



*JetLink Air Taxi*

## **Business Plan**

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Business Plan Preparation



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## **Executive Summary**

### What is JetLink?

JetLink provides regional air taxi services on its ten Eclipse 500 aircraft between five major west coast regional airports.

### Opportunity

Every day, thousands of travelers waste hours and hours of time waiting at airport check-in counters, in security lines, and near baggage claim carousels. Numerous editorials and countless customer complaints showcase the hassles of post 9/11 air travel. In fact, on a scale of 1 to 10 survey respondents ranked their satisfaction with commercial air travel as a 5.5. The need for service improvement in the \$126 billion domestic air travel market is clear. According to 2005 data from the National Business Travel Association, wealthier business travelers and first class flyers are searching for commercial alternatives. On the West Coast alone, these markets constitute a \$2+ billion opportunity.

### JetLink's Service

Traditionally, one needed to charter an entire aircraft or own a plane to fly privately. With the new class of cheap-to-buy, cheap-to-fly Very Light Jets (VLJ's), JetLink offers fares for single seats. Using Slipstream Air's advanced air taxi scheduling system, JetLink will offer direct flights between Las Vegas, Sacramento, Long Beach, San Jose, and Van Nuys.

### How does JetLink add value?

By offering flights to un-crowded regional airports with no check-in, security, or baggage claim waits, JetLink provides a time saving alternative for today's west coast regional business and first class travelers.

### Marketing Strategy

By placing print ads in local lifestyle magazines (e.g. Long Beach Magazine), directly targeting local businesses, and handing out brochures at commercial airports, JetLink will effectively reach its target audience and position itself as a time saving alternative to commercial air travel without \$4000/hr prices.

### Competitive Advantage

Although JetLink competes with commercial airlines, private air charters, fractional aircraft ownership services, and other air taxi startups, its regional airport service, unique pricing model, and first mover status create competitive advantages for the company.

### Management

Combining the leadership and financial skills of two aviation executives, William Hall from CitationShares and Carl Thorsberg from Marquis Jet, along with the technical marketing know-how of Interwoven Inc. CMO Bill Seawick, will ensure that JetLink soars to new heights.

### Financial Projections

JetLink's year five revenue will be approximately \$30 million dollars, and the company expects to break even after 10 months. JetLink predicts 55% gross profit margins in year five.



**Funding**

JetLink plans to raise \$4 million in a round of series A financing surrendering 35.7% of the company. Additionally, JetLink will finance 90% its aircraft with debt totaling \$13.5 million.

**JetLink’s Service**



JetLink will offer point-to-point private jet service at roughly the cost of traditional first class travel. Customers pay for single seats rather than the entire aircraft. Additionally, customers who can fly anytime during a 5-hour time window will pay less for ticket than customers who must fly at a certain time. Customers will then be grouped together accordingly by destination and time.

*Initially, ten aircraft will serve the following five locations:*

**JetLink Headquarters: North Las Vegas Airport—Las Vegas, NV**

Sacramento Executive Airport—Sacramento, CA

Long Beach Airport—Long Beach, CA

San Jose International Airport—San Jose, CA

Van Nuys Airport—Van Nuys, CA

Feature	Benefit
Regional Airport Service (i.e. no check-in lines, security lines, or baggage claims)	Saves travelers time
Single-seat fares	Saves travelers money
Departure from fixed base operator’s (FBO) luxurious lounge	Helps traveler relax
No need to check baggage	No lost bags

**Pricing**

To understand JetLink’s pricing structure, consider the following example.

*Customer A wants to fly from Las Vegas, NV to San Francisco, CA. Customer B also wants to fly from Las Vegas to San Francisco. Customer A can fly next Thursday between 8:00 am and 3:00 pm.*

*However, customer B must take off next Thursday at 9:30 am.*

Because ticket pricing is determined by the customer’s time window, customer A would pay \$475 for his/her ticket, while customer B would pay \$875 for his/her ticket.

Customer’s Time Window	Ticket Price
Less than 1 hour	\$875
1-2 Hours	\$775
2-3 Hours	\$675
3-4 Hours	\$575
4+ Hours	\$475



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## **Market Analysis**

*First Class Market; Western 25% of US<sup>12</sup>*

Total Domestic Airline Market = \$126 Billion
Average First Class seating per plane = 7%
Total Domestic First Class market = \$8.8 Billion
<b>Western 25% of US market = \$2.2 Billion</b>
<b>Growth Rate = 10%</b>

*California Business Air Traveler Market<sup>34</sup>*

Annual number of commercial air trips = 29,621,000
Percentage of travel for business in California = 20%
<b>Number of business air trips = 5,924,200</b>
<b>Growth Rate = less than 1%</b>

### Trends in the Marketplace

Although the air travel market is at its highest post-9/11 level, the overall number of travelers has not yet reached its pre-9/11 state. However, potential exists in the first class market, which is growing at a faster rate. “Most of the growth is coming from high fare airlines. Over the past year and a half there has been greater demand for premium airlines.”<sup>5</sup> Commercial air carriers are focusing more and more on features like in flight films and upgraded food service partly to overshadow the hassles of commercial air travel.

Trends in the business market are harder to pinpoint, though data is revealing. Since 2000 the airline industry has lost 50 percent of its normal business travelers due to extended wait times, lack of regional service, and poor customer service levels.<sup>6</sup> Additionally, increasing numbers wealthy business travelers are electing to fly privately for security reasons. NBTA surveys show a growing use of private jets and charters since the 2001 terror attacks on the United States. In fact, in 2002 26% of U.S. companies used private jets. By 2004, that figure had risen to 33%. Research from the NBTA shows the trend continuing.<sup>7</sup>

According to the North American Industry Classification System (NAICS), JetLink will be entering and competing in the Nonscheduled Chartered Passenger Service industry. More specifically, JetLink will be listed under the 2002 NAICS Code 481211 and the Corresponding Index Entries of an Air Taxi Service<sup>8</sup>.

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<sup>1</sup> Frost and Sullivan: *North American Air Travel Report*. 2005

<sup>2</sup> McGee, William J. *Major Travel Sites Face Credibility Crunch*. Consumer Reports Webwatch. March 1, 2005

<sup>3</sup> US Bureau of Transportation Statistics. *American Travel Survey*. 1995

<sup>4</sup> Business Wire. *CFO Survey Shows Rising Travel Costs*. May 8, 2006

<sup>5</sup> Airfinance Journal. *Us Airlines Triumph*. Euromoney Institutional Investor PLC. July 12, 2006

<sup>6</sup> Knight-Ridder/Tribune Business News. *Air Travel is a drag in post-9/11 world*. September 6, 2006

<sup>7</sup> Peterson, Kyle. *Airport Security Rules Become a Mere Blip for Business Travelers*. Reuters August 18, 2006

<sup>8</sup> NAICS. 2002. North American Industry Classification System. 24 October 2006  
<<http://www.census.gov/epcd/naics02/def/NDEF481.HTM>>




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## Target Segments

JetLink will focus on two market segments:

West coast, first class travelers <sup>9</sup>	West coast, regional business travelers <sup>10</sup>
<ul style="list-style-type: none"> <li>- Annual Income = \$150,000+</li> <li>- Normally purchase first class seats</li> <li>- Willing to pay for convenience and exclusivity</li> <li>- Cannot afford \$4,000+/hr to charter a private jet</li> </ul>	<ul style="list-style-type: none"> <li>- Annual Income = \$100,000+</li> <li>- 30-49yr. old males</li> <li>- Travel 12 or more times/year</li> <li>- Cannot afford traditional private jet charter</li> </ul>

## Industry Analysis

On the one hand, the commercial airline industry is currently dominated by entrenched players with a myriad of strategic alliances and partnerships. Publicly held airlines, such as United and American, control most of the national market share. However, smaller, lower-cost operations such as Southwest have been slowly eating away at the incumbents' market share as fuel prices (and therefore ticket prices) rise.

On the other hand, private travel is not dominated by specific companies. The market is extremely fragmented; most aircraft charter services have less than 10 planes. During the early 90's the concept of fractional aircraft ownership gained traction in the ultra-high-end segments of the private market. Companies such as NetJets and CitationShares dominate the fractional ownership arena.

The new force in the industry is the FAA 135 air taxi carrier. Start-ups like Pogo and DayJet have invested hundreds of millions of dollars into new VLJ (very light jet) aircraft and sophisticated scheduling systems to offer on demand air taxi service where the customer can book a seat rather than the whole aircraft. VLJs' low operating costs are enabling air taxi start-ups to offer per-seat fares and do away with long term fractional contracts.

## Distribution Channels

Traditional commercial carriers rely on two main channels to effectively distribute their tickets: resellers and direct-to-consumer. The reseller channel can be broken down even further into internet channels consisting of normal online travel brokers (e.g. Orbitz) and reverse auction travel brokers (e.g. Priceline). Traditional travel agents also play a big role in the reseller channel handling company bookings or bulk ticket purchases. The direct-to-consumer model relies heavily on the airline's own website and telephone systems. The simplified supply chains are represented below:

(Reseller)     Airline → Reseller → End User

(Direct-to-Consumer)     Airline → End User

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<sup>9</sup> Marketresearch.com Academic. *The US Affluent Market: The New Luxury Consumer*. January 2005

<sup>10</sup> National Household Travel Survey. *America on the Go: Business Travel*. US Bureau of Transportation Statistics. October 2003



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Traditional air charters and fractional ownership companies rely almost exclusively on their own websites and telephone services to handle ticket distribution. VLJ Air Taxi startups are relying heavily on the internet as the normal means of distribution. However, many are opting to outsource their scheduling and ordering services to specific scheduling companies (e.g. Slipstream). The simplified supply chains are represented below:

(Charters and Fractionals) Airline → End User

(Air Taxi) Air Taxi → Scheduling/Ordering Service → End User

Almost all services mandate that the customer arrive at the airport with their own means of transportation. Notable exceptions include ultra-high-end fractional ownership companies, which will arrange for the customer's outbound transport.

### The Competitive Environment

Competition within the industry is incredibly fierce. The number of travelers is just beginning to reach pre-9/11 levels, but the industry faces more and more entrants with an almost static market size. One must steal market share to survive. The industry is currently dominated by the traditional commercial airlines. Fractionals, air charters, and air taxis fight in the upper echelons of the market for wealthier travelers' business.

Price is the focal point of commercial carrier competition. Ever increasing fuel costs have shown consumers and investors that the lower priced commercial carriers almost always win. However, fractionals, charters, and air taxis compete on three main factors: convenience, luxury, and price. While fractionals and many charters focus more on luxury, air taxi startups stress convenience with more affordable prices. This is due in part to the small physical size of the new VLJ class aircraft. Rivalry in both the commercial and private segments is very high, due to the decreased number of travelers and increased cost of operation.

There are no air taxi companies currently operating on the West Coast. Although other air taxi companies do exist in the United States, they will not be direct competition. Fractional jet ownership and direct air charter programs are available in our market, but starting at \$4000 an hour JetLink seeks to capture a different market. Review the competitive matrix in appendix A for more detailed information.

### Barriers to Entry

Startup costs create the industry's largest entry barrier. The Eclipse 500 is the least expensive VLJ though 50 aircraft would still cost \$75 million. Fortunately, a startup need not buy 50 aircraft just to compete. Although economies of scale are necessary to compete in the commercial realm, the private segment of the industry does not require large fleets of aircraft. In fact, many charter companies only own one aircraft. Aircraft manufacturing lead-time and FAA certification lead-time create another formidable entry barrier. Currently, both lead-times are around 2 years.<sup>11</sup> Commercial carriers are also subject to other entry barriers. For instance, strategic alliances are common in the industry and force smaller competitors to join or lose market share.

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<sup>11</sup> Lawrence, James. *The World of the VLJ Diverges into Two Distinct Markets*. Pilot Journal. Pg 26. Nov/Dec 2006



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Hostility toward new entrants will be pronounced due to the almost static market size and rising operating costs. We anticipate that hostility will rise dramatically (e.g. more price wars) if smaller air taxis start eating away at large portions of commercial carriers' market share.

Customer loyalty is a moderately strong entry barrier. While it does not play a major role in the commercial market, loyalty is strong amongst travelers who already fly privately. Moreover, private travelers with long term fractional ownership contracts will almost certainly maintain their current relationship until the contract has expired. To work around this issue, air taxi startups will need to draw customers who do not already fly privately.

Switching costs are relatively low for consumers, except those with long term fractional contracts. While commercial customers may lose out on the chance to redeem frequent flyer miles, fractional ownership customers would waste hundreds of thousands of dollars to switch to air taxi services.

Access to distribution channels only poses a problem if a company would like to deal through the online reseller channel. Websites such as Orbitz or Travelocity require a proven track record prior to publicly listing flights. Setting up a website or contracting with a scheduling/ordering company is relatively simple in comparison.

#### Customer/Supplier Bargaining Power

Pricing power falls into the industry's hands. Operating costs have a very direct impact on ticket prices. For instance, if fuel prices increase, ticket prices will increase, and the number of people traveling will most likely fall. Because of the industry's price sensitivity, technologies or processes to lower operating costs will create competitive advantages. For example, the VLJ class of aircraft is extremely fuel efficient and requires less maintenance than larger aircraft.

Supplier power in the industry is high. Airlines' aforementioned sensitivity to changes in operating costs yields them powerless to supplier forces. This is especially an issue for commercial airlines which operate larger aircraft requiring more fuel per hour and more maintenance. Union forces within the industry also exert a large influence. In the commercial industry, everything from pilots to maintenance is unionized.





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## **Marketing Plan**

To better understand the current problems with traditional air travel and expose what business and leisure travelers desire, JetLink surveyed its target markets.

### **Important Primary Research Results**

- Recognition of Need: On a scale of 1-10, the average score was a 5.5 for overall commercial airline satisfaction.
- Drivers of dissatisfaction with airlines can be traced to the hassle and time it takes to fly commercially. 51% of respondents indicated that security checks are the worst part of commercial flight averaging 48 minutes.
- 68% of respondents leave their house or work 2.5 hours before their scheduled flight to account for traffic, finding a parking spot, checking-in, and going through security.
- 84% of survey respondents stated they were interested in flying with JetLink and were willing to pay \$500-\$1000 per ticket.

JetLink's primary research data showcases strong demand for the company's time saving and convenience benefits. Surveys were primarily conducted on a walk-up basis in Denver International Airport and McCarran International Airport in Las Vegas.

For a complete summary of survey results and sample survey see: Appendices B, C

### **Target Market Strategy**

<b>West coast, first class travelers<sup>12</sup></b>	<b>West coast, regional business travelers<sup>13</sup></b>
- Annual Income = \$150,000+ - Normally purchase first class seats - Willing to pay for convenience and exclusivity - Cannot afford \$4,000+/hr to charter a private jet	- Annual Income = \$100,000+ - 30-49yr. old males - Travel 12 or more times/year - Cannot afford traditional private jet charter

### **First Class Air Travelers**

JetLink chose to target first class commercial flyers that live on the west coast, because they have a greater financial ability pay for our service and live in our service region. Travelers with more than \$150,000 in annual income are 50% more likely to take 11 or more trips per year indicating a strong potential for repeat customers.<sup>14</sup> This target market desires maximum convenience, but is still concerned with value. They are not satisfied with current air travel options. JetLink will provide them with convenience and exclusivity at a lower price than private jet charter

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<sup>12</sup> Marketresearch.com Academic. *The US Affluent Market: The New Luxury Consumer*. January 2005

<sup>13</sup> National Household Travel Survey. *America on the Go: Business Travel*. US Bureau of Transportation Statistics. October 2003

<sup>14</sup> Marketresearch.com Academic. *The US Affluent Market: The New Luxury Consumer*. January 2005



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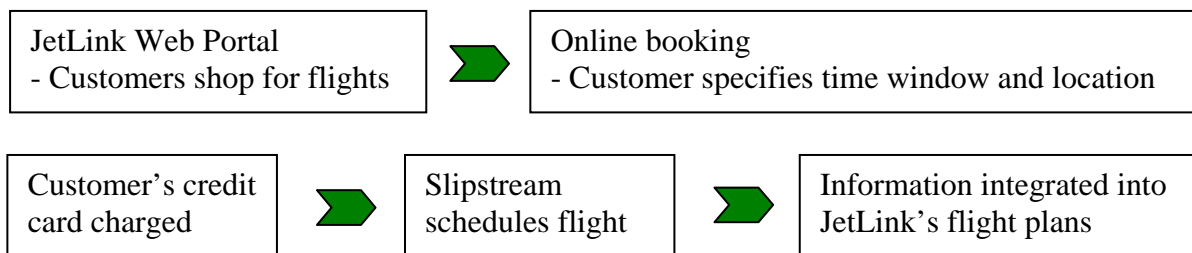
### Routine Business Traveler

JetLink will target professionals who need to be onsite: lawyers, real estate developers, and investors. This market desires maximum time savings and flexibility.

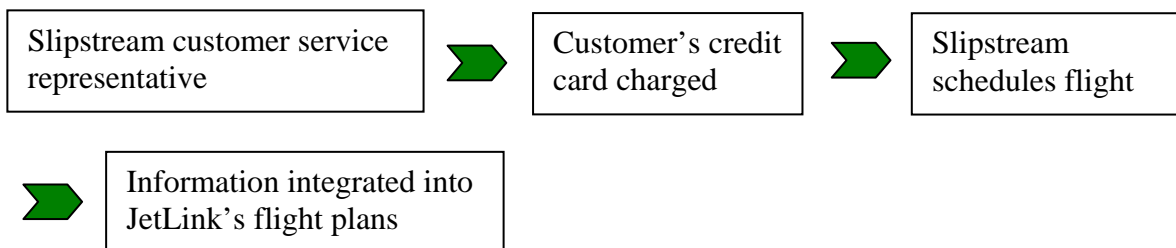
By minimizing wait times to less than 15 minutes and operating from smaller, regional airports closer to customers' homes, JetLink's benefits are easy for this market to understand. Also concerned with value, the business market will appreciate JetLink's flexible pricing structure—you only pay for what you need.

### Channel Strategy

#### **Internet – primary booking method**



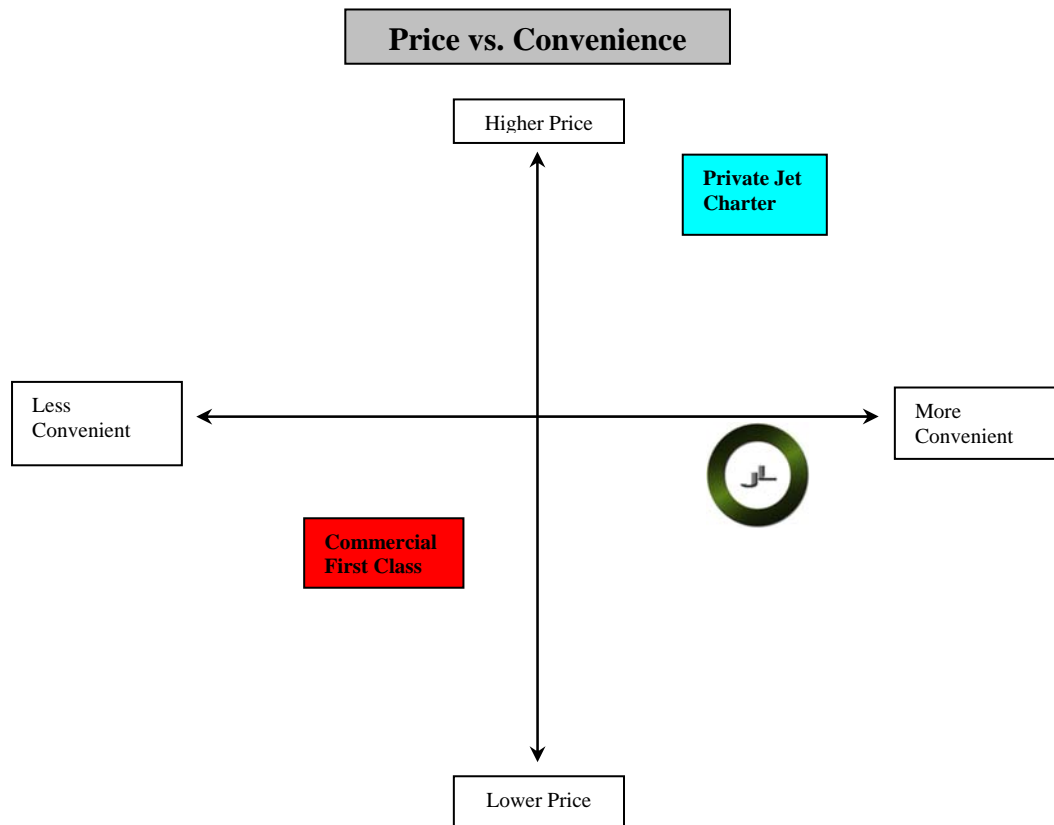
#### **Telephone Booking**



### Positioning

*JetLink is a regional, pay-per-seat private jet service. For destinations within 500 miles, JetLink provides a relaxing, time-saving alternative for today's west coast business and first class travelers.*

According to JetLink's surveys and secondary research data, customers desire a combination of two factors: convenience and luxury. With the Eclipse 500 VLJ, JetLink will be able to deliver these features at a lower price point. Therefore, JetLink will position itself between commercial first class air travel and private aircraft charters. To meet our target markets' demand for comfort, JetLink's aircraft offer luxury comparable to regional commercial first class flights. The following axis graphically represents JetLink's market position.



Product/Service Strategy

JetLink will initially serve five regional airports with ten aircraft. The company will add two aircraft in year three, followed by three more in year 4, and five more in year 5. Also, the company will add two service locations per year. Unfortunately, this highlights JetLink’s main weakness. There will inevitably be many customers who wish to fly to locations our company will not service, at least during early phases. As routes expand, JetLink may need to add another headquarters location to ensure that flight duration is approximately one hour. It will be possible to fly between more distant locations. However, because the Eclipse is not equipped with a lavatory, JetLink does not anticipate high demand.

Pricing Strategy

Customer’s Departure Time Window	Ticket Price per Flight Hour
Less than 1 hour	\$875
Less than 2 hours	\$775
Less than 3 hours	\$675
Less than 4 hours	\$575
Over 4 hours	\$475

This strategy considers the aircraft’s probability of reaching maximum passenger capacity and allows JetLink to minimize revenue loss due to unfilled planes. Ticket prices also fluctuate according to flight duration and fuel prices. The current pricing structure has been



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calculated using a \$3.82/gallon fuel price.<sup>15</sup> Although ticket sales are handled by Slipstream, they do not charge a per-ticket commission. Therefore, the price stays consistent throughout the channel.

### Communication Strategy

JetLink has determined that print advertising, direct email campaigns, and grassroots promotional efforts are the most efficient and effective means of reaching its target audience.<sup>16</sup> All of the company's marketing efforts strive to communicate three things: convenience, luxury, and value.

#### *Print/Web Advertising*

JetLink confirmed that print advertising was the most effective way to reach our target market.<sup>17</sup> Initially, the company will place half- or full-page ads in the following magazines and a banner ad on websites:

- Long Beach Magazine (circulation = 125,000)
- Sacramento Magazine (circulation = 361,000)
- Las Vegas Life (circulation = 45,000)
- San Jose Business Journal (3.2 Million Online subscribers)

These magazines were selected according to the market segments they target. The first three selections are the prominent lifestyle publications in their markets (e.g. Denver's 5280). The San Jose Business Journal is a print magazine and an online journal. JetLink will place a 728 x 90 banner ad on the homepage. Normal magazine readers earn near or over \$100,000 annually, have high net worth's (\$500,000+), and live in JetLink's service area.

The company anticipates a large need for initial marketing and will therefore advertise in every magazine issue for the first year. As consumers become more familiar with the product, advertisements may drop from unsuccessful magazines and become predominant in others.

#### *Direct Email Campaigns*

In conjunction with print advertising, JetLink's team will produce an initial "teaser" email bulletin outlining the service's features and benefits. The email will provide readers the option to sign up for further updates. In order to effectively distribute the email, JetLink will obtain lists of businesses from targeted counties' economic development departments. However, the company will only target business travelers with email. JetLink believes that many first class travelers will be annoyed by direct email campaigns.

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<sup>15</sup> Provided in Eclipse 500 Sales Packet under "Operating Expenses"

<sup>16</sup> Interview with Jeff Kohlman of Aviation Management Consulting Group. 10/24/06

<sup>17</sup> Interview with Jeff Kohlman of Aviation Management Consulting Group. 10/24/06



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## *Terminal Billboards*

JetLink will set up airport billboards at international terminals in its service area. These billboards will be easy to view from security and check-in lines, further showcasing JetLink's advantage.

## Revenue Model

- Market Penetration
  - With 10 aircraft, JetLink will capture .46% of the target markets the first year
  - Every 6 months, JetLink will increase its market share by 0.07%
- Pricing
  - Ticket price = \$675 average
- Capacity utilization
  - 100% = 1,000 hours per year
  - Each aircraft carries three passengers

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Number of Aircraft	10	10	12	15	20
Cap Utilization	50%	65%	70%	73%	74%
Number of Seats	15,000	19,500	25,350	32,955	44,489
Price per Seat	675	675	675	675	675
Total	10,125,000	13,162,500	17,111,250	22,244,625	30,030,244
<b>Net Revenue</b>	<b>\$10,125,000</b>	<b>\$13,162,500</b>	<b>\$17,111,250</b>	<b>\$22,244,625</b>	<b>\$30,030,244</b>

## Operations Plan

JetLink's operation will provide value to its customers through two main benefits: time savings and lower cost. By cutting out modern airport check-in, security, and baggage claim waits, customers will save 2 hours of wasted time.<sup>18</sup> Furthermore, JetLink's flexible scheduling allows customers to leave when they want, minimizing wasted time due to major airlines stringent departure schedules. In conjunction with JetLink's obvious time-saving benefit, utilizing the Eclipse 500 aircraft allows JetLink to reduce operating expenses and pass the savings on to the traveler. For example chartering a Learjet 30, often the cheapest non-VLJ alternative, from Las Vegas to Sacramento would cost \$4000.<sup>19</sup> In comparison, a JetLink ticket for the same flight would cost at most \$875 dollars. With a flexible schedule, the ticket could cost as little as \$475. With Slipstream's scheduling expertise and JetLink's Eclipse 500 aircraft, customers who were not previously able to charter an entire aircraft will be able to afford private air travel.

By emphasizing JetLink's value to the end customer—maximum flexibility at an affordable price—the company will capture travelers from traditional airlines. However, the company will not tout itself as the most luxurious carrier or the cheapest means of traveling other than driving. JetLink must focus efforts on its core competences to succeed.

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<sup>18</sup> JetLink Survey Results: See Appendix C

<sup>19</sup> JetLink Competitive Matrix: See Appendix A



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## Scope of Operations

### *Operation*

<b># of Aircraft (year 1)</b>	<b>Model</b>	<b>Manufacturer</b>	<b>Unit Cost</b>	<b>Total Cost</b>
10	Eclipse 500	Eclipse Aviation	\$1,500,000	\$15,000,000

JetLink's airplanes will be stored on the tarmac at our home base in North Las Vegas Airport and our regional bases in San Jose and Long Beach. Most Fixed Base Operators (FBO's) offer free tarmac parking if customers purchase fuel.

### *Order Fulfillment*

All order fulfillment and processing for JetLink will be subcontracted to Slipstream Air. Unfortunately, Slipstream Air has not yet determined its own pricing structure. However, company representatives have informed JetLink that the initial setup fee is \$250,000.

### *Customer Service*

Most customer service issues related to booking and reservations will be handled by Slipstream Air. Any other customer service issues regarding the actual flight and overall JetLink experience will be handled by management or an in-house JetLink customer service representative, staffed at the Las Vegas location 8am – 6pm M-F at \$30,000.

### *Aircraft Maintenance*

As required by FAA 135 certification for all non-scheduled flights JetLink will hire one full time head mechanic to oversee all plane maintenance. Eclipse Aviation provides a maintenance program that we will use for routine and planned maintenance. Eclipse's maintenance expenses are built directly into the aircraft's operating costs.

### Ongoing Operations

Other strategic partnerships will include those with fixed base operators. FBO's will offer use of their private terminals to our customers as a meeting location before flights. FBO's will also cater to any transportation needs of our customers and will have rental cars or limousines waiting. There will be no cost for this service, however JetLink will be obligated to purchase fuel through these FBO's. Fortunately for air-taxi companies like JetLink, quantity fuel discounts are available. For instance, Denver Air, the main FBO at Jefferson County Airport, offers a \$0.30/gallon discount for quantity fuel buyers.<sup>20</sup>

During year one, JetLink aims to achieve 50% capacity utilization (100%=1000 flight hrs/year per aircraft) increasing to 65% in year 2 and subsequently beyond. This utilization rate will reign in JetLink's revenue break-even point to 10 months.

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<sup>20</sup> Interview with Travis Faulkner of Denver Air. 10/9/06



### Facilities

A small office space will be required for JetLink’s operation. Since the company and some aircraft will be based out of North Las Vegas, NV, renting hangar space with an attached office will keep corporate employees in close contact with pilots. JetLink will attempt to find office and hangar space for \$8,000 per month. JetLink has chosen North Las Vegas for its comparatively inexpensive cost of living and cost of operations.

Furthermore, JetLink will require \$15,000 in tools for aircraft maintenance, ten computers totaling \$10,000, and additional office furniture costing \$15,000 to start the company. JetLink aims to purchase this equipment.

### Personnel

<b>Position</b>	<b>Salary</b>
CEO	\$150,000; stock options possible after 2 year evaluation
CFO	\$150,000; stock options possible after 2 year evaluation
CMO	\$150,000; stock options possible after 2 year evaluation
FAA 135 required employees (COO, Chief Pilot, Chief Mechanic)	\$65,000 each
24 Pilots	\$50,000 each; 20% benefits
Administrator	\$30,000
Customer Service Representative	\$30,000

### **Development Plan**

<b>Task</b>	<b>Completion Date</b>
Recruit management team and secure financing for JetLink	Months 1-7
Secure debt financing for aircraft and purchase	Month 1
Form relationship with Slipstream Air	Month 1
Acquire office space in North Las Vegas	Month 5
Hire office employees	Month 6
Develop marketing campaign	Month 7
Subcontract website development	Month 8
Launch marketing campaign	Month 10
Beta test and debug Slipstream’s scheduling technology	Month 12-18
Hire pilots and maintenance personnel	Month 22
Receive aircraft from Eclipse	Month 24



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## **JetLink Management Plan**

### Company Organization

JetLink will have a board of directors comprised of the company's investors in addition to industry experts. Industry experts will include Steve Fisher, the CEO of Slipstream Air. Slipstream will play an integral role in the operations of JetLink and its presence will be a valuable addition to the JetLink board of directors. JetLink's board of advisors will consist of family entrepreneurs as well as contacts the company makes during its startup phase.

### Management Team

#### *Chief Executive Officer: William Hall*

William Hall is the Senior Vice President of CitationShares. CitationShares is the second largest fractional jet ownership provider in the nation. CitationShares is turning a profit compared to competitors like FlexJet and FlightOptions. At CitationShares, Mr. Hall has improved profitability while focusing on service and growth. Hall came to CitationShares from Analytics Operations Engineering, a Boston-based Operations Research consulting firm. As a principal of Analytics, William led a number of projects in the aviation, high technology, and publishing industries. Mr. Hall holds a PhD in Operations Research, a Masters Degree in Aeronautics and Astronautics, and a Bachelors Degree in Aeronautics and Astronautics, all from the Massachusetts Institute of Technology.

#### *Chief Financial Officer: Carl Thorsberg*

Carl Thorsberg is the current Chief Financial Officer for Marquis Jet. He successfully directed the company through its start up phase. Marquis Jet is the most successful Jet Card provider and through its recent partnership with NetJets has dramatically increased its market share. Previous to Marquis Jet, Thorsberg served as Senior Vice President of Finance at the Seagram Beverage Company. There he oversaw accounting, financial analysis, management of information systems, and strategic planning. During his time with Seagram, Thorsberg boosted the company's profitability by \$23 million in less than four years.

#### *Chief Marketing Officer: Bill Seawick*

Bill Seawick is the Chief Marketing Officer for Interwoven, Inc., a provider of Enterprise Content management solutions for businesses. Mr. Seawick has over twenty years marketing experience with leading technology companies including Oracle, Sun Microsystems, Apple, Trados, and Blue Pumpkin. At interwoven, Seawick has played instrumental role in execution of the company's strategic solutions and product marketing initiatives, increasing the company's global visibility. As senior director of marketing for Oracle, he managed global marketing for the company, leading strategy development and marketing implementation both nationally and internationally.





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## **Competitive Advantages**

JetLink's most formidable competitive advantage lies in its aircraft choice. The Eclipse 500's short takeoff and landing distances allows the company to operate from small airfields, thereby saving each customer at least 1 hour and 45 minutes of wasted time due to check-in, security, and baggage claim.<sup>21</sup> Furthermore, the aircraft enables JetLink to directly serve small, regional airports that would not be profitable direct routes for major carriers.

When evaluated against traditional air charter companies, JetLink's Eclipse 500s once again create the advantage. The aircraft's low operating costs allow JetLink to charge passengers for individual seats, rather than requiring them to charter the entire aircraft. By charging passengers per-seat, private air travel is available at roughly one-quarter of the cost.<sup>22</sup>

Although competition from other regional air taxi startups is anticipated, JetLink's first mover advantage in the Western US will allow the company to annex market share while competitors are still waiting for aircraft delivery and FAA 135 certification.<sup>23</sup>

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<sup>21</sup> JetLink Survey Results: See Appendix C

<sup>22</sup> JetLink Competitive Matrix: See Appendix A

<sup>23</sup> Eclipse 500 and FAA 135 lead time = 2 years



## **JetLink Summary Financial Projections**

(see appendices D-F for detailed financial projections)

	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>	<b><u>Year 3</u></b>	<b><u>Year 4</u></b>
<b>Summary Financials (\$)</b>				
Revenue	10,125,000	13,162,500	17,111,250	22,244,625
Gross Profit	3,397,270	6,159,370	8,732,281	11,888,624
EBIT	1,132,270	3,647,340	5,361,965	7,636,572
EBITDA	1,640,270	4,155,340	5,974,965	8,399,572
Net Earnings	(82,730)	1,573,496	2,245,179	3,464,143
Net Cash from Operating Activities	661,430	2,101,176	2,934,931	4,326,921
Capital Expenditures	15,040,000	0	3,025,000	4,500,000
Interest Income/(Expense)	(1,215,000)	(1,080,000)	(1,620,000)	(1,863,000)
Dividends	0	0	0	0
Cash	1,771,430	2,522,606	7,832,536	10,089,457
Total Equity	3,917,270	5,490,766	7,735,945	11,200,088
Total Debt	12,150,000	10,800,000	16,200,000	18,630,000

### **Growth**

Revenue Growth Rate - CAGR:		30%	30%	30%
Net Earnings Growth Rate - CAGR:		Nil	42.7%	54.3%

### **Ratios**

Current Ratio	1.1	1.5	3.8	3.9
Debt to Capital (LT Debt + Equity)	0.8	0.7	0.7	0.6

### **Profitability**

Gross Profit %	33.6%	46.8%	51.0%	53.4%
Operating Expenses %	19.9%	19.1%	19.7%	19.1%
Net Earnings %	-0.8%	12.0%	13.1%	15.6%

### **Returns**

Return on Assets	-0.5%	9.4%	9.2%	11.4%
Return on Equity	-2.1%	28.7%	29.0%	30.9%
Return on Capital (LT Debt + Equity)	-0.5%	9.7%	9.4%	11.6%



## Key assumptions

Category	Subcategory	Assumption
Revenue projection	Market Penetration	.46%
	Average Ticket Price	\$675
	Aircraft Delivery	JetLink assumes aircraft will be delivered on time. Operating month 1
COGS	Aircraft Operating Expenses	JetLink must assume Eclipse Aviation has accurately calculated operating costs for the Eclipse 500
Depreciation assumption	Aircraft Deprecation	JetLink assumes an aircraft salvage value of \$1 million
Slipstream	Operating Expenses	Slipstream does not yet have a pricing structure. JetLink assumes \$150,000 annually
Marketing Budget	Customer Acquisition Costs	JetLink requires \$92.52 to acquire a new customer

## Risk Factors

*Future competition from air taxi startups:* Because JetLink's only real competitive advantage against other air taxi startups is its market pioneer strategy, well funded startups could easily replicate JetLink's model. To combat this risk, the company will focus heavily on its first five routes attempting to create enough market dominance and brand recognition to discourage potential competitors from entering the market.

*Customers will not understand the pricing strategy:* JetLink's pricing model is complex. Some customers may not understand the structure and become frustrated trying to determine their price. JetLink will clearly outline the structure on the website and through its direct email campaigns.

*Slipstream Air fails:* JetLink is completely dependent on Slipstream's scheduling services and network. If the company were to fail or go out of business, JetLink would experience major hiccups in operations. JetLink will not be able to remove this risk. In the worst case scenario, the company would need to create its own scheduling center.

*Fuel costs will rise and eat JetLink's profit margins:* Although the Eclipse 500 is a very efficient aircraft, it is still susceptible to changes in fuel prices. By negotiating contracts with FBO's in advance, JetLink will be able minimize its exposure to fluctuating fuel costs. However, if fuel prices continue to rise, JetLink may need to adjust its pricing strategy.

*New regulation will increase customer waiting times:* If the government places new regulations on private air travel (e.g. mandatory security check points), customer waiting times may increase therefore damaging JetLink's main competitive advantage against commercial carriers. JetLink will continue to operate from FBO's in order to minimize



passenger wait times. Even if security check points become mandatory, JetLink anticipates that passenger wait times will not increase enough to severely damage operations.

*Eclipse Aviation will not be able to delivery aircraft on time:* Currently, there is a two-year lead-time for the Eclipse 500. Further delays would impede revenue generation and damage cash flow. If needed, JetLink will choose a different aircraft. However, if aircraft production is already underway when delays are discovered, exiting the contract would most likely be difficult.

## **Funding Requirements**

JetLink will secure \$4 million in a round of Series A financing to begin operations. \$1.5 million of this initial investment will be applied toward a 10% down payment on JetLink's ten Eclipse 500 aircraft. The remaining \$2.5 million will be used as follows:

- SlipStream Air - \$250,000
- Rent for headquarters and tarmac fees - \$96,000
- Employees (all benefits other than pilots paid with operating revenues)
  - CEO - \$150,000
  - CFO - \$150,000
  - CMO - \$150,000
  - COO (FAA 135 Employee) - \$65,000
  - Chief Mechanic (FAA 135 Employee) - \$65,000
  - Chief Pilot (FAA 135 Employee) - \$65,000
  - 24 Staff Pilots - \$1,440,000
  - Customer Service Representative - \$30,000
  - Surplus cash to cover other expenses - \$39,000
  - Total \$2,500,000

In addition to equity financing, JetLink intends to secure a commercial bank loan for \$13.5 million to purchase the remaining 90% of ten aircraft. The aircraft will be pledged as collateral. All debt will be amortized over 10 years at 10% interest.<sup>24</sup>

## **Offering**

Utilizing an air charter industry price-to-earnings ratio of 24<sup>25</sup>, JetLink's value at the end of year five is approximately \$117.5 million. JetLink will pursue equity financing through high net worth friends and family. Offering its investors a 60% internal rate of return, JetLink will surrender 35.7% of the company.

## **Exit Strategy**

After five full years of operation, JetLink intends to be acquired by a major air taxi, jet charter, or fractional aircraft ownership company such as DayJet (the current east coast air taxi leader), Pogo, or NetJets

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<sup>24</sup> Debt and terms suggested in interview with Jeff Kohlman of Aviation Management Consulting Group. 10/24/06

<sup>25</sup> Air Partner PLC. <http://stocks.us.reuters.com/stocks/overview.asp?symbol+AIP.L>



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## Appendix A: Competitive Matrix

3 = Always Available  
 2 = Sometimes Available  
 1 = Not Available  
 Indirect Competitors  
 More Points = More Customer Value

Company	Variables	Per Seat Pricing	On Demand Service	Last Minute Reservations	Jet Aircraft	Lavatories	Direct Regional Airport Service	Short-range in-flight meals	Price	Total Quality Points	Market Positioning	Future VLJ Competition
									(Las Vegas → San Francisco, same day round trip, first class)			
<b>Jet Link</b>		3	3	3	3	1	3	2	\$750-\$1000	<b>18</b>	Convenience	N/A
<b>United Airlines</b>		3	1	2	3	3	1	1	\$1000-\$1400	<b>14</b>	Reliability	Not likely
<b>America West</b>		3	1	2	3	3	1	1	\$1000-\$1100	<b>14</b>	West Coast Convenience	Not likely
<b>Alaska Airlines</b>		3	1	2	3	3	1	1	\$1000-\$1100	<b>14</b>		Not likely
<b>US Airways</b>		3	1	2	3	3	1	1	\$1000-\$1300	<b>14</b>		Not likely
<b>Private Air Charters</b>		1	3	2	2	2	3	2	\$4000+	<b>15</b>	Convenience, Luxury	Very likely
<b>Net Jets and other Fractional Ownership Carriers</b>		1	3	3	3	2	3	2	\$115,900/yr. +	<b>17</b>	Convenience, Ultra-Luxury	Very likely
<i>Automobiles</i>		1	3	3	1	1	3	1	N/A	<b>13</b>		N/A
<i>Bus Service</i>		3	1	2	1	3	2	1	N/A	<b>13</b>		N/A
<i>Train Service</i>		3	1	2	1	3	1	3	N/A	<b>14</b>		N/A



## **Appendix B: JetLink Customer Survey**

- 1) On average, how many times do you fly (roundtrip) in one year?
  - 1.1) How many of these flights are less than 700 miles or less than two hours in the air?
- 2) When you fly, what class do you fly most of the time?
  - a) Coach b) Business c) First d) Private
- 3) Rank the reasons you fly. Start with 1 being the most common reason you fly.  
\_\_\_\_Business \_\_\_\_Personal \_\_\_\_Leisure \_\_\_\_Family \_\_\_\_Emergency
- 4) On average, how early do you leave your house or business before your scheduled flight?
  - a) 30-45 min b) 1-1 ½ hr c) 1 ½ - 2 hr d) 2-2 ½ hr e) 3 hr or more
- 5) How much time combined do you spend driving to the airport and from the airport to your final destination?
- 6) On average, how much time do you spend waiting in check-in lines, security lines, baggage claim, etc.?
- 7) On a scale of 1-10 how satisfied are you with commercial airline transportation?  
Very Dissatisfied 1 2 3 4 5 6 7 8 9 10 Very Satisfied
- 8) What do you dislike most about flying commercial airlines? (Circle all that apply)
  - a) Checking-in b) Security c) Crowds d) Baggage Claim e) Everything
  - f) Other \_\_\_\_\_
- 9) What do you like most about flying commercial airlines?
  - a) Price b) Feel safe c) Good Service d) Other \_\_\_\_\_
- 10) If you could fly privately (with 1-2 other passengers) to the same destinations, but leave from regional/local air fields and cut your total traveling time in half would you be interested in this "airtaxi" service?
  - a) No b) Yes (if yes see question 10.1)
  - 10.1) How much would you be willing to pay \$500 - \$1000 (depending on distance of flight) for a roundtrip ticket with this type of airtaxi service?
    - a) Yes b) No (if no see question 10.2)
  - 10.2) How much would you be willing to pay?
- 11) Would you have any interest in chartering a whole plane (3 seats) if you received a discount?
  - a) Yes b) No
- 12) If you fly regularly with JetLink would you be interested in our JetSet program which offers priority scheduling, complimentary bar service and other special privileges?
  - a) Yes b) No
- 13) How much would you pay annually to be a member of our JetSet program?
  - a) less than \$500 b) \$500 - \$1000 c) \$1000 - \$1500 d) \$1500 - \$2000
- 13) How much would you pay if it was a one time, up front fee to be a member of our JetSet program?
  - a) less than \$500 b) \$500 - \$1000 c) \$1000 - \$1500 d) \$1500 - \$2000
- 14) Please provide us with the following demographic information.  
Age \_\_\_\_\_  
Sex \_\_\_\_\_  
Average Household Income  
  - a) less than 50K b) 50k-75k c) 75k-100k d) 100k-150k e) 150k – 200k f) more than 200k



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## **Appendix C: Customer Survey Stats**

### **Trip Stats**

Average Flight/Year = 19.1  
% of Flights under 500 miles = 53%

### **What class are people flying?**

Coach = 64%  
Business = 4%  
First = 32%  
Private = 0%

### **Most common reasons for flying**

Business = 56%  
Personal = 30%  
Leisure = 12%  
Family = 2%  
Emergency = 0%

### **How early do you leave your house/business to drive to the airport?**

2-2.5 hours = 68%  
1.5-2 hours = 14%  
1-1.5 hours = 10%  
3+ hours = 8%  
30-45 min = 0%

### **Average combined driving time home → airport → destination**

1 hour 7 minutes

### **Average time in security line, check-in, and baggage claim**

48 minutes

### **Average satisfaction with current commercial air service (1=very dissatisfied, 10 = very satisfied)**

Average score = 5.5

### **Worst part of flying commercially**

Security = 51%  
Baggage Claim = 16%  
Everything = 14%  
Crowds = 12%  
Other = 5%  
Check-in = 2%

### **Best part of flying commercially**

Good Service = 43%  
Price = 30%  
Feel Safe = 27%

### **Are you interested in the JetLink Model?**

Yes = 93%  
No = 7%

### **Willing to pay \$500-\$1000 per ticket?**

Yes = 84%  
No = 16%

### **Interested in chartering entire aircraft for discounted ticket prices?**

Yes = 50%  
No = 50%





## Appendix D: Income Statements

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>NET REVENUES</b>	10,125,000	13,162,500	17,111,250	22,244,625	30,030,244
<b>COST OF REVENUE</b>	6,727,730	7,003,130	8,378,969	10,356,001	13,560,145
% of Revenues	66.4%	53.2%	49.0%	46.6%	45.2%
<b>GROSS PROFIT</b>	3,397,270	6,159,370	8,732,281	11,888,624	16,470,099
% of Revenues	33.6%	46.8%	51.0%	53.4%	54.8%
<b>OPERATING EXPENSES</b>					
Sales & Marketing	1,387,750	1,822,995	2,464,500	3,231,456	4,646,205
Research & Development	0	0	0	0	0
General and Administration	627,250	689,035	905,816	1,020,595	1,328,211
Total Operating Expenses	2,015,000	2,512,030	3,370,316	4,252,051	5,974,417
% of Revenues	20%	19%	20%	19%	20%
<b>EARNINGS FROM OPERATIONS</b>	1,382,270	3,647,340	5,361,965	7,636,572	10,495,682
<b>EXTRAORDINARY INCOME / (EXPENSE)</b>	(250,000)	0	0	0	0
<b>EARNINGS BEFORE INTEREST &amp; TAXES</b>	1,132,270	3,647,340	5,361,965	7,636,572	10,495,682
<b>INTEREST INCOME / (EXPENSE)</b>	(1,215,000)	(1,080,000)	(1,620,000)	(1,863,000)	(2,335,500)
<b>NET EARNINGS BEFORE TAXES</b>	(82,730)	2,567,340	3,741,965	5,773,572	8,160,182
<b>TAXES</b>	0	(993,844)	(1,496,786)	(2,309,429)	(3,264,073)
<b>NET EARNINGS</b>	(82,730)	1,573,496	2,245,179	3,464,143	4,896,109
% of Revenues	-0.8%	12.0%	13.1%	15.6%	16.3%



## Appendix E: Balance Sheet

	<u>Begin</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash	17,500,000	1,771,430	2,522,606	7,832,536	10,089,457	13,342,896
Accounts Receivable		101,246	109,683	142,588	185,364	250,242
Inventories		0	0	0	0	0
Other Current Assets		0	0	0	0	0
<b>Total Current Assets</b>	<b>17,500,000</b>	<b>1,872,676</b>	<b>2,632,289</b>	<b>7,975,124</b>	<b>10,274,822</b>	<b>13,593,138</b>
<b>PROPERTY &amp; EQUIPMENT</b>						
	0	14,532,000	14,024,000	16,436,000	20,173,000	26,692,000
<b>TOTAL ASSETS</b>	<b>17,500,000</b>	<b>16,404,676</b>	<b>16,656,289</b>	<b>24,411,124</b>	<b>30,447,822</b>	<b>40,285,138</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short Term Debt	0	0	0	0	0	0
Accounts Payable & Accrued Expn		337,406	365,523	475,179	617,733	833,940
Other Current Liab		0	0	0	0	0
Current portion of long term debt	1,350,000	1,350,000	1,350,000	1,620,000	2,025,000	2,700,000
<b>Total Current Liabilities</b>	<b>1,350,000</b>	<b>1,687,406</b>	<b>1,715,523</b>	<b>2,095,179</b>	<b>2,642,733</b>	<b>3,533,940</b>
<b>LONG TERM DEBT (less current portion)</b>						
	12,150,000	10,800,000	9,450,000	14,580,000	16,605,000	20,655,000
<b>STOCKHOLDERS' EQUITY</b>						
Common Stock	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Preferred Stock	0	0	0	0	0	0
Retained Earnings		(82,730)	1,490,766	3,735,945	7,200,088	12,096,198
<b>Total Equity</b>	<b>4,000,000</b>	<b>3,917,270</b>	<b>5,490,766</b>	<b>7,735,945</b>	<b>11,200,088</b>	<b>16,096,198</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>17,500,000</b>	<b>16,404,676</b>	<b>16,656,289</b>	<b>24,411,124</b>	<b>30,447,822</b>	<b>40,285,138</b>



## **Appendix F: Cash Flow Statement**

	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>	<b><u>Year 3</u></b>	<b><u>Year 4</u></b>	<b><u>Year 5</u></b>
<b>OPERATING ACTIVITIES</b>					
Net Earnings	(82,730)	1,573,496	2,245,179	3,464,143	4,896,109
Depreciation	508,000	508,000	613,000	763,000	1,021,000
Working Capital Changes					
(Increase)/Decrease Accounts Receivable	(101,246)	(8,437)	(32,905)	(42,776)	(64,878)
(Increase)/Decrease Inventories	0	0	0	0	0
(Increase)/Decrease Other Current Assets	0	0	0	0	0
Increase/(Decrease) Accts Pay & Accrd Expenses	337,406	28,117	109,657	142,554	216,207
Increase/(Decrease) Other Current Liab	0	0	0	0	0
Net Cash Provided/(Used) by Operating Activities	661,430	2,101,176	2,934,931	4,326,921	6,068,438
<b>INVESTING ACTIVITIES</b>					
Property & Equipment	(15,040,000)	0	(3,025,000)	(4,500,000)	(7,540,000)
Other					
Net Cash Used in Investing Activities	(15,040,000)	0	(3,025,000)	(4,500,000)	(7,540,000)
<b>FINANCING ACTIVITIES</b>					
Increase/(Decrease) Short Term Debt	0	0	0	0	0
Increase/(Decrease) Curr. Portion LTD	0	0	270,000	405,000	675,000
Increase/(Decrease) Long Term Debt	(1,350,000)	(1,350,000)	5,130,000	2,025,000	4,050,000
Increase/(Decrease) Common Stock	0	0	0	0	0
Increase/(Decrease) Preferred Stock	0	0	0	0	0
Dividends Declared	0	0	0	0	0
Net Cash Provided / (Used) by Financing	(1,350,000)	(1,350,000)	5,400,000	2,430,000	4,725,000
<b>INCREASE/(DECREASE) IN CASH</b>	<b>(15,728,570)</b>	<b>751,176</b>	<b>5,309,931</b>	<b>2,256,921</b>	<b>3,253,438</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>17,500,000</b>	<b>1,771,430</b>	<b>2,522,606</b>	<b>7,832,536</b>	<b>10,089,457</b>
<b>CASH AT END OF YEAR</b>	<b>17,500,000</b>	<b>1,771,430</b>	<b>2,522,606</b>	<b>10,089,457</b>	<b>13,342,896</b>



## **Appendix G: Break Even Analysis**

	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>	<b><u>Year 3</u></b>	<b><u>Year 4</u></b>	<b><u>Year 5</u></b>
<b>Revenue</b>	10,125,000	13,162,500	17,111,250	22,244,625	30,030,244
<b>Cost of Revenue</b>					
Variable	4,200,300	4,321,800	5,237,890	6,547,435	8,655,210
Fixed	2,527,430	2,681,330	3,141,079	3,808,566	4,904,934
<b>Total</b>	<b>6,727,730</b>	<b>7,003,130</b>	<b>8,378,969</b>	<b>10,356,001</b>	<b>13,560,144</b>
<b>Operating Expenses</b>					
Variable	1,316,250	1,711,125	2,224,463	2,891,801	3,903,932
Fixed	698,750	800,905	1,145,853	1,360,250	2,070,485
<b>Total</b>	<b>2,015,000</b>	<b>2,512,030</b>	<b>3,370,316</b>	<b>4,252,051</b>	<b>5,974,417</b>
<b>Total Costs &amp; Expenses</b>					
Variable	5,516,550	6,032,925	7,462,353	9,439,236	12,559,141
Fixed	3,226,180	3,482,235	4,286,932	5,168,816	6,975,419
<b>Total</b>	<b>8,742,730</b>	<b>9,515,160</b>	<b>11,749,285</b>	<b>14,608,052</b>	<b>19,534,561</b>
<b>Variable Costs/Revenue Ratio</b>	0.54	0.46	0.44	0.42	0.42
<b>Break-Even Point Revenues</b>	7,088,082	6,428,843	7,602,399	8,978,905	11,989,715



## Appendix H: Financial Comps

	<u>Jet Blue</u>	<u>Great Lakes Aviation</u>	<u>Air Partner</u>	<u>Select Best Comparison</u>	<u>Projections</u>				
					<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
<b>Ratios</b>									
Accounts Receivable % of Rev	5.5%	6.6%	13.3%	13.3%	0.8%	0.8%	0.8%	0.8%	0.8%
Inventory % of Rev	1.2%	2.5%			0.0%	0.0%	0.0%	0.0%	0.0%
Accounts Payable % of Rev	26.6%	23.0%	5.6%	5.6%	2.8%	2.8%	2.8%	2.8%	2.8%
Working Capital % of Rev	-2.4%	-124.2%	7.8%	7.8%	-1.9%	-1.9%	-1.9%	-1.9%	-1.9%
Net Fixed Assets % of Rev	228.8%	113.2%	1.7%	1.7%	143.5%	106.5%	96.1%	90.7%	88.9%
Current Ratio	0.9393	9.4%	1.448	1.448	1.1	1.5	3.8	3.9	3.8
Debt to Capital (LT Debt + Equity)	0.9891		0	0	0.76	0.66	0.68	0.62	0.59
<b>Profitability</b>									
Gross Profit % of Rev	35.2%	29.8%	11.1%	11.1%	33.6%	46.8%	51.0%	53.4%	54.8%
Sales & Marketing % of Rev					13.7%	13.8%	14.4%	14.5%	15.5%
Research & Development % of Rev					0.0%	0.0%	0.0%	0.0%	0.0%
General & Administration % of Rev	30.0%				6.2%	5.2%	5.3%	4.6%	4.4%
SG&A % of Rev	25.6%	17.2%	7.8%	7.8%	19.9%	19.1%	19.7%	19.1%	19.9%
Operating Expenses % of Rev	32.4%	25.5%	96.7%	96.7%	19.9%	19.1%	19.7%	19.1%	19.9%
Earnings from Operations % of Rev	2.8%	4.3%	3.3%	3.3%	13.7%	27.7%	31.3%	34.3%	35.0%
EBIT % of Rev	3.9%	5.6%	2.4%	2.4%	11.2%	27.7%	31.3%	34.3%	35.0%
Depreciation % of Rev	6.9%	8.2%	0.3%	0.3%	5.0%	3.9%	3.6%	3.4%	3.4%
EBITDA % of Rev					16.2%	31.6%	34.9%	37.8%	38.4%
Net Earnings % of Rev	-1.2%	1.5%	2.4%	2.4%	-0.8%	12.0%	13.1%	15.6%	16.3%
<b>Returns</b>									
Return on Assets	28.8%	379.7%	1104.3%	1104.3%	-0.5%	9.4%	9.2%	11.4%	12.2%
Return on Equity	53.6%	-81.5%	378.0%	378.0%	-2.1%	28.7%	29.0%	30.9%	30.4%
Return on Capital (LT Debt + Equity)	177.2%		378.0%	378.0%	-0.5%	9.7%	9.4%	11.6%	12.4%
<b>Growth</b>									
Revenue Growth Rate - CAGR:	38.6%	59.2%				30.0%	30.0%	30.0%	35.0%
Net Earnings Growth Rate - CAGR:	12.0%					Negative	42.7%	54.3%	41.3%



## **Appendix I: COGS Breakdown**

### **Hourly costs**

Fuel \$3.82 per gallon Jet A	\$210.00
Maintenance	
Parts	\$26.86
Labor	\$35.45
Tires & brakes	\$6.07
Engine overhaul	\$130.00
<b><u>Total Variable Hourly Costs</u></b>	<b>\$408.38</b>

### **Annual Fixed Costs**

2 Pilots @ \$50,000 year	\$100.00
2 Pilot benefits @ \$20,000 year	\$20.00
Insurance @ \$30,000 year	\$30.00
Electronic Navigation Charts @ \$1,548 year	\$1.55
Satellite Weather Aviation Edition @ \$600 year	\$0.60
Depreciation 10yr life, zero salvage value	\$50.00
Training @ \$4,495 year	\$4.50
Other Maintenance @ \$20,500 year	\$20.50
<b><u>Total Fixed Hourly Cost</u></b>	<b>\$227.14</b>
<b>Total Costs Per Hour</b>	<b>\$635.52</b>



**Appendix J: Eclipse 500 Images**

