CFM NEWS Release

CORPORATE FLIGHT MANAGEMENT

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# Unique plan may help private aircraft business take flight

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Private aircraft ownership has a variety of structures. Some work and some don't.

Fractional ownership — buying timeshares like vacation condominiums — still has a spotty history, particularly at the smaller company level.

Nashville-based FractionAir, for example, became a poster child for failure when the FAA shut it down in 2006 after four short years, despite high-profile ownership that included former vice president Al Gore.

But Smyrna-based Corporate Flight Management is putting a different spin on ownership structures to expand its charter air business and create a more efficient fleet of planes.

"Our goal is to grow this regionally," said Allen Howell, Corporate Flight's chief executive officer.

Jetquik, a Corporate Flight subsidiary, is syndicating ownership of a private jets built by Brazilian aircraft maker Embraer to put in the parent company's charter fleet.

With the business model, Corporate Flight is working toward a fleet of private jets with an eye toward a charter air business model that is similar to the way Southwest Airlines handles its operations.

"This is very formulized," Howell said. "This allows us to expand more easily and have more planes around."

Southwest's success has been based in part on having a single aircraft type. Operations are more efficient since the company buys, for example, parts for one aircraft model.

Corporate Flight is focusing on building a fleet with a new class of aircraft – very light jets. Embraer's model is the Phenom. One its competitors is the Cessna Mustang.

Howell said these jets are more fuel-efficient than the turbo prop planes in production now.

Corporate Flight hit on the idea of aircraft ownership through Bill Minkoff, a former Navy fighter pilot and Delta Airlines captain.

Minkoff bought a Phenom with his wife with the idea of making some money off charter flights as an offset. Minkoff sold off ownership shares to golfing buddies.

Though a pilot himself, he said he went to Corporate Flight because that was a better way of having it all done without worry. Then they got into business together.

"It's an old company looking for a different way of doing business," Minkoff said.

Jetquik is selling shares in the jets like an investment in real estate and there are returns on that investment when others use the aircraft. They carry a price tag of about $3.8 million.

The investors don't have to use the aircraft themselves as with fractional ownership. It could be an investment like any other.

“There is a great demand for this niche,” Minkoff said.

From a tax standpoint, the planes can be depreciated quickly and retain 70-80 percent of their value. Additionally, just as in real estate, investors can reinvest proceeds from selling an aircraft into a new one and defer capital gains.

It will take some time to determine whether the business model will work.

Embraer is making 150 planes per year and is sold out through 2012. Jetquik has orders for three jets for delivery in 2010, 2011 and 2012.

Howell said the first plane, however could begin flying in the first quarter of next year and no later than the second quarter. In the aircraft business, companies can buy delivery positions from someone who no longer needs or wants the plane.

Howell and Minkoff are confident they have struck on a viable model.

“We have seen all the ways partnerships can and cannot work,” Howell said.