

# Business Aircraft Acquisition and Financing



## A How-To Guide

Written and Produced  
By Mark Patiky

---

“Our business jet is an essential business tool and it has made all the difference,” says Terry Groff, president and chief executive officer of Robesonia, Pa.-based Reading Bakery Systems, pioneer of the first automatic pretzel-twisting machine and a global manufacturer of bakery equipment. For the past 35 years, business aircraft have been a key part of Reading Bakery’s growth and success. It is a strategy that has proven even more effective in today’s challenging times.

---

**D**espite the downturn in the U.S. economy, there’s never been a better time to consider a business aircraft, affirms Rollie Vincent, a Dallas-based business aircraft acquisition consultant. Cessna Senior Vice President of Sales and Marketing Roger Whyte agrees. “The basic need for business airplanes has not gone away,” he says. In fact, according to Jeff Habib, senior vice president of U.S.

and Canadian Sales at Dassault Falcon Jet, given today’s beleaguered economic environment, the need couldn’t be greater. “Now more than ever, a business aircraft is an essential tool for capturing new opportunities, for compacting two- to three-week trips into two to three days,” Habib says.

Tens of thousands of businesses and individuals have come to the same conclusion: Business aircraft offer a true competitive edge in

the global marketplace. These firms operate more than 18,000 turbine-powered business aircraft and fly millions of passengers annually to thousands of small airports that are a considerable distance from any commercial airline service. Not only have they discovered that what the media has mischaracterized as a luxury are essential tools for today’s most successful businesses, they also have proven that their companies

can be more competitive, productive and efficient with their airplanes than without them.

In a recent study of the S&P 500 companies from 2003 to 2007, “We found that companies using business aircraft outperformed nonusers across every key financial and non-financial measure of business success,” says Michael Dymont, chief executive officer of Virginia-based consulting firm NEXA Advisors LLC. Dymont points out a number of compelling facts. Companies that used business aircraft had:

- Twice the total shareholder return
- Average annual revenue growth of 116%
- Average annual earnings growth of 434%
- Market value growth of 496%

In addition, an average of 92% of the S&P 500 firms appearing on popular lists—including America’s most innovative companies, most admired companies, best brands and best places to work—are business aircraft users.

The often unpublished story, says Dymont, is that “business aircraft help ordinary people accomplish extraordinary things because of how they transform the way we use time.” With a business aircraft, mid-level executives, managers, sales teams and professional people get to more meetings, get more done during the day and still get home to their families at night. It’s all about operating more productively, Dymont emphasizes.



### Sustaining Economic Recovery

Business aircraft offer companies of all sizes a significant competitive advantage by providing direct access to the otherwise difficult-to-reach communities that are catalysts for business development. They are helping stem the economic downturn and creating opportunities essential to financial recovery, not just for those who fly on them, but also for the hundreds of thousands employed by the firms that operate them, points out Ed Bolen, president of the National Business Aviation Association (NBAA).

From on-demand charter and low-commitment jet cards to fractional and outright ownership, there have never been so many choices for gaining access to business aircraft—or so many benefits. It’s no longer a question of choosing one option over another. The lines are blurring and the newest crop of innovative programs offers blended solutions to provide a customized approach.

So, are you ready to invest in your own company’s future? That’s where *Business Aircraft Acquisition and Financing* comes in. This is your guide to discovering a variety of ways to gain business aircraft advantages. It details the most popular opportunities, uncovers some surprising approaches and offers smart strategies for first-time buyers. It speaks to key industry executives who can help you chart the best course for your needs and design methods for managing costs. So go ahead. It’s time to take off toward a new prosperity. In today’s business world, it’s a very down-to-earth decision.

“Now more than ever, a business aircraft is an essential tool for capturing new opportunities, for compacting two- to three-week trips into two to three days.”

Jeff Habib, Senior Vice President of U.S. and Canadian Sales, Dassault Falcon Jet



# The Current Market: Who's Flying, Who's Buying

**A**s the recovery continues, companies large and small are realizing there is renewed opportunity to gain a market advantage. “There’s no question that buyer interest is increasing,” says Shawn Vick, Hawker Beechcraft Corporation executive vice president, sales, marketing and flight operations. “Smart business managers recognize that now is the time to work harder, to be in more places, and to spend time with your customers in meaningful and significant ways.”

Just ask Charles Luck, president and chief executive officer of Luck Stone, a leading supplier of stone, sand and gravel products. He considers the company’s Beechcraft King Air one of the most powerful facilitators of face-to-face communication with customers and vendors. During economically slow periods, the need for efficient communication

and time management becomes even more pronounced, Luck says.

According to David Wyndham, vice president of the Orleans, Mass., consulting firm Conklin & de Decker, his clients are acquiring business aircraft not only because of a driving interest in exploring evolving markets, but also because an aircraft is an excellent investment right now. With prices this low, Wyndham forecasts that an aircraft acquisition made today could net close to full value in four to five years on resale.

Rudy Tenore, managing director of asset sales for Banc of America Leasing, agrees. “It is a perfect time to consider an acquisition,” he says. “We are in a strong buyers’ market that shows no signs of abating.”

### Timing Is Everything

Efficiency, economics and new market opportunity are key factors driving renewed buyer interest. “The push is on to reach global markets,” says Habib, noting that demand for Dassault’s large-cabin, global-range aircraft is on an upward trajectory. “Buyers are looking for greater capabilities, better technology, greater efficiencies, longer range, larger cabins and better fuel performance. They are also definitely focused on lowering operating costs,” Habib says.

Over at Cessna, Roger Whyte is seeing similar indications that substantiate the value of new aircraft acquisition. “You’ve got the latest-technology, fuel-efficient, emission-efficient engines, a warranty protecting the airplane, and today, of course, you have the latest avionics with all the latest capabilities.” Not only that, he says, “You can get it sooner because of the very low backlogs that we have in this market.”

Cessna is also attracting buyers interested in quality pre-owned aircraft. With its “No Worries Buy-back Program,” buyers of any eligible Citation in Cessna’s pre-owned inventory can receive a full refund for any reason with no questions asked and no further obligation if the aircraft is returned within 24 months of delivery.

“Business aircraft help ordinary people accomplish extraordinary things because of how they transform time. We found that companies using business aircraft outperformed nonusers across every key financial and nonfinancial measure of business success.”

Michael Dymont, CEO, NEXA Advisors LLC

# Choosing the Best Tool for The Job

Careful analysis is essential to making the right choices in the business aircraft marketplace, says Banc of America Leasing's Tenore. He suggests turning to consultants who can objectively analyze needs, offer an array of suggestions and look at critical factors that one may not have previously considered.

The rule of thumb to which most industry experts subscribe is to acquire an aircraft that will serve you about 80% of the time and then revert to charter, jet cards or fractional ownership for the remaining 20%. As the requirement ratio moves closer to a 50-50 split, two fractional shares might be the optimal answer.

Whether you're acquiring a whole aircraft or a fractional share, however, Wyndham suggests some key questions that you should ask yourself: Where are you going? How many people are you taking? How often are you traveling? With the added flexibility of a business aircraft, will you take trips you hadn't previously considered?

## No Shortage of Choices

Frequent trips of fewer than 1,000 miles with two or three people aboard might suggest a small jet, like a Cessna Mustang, CJ or Encore; a Hawker 400XP, Beechcraft Premier or turboprop King Air; or a Piaggio Avanti.

For regular trips in excess of 1,500 miles, coast-to-coast travel, or trips with six or more aboard, a mid-size jet might be the best choice, such as the Cessna Sovereign, the ultra-fast Citation X, or a Hawker 750, 850XP or 900XP.

For even greater range and capability, including frequent trips from the Northeast U.S. to Western Europe, consider a super midsize Dassault Falcon 2000 or Hawker 4000. When your needs are global or you desire a large cabin that will comfortably seat eight to ten passengers, the Falcon 900 and globe-spanning Falcon 7X might be the most suitable choices.

Those are only rough guidelines, and there are other factors to consider. For example, even with largely regional travel requirements, a small jet might not be the best solution if you're as big as a Dallas Cowboys' tackle.

Take Avantair fractional owner Carl Pick, chairman, chief executive officer and chief scientist of Video-Propulsion Interactive Television, Inc., who is 6' 3". He felt like a pretzel in a small-cabin jet, but he loves his fuel-efficient turboprop Piaggio Avanti for its stand-up cabin, which

rivals that of a much larger aircraft. It means Pick and his associates can travel on frequent short flights in total comfort.

Another factor in Pick's decision is the Avanti's ability to negotiate the 4,000-foot runway that's just minutes from his office. A larger jet might be faster, but the nearest airport with runways sufficient to accommodate one is 25 minutes away. The extra ground travel would negate any in-flight speed advantage by a wide margin. That's why Wyndham suggests factoring in full door-to-door travel times and total trip costs—including additional overnight expenses, extra meals or car rentals—when selecting the most suitable way to travel.

## Transform Travel Time to Productive Time

A dedicated aircraft is much more than a time-saver between departure and destination. Aloft, it can be an invaluable extension of your ground-based office, which is particularly important on longer flights, Habib points out. The latest Falcon 7X, for example, is capable of flying



## Business Aircraft Acquisition and Financing



nonstop for 13 hours on 7,000-mile-long flights, such as that from New York to Tokyo. That's a long time to remain out of touch. It is one more reason why Dassault and other manufacturers are transforming the aircraft cabin into an airborne communications center that includes global satellite communications, text-based news, weather, sports and financial market updates, live TV and high-speed Internet. Dassault is the first to offer Aircell® ground-to-air high-speed broadband, now available across North America, which means you'll be surfing the Web as fast in the air as you can in your office.

You'll also have to consider whether you want to own the aircraft outright and how many annual flight hours are projected, Wyndham says, adding that you'll have to decide if the aircraft will be managed in-house or be outsourced to a professional aircraft management firm.

Conventional wisdom suggests that if you need fewer than 25 hours annually, you might want to charter. If you need more than that, consider a

jet card. When your needs exceed 50 hours, consider a fractional share; and if utilization tops 200 hours, outright ownership may be the best answer. However, those traditional guidelines may no longer apply. With new options and opportunities, a blended approach often makes the most sense.

"You may need a larger aircraft some of the time, and at other times a smaller plane may be more suitable," says NetJets Executive Vice President John Colucci. "With shares in different models, you can create the ideal solution." You can "right

size" with different combinations of aircraft to suit your needs, he says. For example, you might buy 50 hours in one aircraft type and a jet card in another.

If you're really unsure about the volume of flying you will be doing, you may want to keep your options open with a no-commitment jet card or charter. On the other hand, you may want to buy a midsize jet outright for frequent cross-country trips, but you may also need a fractional share in a larger aircraft with long-range, transoceanic capability for specific missions.

“Smart business managers recognize that now is the time to work harder, to be in more places, and to spend time with your customers in meaningful and significant ways. Business aviation is the smart solution for those who value their time and need to grow their business.”

Shawn Vick, Executive Vice President, Sales, Marketing and Flight Operations,  
Hawker Beechcraft Corporation



## Outsourced Management Leave the Complexities to the Experts

Generally, if you are planning to fly 200 to 250 hours a year or more in a single aircraft type, says Wyndham, outright ownership may make the most sense. If so, outsourcing the aircraft management requirements could provide some attractive benefits, he explains. The job of dealing with crewing, maintenance, regulatory issues, insurance and other requirements is a complex task. For many companies or individuals, the demand on internal resources is considerable. Owners lacking the inclination or infrastructure to maintain an in-house flight department routinely turn to management firms to handle those tasks. The top firms in the industry can assure the highest levels of service, safety and professionalism, Wyndham adds. Much as with owning a fractional

share or jet card, you simply pick up the phone and go.

By associating with a professional management firm, an underutilized aircraft could be marketed for charter when not required by the owner, according to Wyndham. That can generate revenues, which reduce the overall cost of ownership. In addition, the larger management companies gain significant volume discounts on fuel, insurance and training, and these discounts are passed on to the aircraft owner, further reducing the cost of ownership.

### A New Twist on Aircraft Management

New aircraft management programs operated by fractional ownership companies are helping whole aircraft owners enjoy the added benefits of fractional ownership.

A prime example is Avantair, which has 50 aircraft in its fractional

ownership fleet, making it the world's largest and most experienced operator of the Piaggio Avanti. The company also offers all the convenience and skill of a top-notch professional management company, including assuming crew, maintenance, operation and other ownership responsibilities for those acquiring a whole Avanti.

The program works in a couple of interesting ways, says Matt Doyle, senior executive vice president, sales and marketing, for Avantair. Your Avanti can become part of the general Avantair fractional ownership fleet, earning revenue in the air whenever you are on the ground, he says. That way, owners gain the full advantage of whole ownership along with the distinct benefits of fractional ownership, including anytime, anywhere access and no empty-leg expenses. It is an option that is drawing increasing interest from buyers, Doyle explains. Avantair also offers traditional aircraft management, including full-support services for Avanti owners who want exclusive use of their wholly owned aircraft and prefer not to place the plane in the fractional fleet.

Cessna, through its sister company CitationAir, has a similar program called CitationAir Jet Management, which is designed for Cessna aircraft owners seeking full-management services plus all fractional ownership benefits. That includes access to multiple planes at the same time and the ability to upgrade or downgrade to different Cessna types depending on your itinerary, explains Cessna's Roger Whyte. So whether you're in Denver or Des Moines, you make a call and your plane—or one exactly like it—is there. The key advantage to keeping the aircraft within the fractional fleet is complete elimination of positioning costs. With traditional whole-aircraft ownership, owners incur flight-hour operating costs to reposition the plane at their current location, in addition to other overhead expenses if they remain in that location for any length of time.

# The Financial Options

## Tackling the Credit Crunch

**A**lthough the tightening of available credit at the start of 2009 slowed the pace of new acquisitions, there has been a significant recent improvement on the financing side. “I think we’re talking to more people because they’re talking to more lenders and they are getting positive signals,” comments Dassault’s Habib. “Banks are having meaningful discussions with qualified individuals and organizations.”

Adds Hawker Beechcraft’s Vick, “We’re getting back to doing business the way it ought to be done.” Banc of America’s Tenore agrees. “Finance structures have returned to more traditional, sound lending guidelines.”

The result is that loan or lease arrangements are heralding a new, more fluid approach to financing aircraft ownership. “We’re trying to make it as smooth and seamless as possible for the customer,” says Thomas Low, president of Cessna Finance Corporation (CFC). “A good-quality customer willing to make a reasonable down payment can get financing. The rate might be a little higher [than last year], but it’s still at reasonable levels for good-quality credit.” A new program, supported by a \$500 million credit line through Export-Import Bank of the United States, enables CFC to offer international buyers more attractive rates and competitive terms.

### To Lease or Not to Lease?

With aircraft market prices at historically low levels, many buyers anticipate an increase in value over the next five to eight years and are willing to carry market risk themselves. Tony Kioussis, vice president, strategic marketing, GE Capital Solutions, believes leasing has considerable advantages and is gaining ground over conventional financing. Buyers who are unable to secure additional tax advantages from asset depreciation, or who wish to refrain from tying up a large amount of capital, challenging their company balance sheet or accepting market risk, are finding lease options particularly appealing.

When leasing a business aircraft, you make monthly payments only for use of the asset, versus an investment equal

to the full purchase price. Lease payments can be matched to a company’s cash-flow pattern, and lessors pass on many of the tax benefits of ownership through the lease/rental economics, Kioussis says. Add to that the ability to shift future asset value risk to the lender and to retain much-needed capital for expansion, preserve bank credit lines for future business needs and reduce sales tax exposure.

“I think lease solutions will continue to be very important and probably a growth area in business aviation,” consultant Rollie Vincent says. He is advising multiple clients on aircraft acquisitions, and he is very bullish on leasing.

Banc of America has also seen a slow shift from debt-based products to lease products over the past 24 months, confirms Tenore. “Our product mix is up over 50% in favor of the tax lease,” he says. “We expect this trend to continue over the next five years.”





## Fractional Ownership and Jet Cards

**F**ractional ownership is one of the most practical ways to gain business and private aircraft benefits. NetJets creator Richard Santulli conceived the idea more than two decades ago when he calculated that if you don't need an aircraft full time, there is no need to buy a whole aircraft when, at a fraction of the cost, you can purchase the time you need and gain even greater benefits. So while that \$13 million midsize jet might be a budget item standout on its own, if you need to fly only about 100 hours per year, fractional ownership cuts the cost by 87%. The financial advantage is considerable and your plane is guaranteed wherever you are, whenever you need it.

Fractional ownership also allows simultaneous use of multiple aircraft and the ability to exchange hours for a larger or smaller aircraft at any time based on individual trip needs—benefits unavailable when you own your aircraft. As a NetJets owner, for example, you could return from Moscow in a Falcon 7X, fly to Washington the next day in a Hawker 400XP

and head to Los Angeles midweek in an ultra-fast Citation X. Next week you could fly commercially to London and travel throughout Europe in a NetJets Hawker 800XP.

In addition to the capital investment, owners pay monthly management fees to cover crews, maintenance insurance and administrative costs plus per-flight-hour charges, but only when on board. That means there are no positioning or empty-leg costs, only the one-way charge from departure to destination. Contracts run for five years, after which owners must sell their share back at prevailing fair market value. While some perceive this as a long-term commitment, fractional companies are allowing owners to exit after 24 months.

### Blue Skies Ahead

Although the current economy has tempered fractional ownership sales, there is evidence that things are looking up. “We are seeing a great deal of flexibility in terms of opt-out opportunities and length of commitment,” says Vincent. “Contracts have been

simplified and are much more understandable, and companies are offering residual value guarantees.” Fractional companies are also taking steps to demystify the acquisition process. NetJets, for example, offers excellent tools for prospective owners such as “The Buyer’s Guide to Fractional Ownership,” which fully explains the acquisition process as well as the ins and outs of fractional ownership.

NetJets remains the world’s largest and most experienced fractional provider. With a range of 18 different aircraft types to choose from worldwide, the company provides myriad options for short-range regional travelers or those with globe-spanning requirements. It is the only fractional provider with programs in Europe and the Middle East, and it is closely tied to Marquis Jet in the U.S., which offers NetJets’ exemplary level of safety, selection and service via a single-payment, 25-hour jet card.

If Santulli’s vision has changed the landscape for acquiring business aircraft benefits, jet cards have taken it to another level by offering choice and flexibility minus the large capital investment and market value risk. For those who only need 25 hours a year or who are new to flying privately and want to give it a shot before making a commitment, jet cards give them the opportunity. You buy 25 hours, and in the end you simply walk away or buy a new card and begin again.

### The Blended Solution

Jet cards are hot despite the fact that they are more expensive than fractional shares on a per-hour basis. Vincent estimates a 20% to 30% premium. As a result, he says, “the gap between cards and fractional shares will start closing.” He sees hybrid plans developing that will straddle fractional ownership and jet cards and generate even greater consumer appeal, much like the one Avantair recently created. “That’s what the market wants right now. Buyers don’t want major commitment. They are very cost-focused,” he says.

Avantair Founder and Chief Executive Officer Steve Santo agrees that we've entered a new value era in business aviation. Avantair is the exclusive provider of fractional shares in the fast, efficient Piaggio Avanti. Avantair's mission from the beginning has been to bring new levels of value to business aviation. In today's market, the company is flying high. Despite a wave of grim economic reports, publicly traded Avantair achieved full-year operating profitability and revenue growth of 18% for its fiscal year ending June 30, 2009. According to aviation research

firm ARG/US, which tracks industry activity, in August 2009 versus August 2008, Avantair showed a flight-hour increase greater than 20%, even though business aviation activity in general was off about 14%.

One reason Avantair is enjoying such success is its Axis Club Membership Program, which blends the benefits of the minimal-commitment Avantair Edge Card with Avantair fractional pricing. There is no monthly management fee, capital investment or ownership requirement. Members can join Axis Club at three different levels

based on the number of flight hours desired. At the lowest "Silver Level," a \$75,000 membership fee enables a purchase of up to six discounted 25-hour cards over a 36-month period with a minimal requirement to purchase three cards. Effectively, the more you buy, the more you save. "It's really been a popular program," says Avantair's Doyle. "It takes card ownership to a whole new level." As the economy perks up and travel needs increase, Avantair offers the option to convert Axis Club Membership to fractional ownership.

## Discovering a New Era of Opportunity

**A**fter encountering considerable economic turbulence, companies and individuals are looking for the best tools to bounce back, says Avantair's Doyle. "You've got to work harder and more efficiently in today's economy, so there are business and personal users who will always need air travel. They want to get out in the market and meet with customers, and they want to do it as cost-effectively as possible. They are looking for the best value."

Business aviation is the answer, says Hawker Beechcraft's Vick: "It is the smart solution for those who value their time and need to grow their business."

### The Choice Is Yours


From on-demand charter and low-commitment jet cards to fractional and outright ownership, there have never been so many choices for gaining access to business aircraft and their many benefits. And there have never been more ways to use these strategic tools to create significant, revenue-generating opportunities.

More than just a means of transportation, today's business aircraft are taking countless companies and



individuals to new heights of productivity and success. But it's not just about business. Rollie Vincent recounts a conversation with an entrepreneur and his wife who used their fractionally owned aircraft to help transform a start-from-scratch company into a global giant. They decided to downsize after their children had grown up. The owner's wife recalled: "My husband told me to sell every-

thing we have, but don't sell the plane." Vincent asked "Why not?" and she responded, "We work hard. We've got busy lives, multiple homes and the family is scattered across the country. So we use the aircraft, and multiple aircraft at times, to bring the family together. Those are precious moments for us. How do you put a price tag on them?"

The sky is no longer the limit. Go ahead. Join the tens of thousands of companies and individuals that have dramatically changed the way they do business and live their lives. With products and capabilities like these and such easy access to them, it's no wonder that so many are stepping aboard. The new era of fast, comfortable, cost-effective and productive travel is here now, and it's waiting at an airfield near you. For tomorrow's business and personal flyer, the only question remaining is, which is the right choice for you? 

*Written and Produced by*  
Mark Patiky  
markpatiky@cox.net

*Associate Writer:*  
Leah Krakinowski

*Principal Photography:*  
Paul Bowen

*Editors:* Carol J. Nelson, Allison Lurker

*Designer:* Jon Prinsky