captured the worst case by doubling the hourly charge for one-way travel. All other base costs came from advertised rates for the representative program selected. For Block-Frax, we assumed that in order to achieve 50 hours of usage in a year the consumer would buy two 25-hour increments.

We did not include various incremental charges such as fuel surcharges and take-off and landing charges associated with taxi time: these are difficult to capture objectively (for example, the take-off/landing charge might exceed actual taxi time, or conversely could be well under actual taxi time, depending on airports involved, time of day, and etc.). Similarly, we excluded any costs of non-standard services, such as limo travel on the ground or non-standard catering requests. Nor did we include time-value of money calculations – all figures are nominal and do not capture carrying/opportunity costs where payments are paid in advance.

For Fractional programs, we started with the Occupied Hourly Rate and added the hourly cost of the Management Fee (Monthly Management Fee times 12 divided by annual hours). In order to capture the ownership cost of Fractionals, we multiplied the acquisition cost for the respective share (e.g., 1/16$^{th}$ share acquisition cost for 50-hour analysis) by an assumed 1% per month lease rate. We used this rate as a simplifying proxy for the cost of ownership in order to avoid the complications of resale assumptions, depreciation and depreciation recapture. Using a representative lease rate is a well-accepted approach for capturing the ownership cost of an aircraft (or, in this case, share of an aircraft) and is used by major commercial airlines in their financial analyses. Accordingly, this approach allows for a meaningful analysis without considering taxation, which we have ignored (income tax, states sales and use tax and federal transportation excise tax).

We have prepared this analysis in good faith, and have attempted to ensure that our approach is fair and consistent and that all figures are reasonable and as reliable as possible. However, this analysis is representative only, and is necessarily simplified. We cannot ensure that these figures will be current at the time the reader views this Appendix, nor can we ensure that they will be accurate for the specific program you are assessing. We urge the reader to perform thorough analyses when comparing specific program offerings.