

AI² Market Report

Asset Insight Index Market Report

Jet & Turboprop Aircraft – July 2015

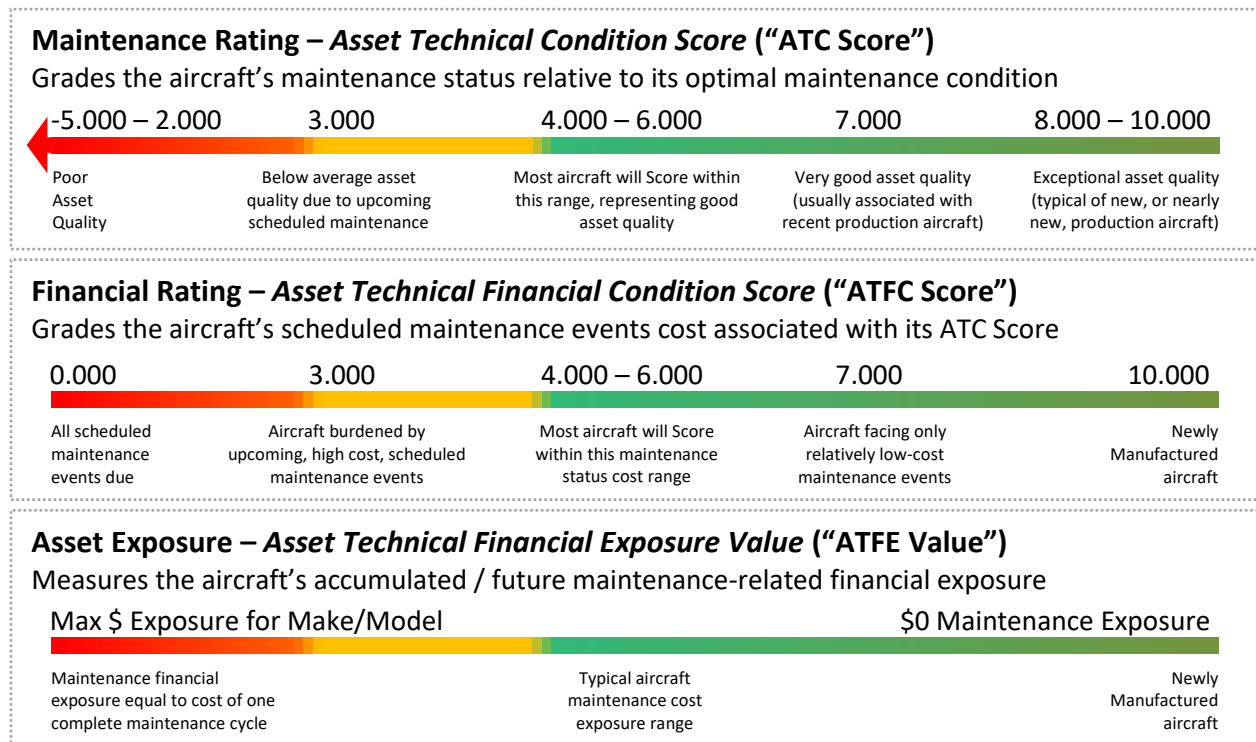


Welcome to the July 2015 issue of the Asset Insight Index Market Report (“AI² Market Report”), a quarterly publication from Asset Insight. The “AI² Market Report” utilizes Asset Insight’s proprietary Asset Grading System Process™ (AGSP) to analyze the average maintenance condition of jet and turboprop aircraft listed for sale on June 30th, 2015 (Source: AMSTAT www.amstatcorp.com).

The AGSP is based on patented algorithms analyzing current age, flight hours and cycles on an aircraft’s systems and Major Sectors – airframe, engine(s), propeller(s), APU, paint, and passenger interior – as well as the typical cost to repair or replace parts with no defined life. The Process provides a standardized scale that enables buyers, sellers, financiers and other interested parties to:

- Objectively analyze and grade an aircraft’s maintenance condition relative to the manufacturer’s approved maintenance program.
- Compare any aircraft’s maintenance condition to another aircraft listed for sale to justify an asking or offering price for a listed aircraft.

The Asset Insight Index, derived from the AGSP, evaluates three aspects of an aircraft’s maintenance. Following is an explanation of each Index component and what the figures represent (see pages 11 - 12):



The AI² Market Report also analyzes the **Asset Exposure to Price Ratio (“ETP Ratio”)**. Representing an aircraft’s “debt ratio,” the ETP Ratio (see page 9) is calculated by dividing the Asset Exposure value by the aircraft’s Ask Price. Accordingly, ***as the ETP Ratio decreases, an aircraft’s “value” increases*** (in relation to its Ask Price). Conversely, aircraft whose ETP Ratio exceeds 40% are burdened, on average, with an excessive level of Asset Exposure in relation to their Ask Price (see page 12-13).

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Overall Market

Summary: excellent overall asset quality; decreasing Ask Price; improved Asset Exposure; record worst ETP Ratio

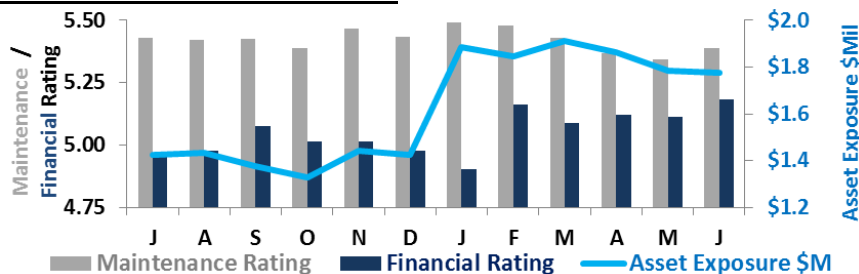
While slightly below February's record high Ratings, June's figures demonstrate that many quality assets are available. However, detailed maintenance analytics need to be conducted by prospective Buyers to ensure that a low priced asset also represents good value. Increasing maintenance costs are accelerating financial obsolescence for many aircraft, and more Sellers than ever must contend with little to no resale value for their perfectly good, flying aircraft – absent Hourly Cost Maintenance Program coverage, which is not free.

- Asset quality for the 86 fixed-wing models and 1,766 aircraft listed "for sale" researched on June 30th revealed the following overall market changes over the past 90 days:
 - ❖ Maintenance Rating decreased / worsened by 4.2 AI² basis points, to 5.389.
 - ❖ Financial Rating increased / improved by 9.5 AI² basis points, to 5.182.
 - ❖ Asset Exposure improved steadily, and is now nearly \$138k better than the figure generated in March.
- Maintenance Exposure to Price Ratio ("ETP Ratio"):
 - ❖ Average Ask Price fell by \$398k over the past 90 days, and now averages \$5.66 Mil, only 2.7% above our lowest recorded figure.
 - ❖ Forty-one models registered an ETP Ratio of 40% or more (see page 9).
 - ❖ Average ETP Ratio increased / worsened to 64.7%, representing the highest / worst figure recorded since we began tracking the Ratio in January 2013.
 - ❖ We consider an ETP Ratio over 40% to represent excessive Exposure in relation to Ask Price.
- Compared to the June 2014 overall market averages:
 - ❖ Maintenance Rating remained virtually unchanged.
 - ❖ Financial Rating improved by 22.5 AI² basis points.
 - ❖ Asset Exposure increased / worsened by 34%, up nearly \$449k.
 - ❖ Overall asset quality held a "Very Good" rating in 2014; the current rating improved to "Excellent."
- Ask Price vs. Transactional Price Spread analytics indicates that Sellers seem willing to accept lower prices than one year ago, while Buyers do not appear willing to pay as much – see page 8 (Source: SAI Valuations, LLC).

AI² Index – Quarterly Comparison – Overall Market

	Maintenance Rating "ATC Score"	Financial Rating "ATFC Score"	Asset Exposure "ATFE Value"
Optimal	10.000	10.000	
Mar '15	5.431	5.087	\$1,912,577
Jun '15	5.389	5.182	\$1,774,628
Minimal	-5.000	0.000	
Change	↓ 0.042	↑ 0.095	↓ \$137,949

AI² Index – Market Trend – Overall Market



Source for all graphs: AMSTAT (www.amstatcorp.com), Asset Insight research

Large Jets

Summary: excellent quality; 12-month low Ask Price; improved Asset Exposure; slightly worse ETP Ratio

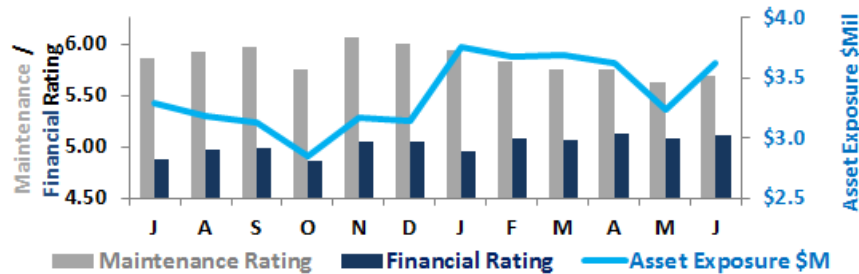
Large Jets registered the best asset quality among the four groups, as well as the lowest ETP Ratio. With Ask Price at the group's twelve month low point (\$14.76 Mil), Sellers that chose not to act – when pricing was at a 12 month high in March – may have passed on some good opportunities, as Buyers now appear to hold a better hand.

- For the 31 tracked models and 467 Large Jets researched on June 30th (see page 10), the average Asset Insight Index components registered as follows:
 - ❖ Maintenance Rating decreased / worsened over the past 90 days, falling 7.6 AI² basis points to 5.681.
 - ❖ Financial Rating increased / improved 4.9 AI² basis points to 5.107.
 - ❖ Asset Exposure improved 18.6%, by decreasing nearly \$69k to \$3.625 Mil.
- Maintenance Exposure to Price Ratio ("ETP Ratio"):
 - ❖ Nine of the group's models registered an ETP Ratio of 40% or more (see page 9).
 - ❖ Average ETP Ratio increased / worsened to 43.3% (the worst recorded figure for the past 12 months).
 - ❖ We consider an ETP Ratio over 40% to represent excessive Exposure in relation to Ask Price.
- Compared to June 2014, Large Jets reflected the following Index changes:
 - ❖ Maintenance Rating decreased / worsened 17.6 AI² basis points.
 - ❖ Financial Rating increased / improved 22.2 AI² basis points.
 - ❖ Asset Exposure worsened 18.2%, increasing by approximately \$558k.

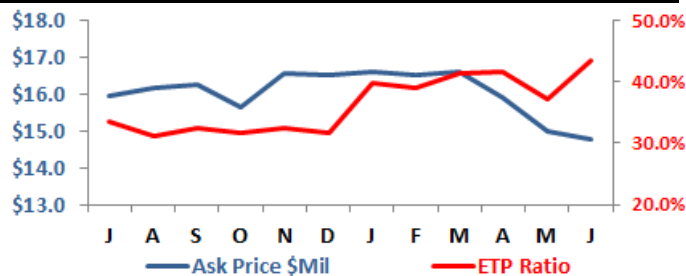
AI² Index – Quarterly Comparison – Large Jets

	Maintenance Rating "ATC Score"	Financial Rating "ATFC Score"	Asset Exposure "ATFE Value"
Optimal	10.000	10.000	
Mar '15	5.757	5.058	\$3,693,385
Jun '15	5.681	5.107	\$3,624,603
Minimal	-5.000	0.000	
Change	↓ 0.076	↑ 0.049	↓ \$68,782

AI² Index – Market Trend – Large Jets



Ask Price vs. Asset Exposure to Ask Price Ratio ("ETP Ratio") – Large Jets



Source: AMSTAT (www.amstatcorp.com), Asset Insight research

Medium Jets

Summary: excellent asset quality; average Ask Price; improved Asset Exposure; record worst ETP Ratio

Medium Jets continue to rank second relative to asset quality. The group's current \$3.71 Mil Ask Price is virtually equal to the \$3.70 Mil twelve month average and reflects a \$100k reduction over the past 90 days. While the group's ETP Ratio is challenging, we believe good opportunities exist for Buyers and Sellers alike – fueled by Prices.

- For the 27 tracked models and 509 Medium Jets researched on June 30th (see page 10), the average Asset Insight Index components registered as follows:
 - ❖ Maintenance Rating evidenced virtually no change over the past 90 days, registering 5.434.
 - ❖ Financial Rating decreased / worsened slightly, by 2.1 AI² basis points, to 5.198.
 - ❖ Asset Exposure improved about one percent, by decreasing nearly \$17k to \$1.593 Mil.
- Maintenance Exposure to Price Ratio ("ETP Ratio"):
 - ❖ Eighteen of the group's models registered an ETP Ratio of 40% or more (see page 9).
 - ❖ Average ETP Ratio increased / worsened to 67.3%, the highest / worst figure ever posted by Medium Jets.
 - ❖ We consider an ETP Ratio over 40% to represent excessive Exposure in relation to Ask Price.
- Compared to June 2014, Medium Jets reflected the following Index changes:
 - ❖ Maintenance Rating remained unchanged.
 - ❖ Financial Rating increased / improved 15.6 AI² basis points.
 - ❖ Asset Exposure worsened by nearly 52%, increasing more than \$544k.

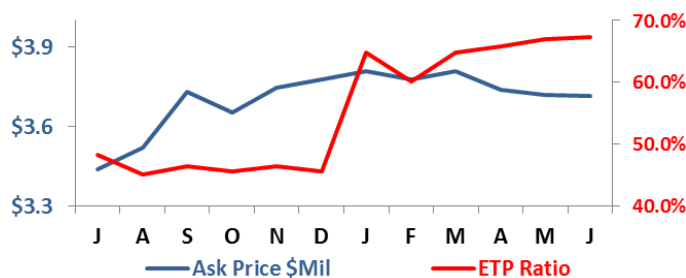
AI² Index – Quarterly Comparison – Medium Jets

	Maintenance Rating "ATC Score"	Financial Rating "ATFC Score"	Asset Exposure "ATFE Value"
Optimal	10.000	10.000	
Mar '15	5.435	5.219	\$1,609,496
Jun '15	5.434	5.198	\$1,592,930
Minimal	-5.000	0.000	
Change	↓ 0.001	↓ 0.021	↓ \$16,566

AI² Index – Market Trend – Medium Jets



Ask Price vs. Asset Exposure to Ask Price Ratio ("ETP Ratio") – Medium Jets



Source: AMSTAT (www.amstatcorp.com), Asset Insight research

Small Jets

Summary: excellent overall asset quality; average Ask Price; improved asset exposure; worst Group ETP Ratio

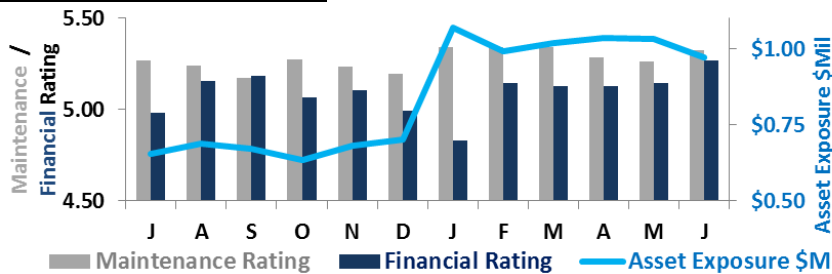
Small Jet Ratings improved to “Excellent” status this past quarter, allowing them to maintain third place relative to asset quality. In view of average Ask Prices, inducement exists for both Buyers and Sellers to close transactions.

- For the 17 tracked models and 450 Small Jets researched on June 30th (see page 10), the average Asset Insight Index components registered as follows:
 - ❖ Maintenance Rating decreased / worsened slightly, by 1.8 AI² basis points, to 5.323.
 - ❖ Financial Rating increased / improved, by 13.9 AI² basis points, to 5.270.
 - ❖ Asset Exposure improved 4.6%, decreasing nearly \$47k and attaining the best / lowest figure in 2015.
- Maintenance Exposure to Price Ratio (“ETP Ratio”):
 - ❖ Eight of the group’s models registered an ETP Ratio of 40% or more (see page 9).
 - ❖ Average ETP Ratio increased / worsened to 91.6% (worst among the four groups) from March’s 88.9%, and January’s record worst 101.1%.
 - ❖ We consider an ETP Ratio over 40% to represent excessive Exposure in relation to Ask Price.
- Compared to June 2014, Small Jets reflected the following Index changes:
 - ❖ Maintenance Rating increased / improved 7.9 AI² basis points.
 - ❖ Financial Rating increased / improved 37.5 AI² basis points.
 - ❖ Asset Exposure worsened by nearly 60%, increasing more than \$363k.

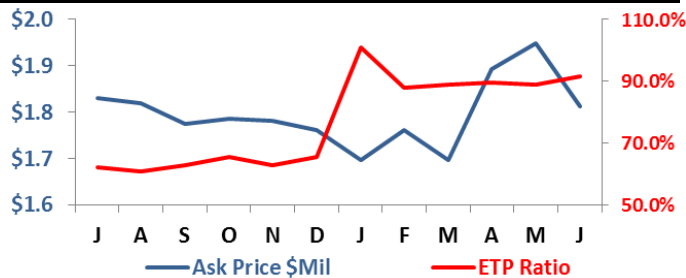
AI² Index – Quarterly Comparison – Small Jets

	Maintenance Rating "ATC Score"	Financial Rating "ATFC Score"	Asset Exposure "ATFE Value"
Optimal	10.000	10.000	
Mar '15	5.341	5.131	\$1,018,444
Jun '15	5.323	5.270	\$971,473
Minimal	-5.000	0.000	
Change	↓ 0.018	↑ 0.139	↓ \$46,971

AI² Index – Market Trend – Small Jets



Ask Price vs. Asset Exposure to Ask Price Ratio (“ETP Ratio”) – Small Jets



Source: AMSTAT (www.amstatcorp.com), Asset Insight research

Turboprops

Summary: very good asset quality; 12-month average Ask Price; improved Asset Exposure and “ETP” Ratio

Turboprops posted an Ask Price of \$1.61 Mil, which represents a \$30k decrease since March, but a slight increase during the last 30 days. Although the group’s asset quality is, once again, the lowest of the four sectors, Turboprop asset quality continues to rate as “Very Good.” With Ask Price virtually equal to the sector’s 12-month average, we continue to believe the current climate allows Buyers and Sellers to structure mutually beneficial transactions.

- For the 11 tracked models and 340 Turboprops researched on June 30th (see page 10), the average Asset Insight Index components registered as follows:
 - ❖ Maintenance Rating decreased / worsened slightly, by 2.8 AI² basis points, to 4.999.
 - ❖ Financial Rating increased / improved, by 26.8 AI² basis points, to 5.134.
 - ❖ Asset Exposure improved 7.5%, decreasing over \$51k to just over \$635k.
- Maintenance Exposure to Price Ratio (“ETP Ratio”):
 - ❖ Six of the group’s models registered an ETP Ratio of 40% or more (see page 9).
 - ❖ Average ETP Ratio decreased / improved to 51.1% (second best among all groups) from March’s 55.0%.
 - ❖ We consider an ETP Ratio over 40% to represent excessive Exposure in relation to Ask Price.
- Compared to June 2014, Small Jets reflected the following Index changes:
 - ❖ Maintenance Rating increased / improved 8.4 AI² basis points.
 - ❖ Financial Rating increased / improved 16.4 AI² basis points.
 - ❖ Asset Exposure worsened by approximately 22%, increasing nearly \$114k.

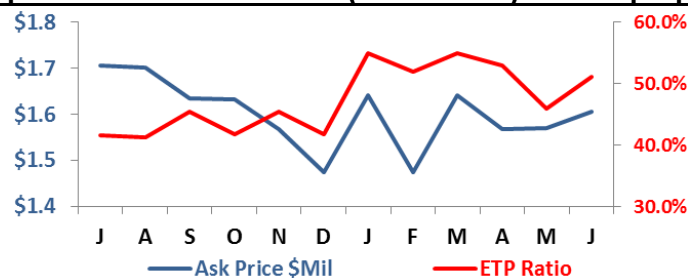
AI² Index – Quarterly Comparison - Turboprops

	Maintenance Rating "ATC Score"	Financial Rating "ATFC Score"	Asset Exposure "ATFE Value"
Optimal	10.000	10.000	
Mar '15	5.027	4.866	\$686,332
Jun '15	4.999	5.134	\$635,044
Minimal	-5.000	0.000	
Change	↓ 0.028	↑ 0.268	↓ \$51,288

AI² Index – Market Trend - Turboprops



Ask Price vs. Asset Exposure to Ask Price Ratio (“ETP Ratio”) – Turboprops



Source: AMSTAT (www.amstatcorp.com), Asset Insight research

Used Aircraft Ask Price vs. Transactional Price Spread (Source: SAI Valuations, LLC)

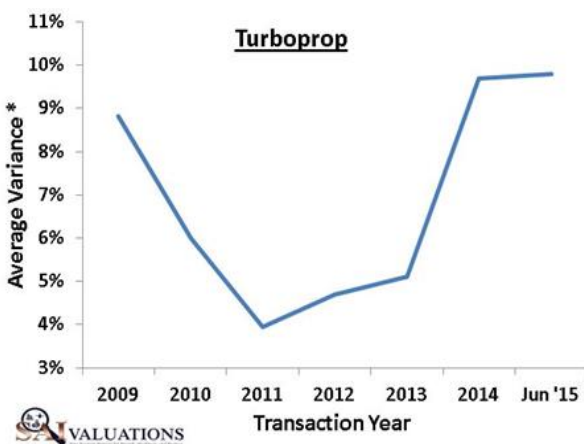
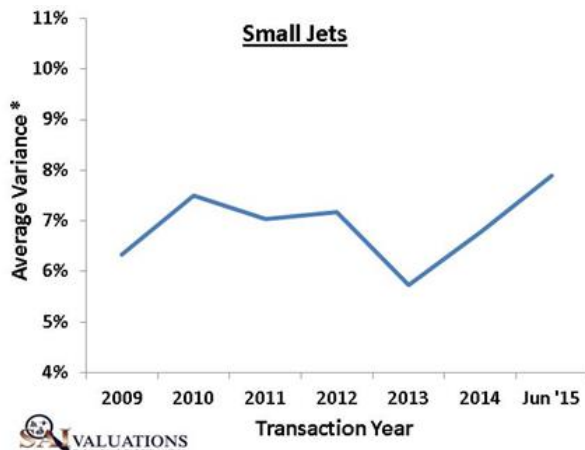
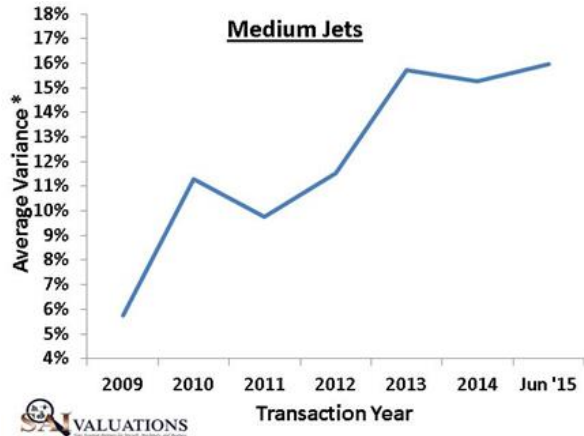
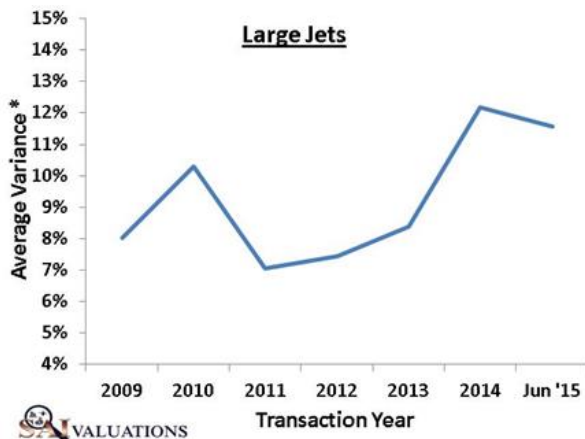
Summary: gap between Ask Prices and Sales Transaction Values continues to widen

Today’s volatile market requires increased focus on prices to accurately identify the spread between buyer and seller walk-away positions, as well as the variance between the initial price point and the final negotiated sale price.

Analysis conducted by SAI Valuations, LLC (“SAI”) indicates that both buyer and seller walk-away points are moving towards a lower dollar value. Sellers seem willing to accept lower prices than they were a year ago, while buyers do not appear willing to pay as much – supporting differentiation in the bid / ask spread.

Market fluctuations increase the instability of price variance on the transaction of a used aircraft. While prices waver, well-informed buyers and sellers are able to scrutinize the market and listings to make the optimum transactional decisions.

SAI Valuations Ask Price vs. Transaction Price spread comparison

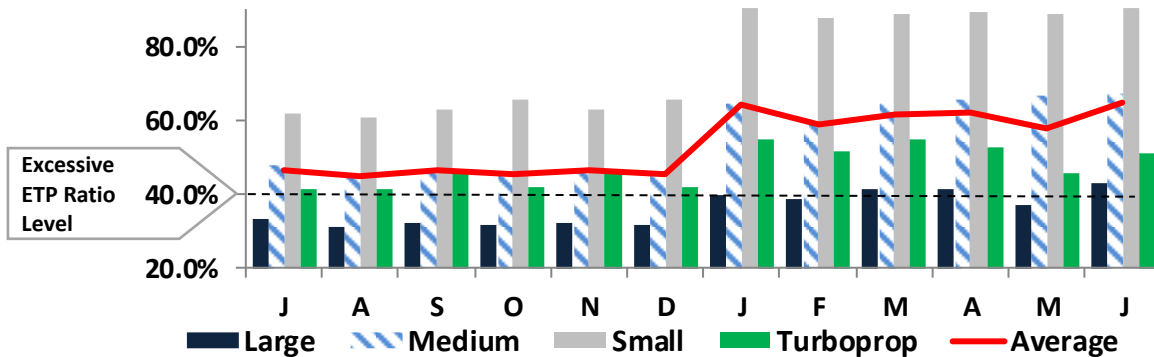


* Average Variance based on a Sample Set considering the Ask Price against the Transactional Price

Exposure to Price Ratio (“ETP Ratio”)

Spread in the ratio of Maintenance Exposure to aircraft Ask Price (“ETP Ratio”) narrowed a bit over the past 3 months, but the average of 64.7% was the highest / worst figure recorded since we began tracking the Ratio in January 2013. We consider anything over 40% to represent excessive Exposure in relation to Ask Price, and the industry average has consistently been above 40% starting in March 2014. While overall asset quality was rated as “Excellent,” lower prices, yet again, led to an ETP Ratio increase.

ETP Ratio by Jet and Turboprop Aircraft Group



ETP Ratio by Aircraft Model

Model	ETP Ratio	Model	ETP Ratio	Model	ETP Ratio
F900LX	3.5%	Learjet 60XR	26.2%	GIV-SP (MSG3)	64.7%
Boeing BBJ	4.7%	Embraer Legacy 600	26.4%	Citation V 560	66.2%
Phenom 300	9.4%	Phenom 100	26.5%	KingAir 300	66.5%
F900EX EASy	9.8%	Falcon 2000	26.6%	Citation Bravo	68.1%
F2000LX	10.1%	Premier 1A	27.0%	Piaggio P-180	70.4%
F900DX	12.4%	F900B	30.0%	Learjet 55C	71.3%
G-150	12.5%	Citation CJ2	30.4%	GIV-SP	71.5%
F900C	12.7%	KingAir 350 - Pre-2001	30.7%	Hawker 1000A	79.5%
Citation Encore	12.8%	KingAir B-200 - Post-2000	30.7%	Learjet 60	86.8%
CL-605	14.0%	Citation Mustang 510	36.5%	CL-601-3R	90.3%
G 450	15.5%	KingAir B-200 - Pre-2001	41.3%	Hawker Beechjet 400A	102.4%
Citation CJ3	15.7%	G-200	42.0%	Hawker 800A	104.0%
Pilatus PC-12	16.1%	CL-604	42.9%	Citation VI	106.2%
Piper Meridian	17.3%	Citation X (MSG3)	43.1%	CL-601-3A	112.0%
G550	18.1%	Global Express	43.3%	Citation ISP	116.0%
Citation Sovereign 680	18.3%	Learjet 45XR	44.5%	Citation II	129.4%
F900EX	18.6%	Hawker 400XP	47.0%	KingAir C90	131.8%
Hawker 900XP	19.7%	G-100	47.1%	GIV	134.9%
Citation CJ1+	19.9%	GV	47.5%	Learjet 31	149.5%
Challenger 300	21.5%	Learjet 45	54.0%	Beech B-1900C	150.2%
KingAir 350 - Post-2000	21.9%	Hawker 800XP	54.7%	Learjet 55	156.1%
Citation XLS	22.4%	Falcon 50	56.0%	Hawker Beechjet 400	171.6%
Global XRS	23.0%	Learjet 45 w/APU	57.7%	Falcon 20-5	180.6%
Global 5000	23.6%	Citation V Ultra	59.8%	Learjet 35A	206.3%
Falcon 50EX	24.0%	Piaggio P-180 II	62.5%	CL-601-1A	311.2%
Citation XLS (MSG3)	24.0%	Premier 1	63.6%	G-III	338.0%

ETP Ratio Calculation & Significance

The Asset Exposure to Price Ratio (“ETP Ratio”) is calculated by dividing the aircraft’s Asset Exposure (the accrued cost of future scheduled maintenance) by its Ask Price. Accordingly, **as the ETP Ratio decreases, the aircraft’s “value” increases** (in relation to its Ask Price). Aircraft whose ETP Ratio is above 40% (shown in red) are burdened, on average, with an excessive level of maintenance Asset Exposure in relation to their Ask Price.

Market AI² Index Aircraft

Following is a list of the aircraft analyzed by Asset Insight to produce this report (additions are in **BOLD** print):

<u>Large Jets</u>	<u>Medium Jets</u>	<u>Small Jets</u>	<u>Turboprops</u>
Beechcraft-Hawker:			
	• Beechjet 400	• Premier 1	• King Air C90
	• Beechjet 400A	• Premier 1A	• King Air B-200
	• Hawker 400XP		• King Air 300
	• Hawker 800A		• King Air 350
	• Hawker 800XP		• B-1900C
	• Hawker 900XP		
	• Hawker 1000A		
Boeing:			
• BBJ			
Bombardier:			
• CL-601-1A; 3A; -3R; -SE	• Challenger 300	• Learjet 31	
• CL-604	• Learjet 45; 45 w/APU	• Learjet 35A	
• CL-605	• Learjet 45XR		
• Global 5000	• Learjet 55-55A		
• Global Express	• Learjet 55C		
• Global XRS	• Learjet 60		
	• Learjet 60XR		
Cessna:			
	• Citation Sovereign	• Citation CJ1+	
	• Citation VI	• Citation CJ2	
	• Citation X (MSG3)	• Citation CJ3	
	• Citation XLS; XLS (MSG3)	• Citation Bravo	
	• Citation XLS+ (MSG3)	• Citation Encore	
		• Citation I-SP	
		• Citation II	
		• Citation Mustang	
		• Citation V ; Citation V Ultra	
Dassault Falcon Jet:			
• F2000	• Falcon 20-5		
• F2000EX; F2000EX Easy	• Falcon 50		
• F2000DX; F2000LX	• Falcon 50EX		
• F900; F900B; F900C			
• F900EX; F900EX Easy			
• F900DX; F900LX			
Embraer:			
• Legacy 600		• Phenom 100	
•		• Phenom 300	
Gulfstream:			
• G-IV	• G-100		
• GIV-SP & GIV-SP (MSG3)	• G-150		
• GV	• G-200		
• G350			
• G450			
• G550			
Piaggio:			
			• P-180; P180 II
Pilatus:			
			• PC-12
Piper:			
			• Malibu Meridian

Analysis Methodology

Asset Insight, Inc. has developed a proprietary **Asset Grading System Process**™ (AGSP) that objectively evaluates assets relative to their Optimal Maintenance Condition and provides an easy-to-understand, uniform, yet robust, set of data that can be acted upon, on a timely basis, to protect and/or enhance an asset’s financial performance.

The AGSP is based on patented algorithms analyzing current age, the hours and cycles on an aircraft’s Major Sectors – airframe, engine(s), propeller(s), APU, paint, and interior – as well as the cost to repair or replace parts with no defined life. The AGSP derives an index (the “Asset Insight Index”) providing an objective measure of an aircraft’s current maintenance status and its related Financial Exposure going forward – that is, the financial liability accrued with respect to future scheduled maintenance events.

The Three Components of the "Asset Insight Index"

ATC Score / ATFC Score / ATFE Value

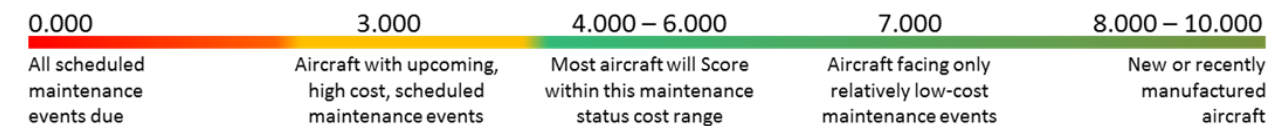
Maintenance Rating – Asset Technical Condition Score (“ATC Score”)

The “Asset Technical Condition Score” (“ATC Score”) utilizes the Asset Grading System Process (Patent Pending) developed by Asset Insight, Inc. to objectively evaluate and grade an aircraft's maintenance status, on a standardized scale, relative to its Optimal Maintenance Condition (achieved on the day it came off the production line), utilizing the aircraft's (standard/typical) Scheduled Maintenance Program. The ATC Score is based on a scale ranging from -5.000 to 10.000, the latter reflecting a newly produced aircraft (see scale below).



Financial Rating – Asset Technical Financial Condition Score (“ATFC Score”)

The “Asset Technical Financial Condition Score” (“ATFC Score”) evaluates and grades the Aircraft's financial rating relative to its Optimal Maintenance Condition based on the Aircraft's ATC Score (see Maintenance Rating above). The ATFC Score is based on a scale from 0.000 to 10.000, the latter reflecting a newly produced aircraft (see scale below).



To score each aircraft make/model, the average cost for completing each maintenance event comprising the ATC Maintenance Program is determined. Having compiled the aircraft's maintenance history, the time (calendar, flight hours or cycles) accumulated toward each individual scheduled/anticipated maintenance event is used to determine the aircraft's ATFC Score.

The Financial Rating (ATFC Score) differs from the Maintenance Rating (ATC Score). While the ATC Score evaluates and grades an aircraft's maintenance status relative to its Optimal Maintenance Condition, the ATFC Score grades an aircraft's financial condition relative to its Optimal Maintenance Condition, meaning the ATFC Score is weighted by the estimated cost to complete each maintenance event. Accordingly, the Maintenance Rating is likely to differ from the Financial Rating.

For example, if an aircraft had only two maintenance components, and if one component is three-quarters of the way toward its overhaul while the second is one-quarter of the way toward its overhaul, their combined ATC Score would be 5.000, based on the following calculation: $(75\% + 25\%) / 2 \times \text{Perfect Score (10.000)} = 5.000$.

However, if the first of these components has an overhaul cost of \$1,000, while the second has an overhaul cost of \$10,000, their combined ATFC Score would be 2.955 (see below).

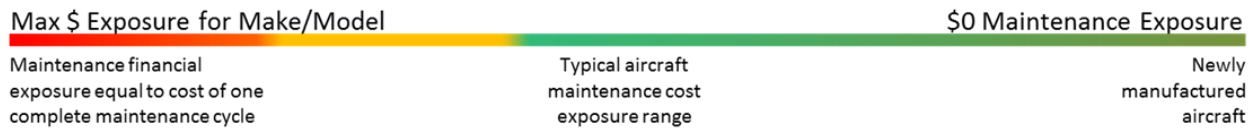
	<u>Remaining Useful Life</u>	<u>Overhaul Cost</u>	<u>Remaining Financial Value</u>
Component #1	75%	\$1,000	\$750
Component #2	25%	<u>\$10,000</u>	<u>\$2,500</u>
		<u>\$11,000</u>	<u>\$3,250</u>

ATFC Score Calculation Methodology

Aircraft's Financial Ratio $(\$3,250 / \$11,000) \times \text{Perfect Score (10.000)} = 2.955$

Asset Exposure – Asset Technical Financial Exposure Value (“ATFE Value”)

The “Asset Technical Financial Exposure Value” (“ATFE Value”) measures the aircraft’s financial exposure based on its maintenance condition – the liability accrued / consumed with respect to future scheduled maintenance events – and presents this information in financial terms, as follows:



To derive an aircraft's ATFE Value, the estimated cost for completing each event comprising the ATC Maintenance Program has been established. Having compiled an aircraft's maintenance history, the time (flight hours, landings / cycles, and / or calendar period) accumulated toward each individual scheduled / anticipated maintenance event is used to compute the dollar liability accrued toward that event, with the ATFE Value representing the total accrued liability toward future maintenance events

Used Aircraft Ask Price vs. Transactional Price Spread (Source: SAI Valuations, LLC)

Detailed analytics are used to determine the ask price of an aircraft and its bid/ask spreads, including, but not limited to, items such as market supply, demand, saturation, aircraft age, competition, utility, damage, economics, financing, trade, exclusivity, compulsion to sell, buyer / seller market strength, etc.

Ask Price vs. Asset Exposure to Ask Price Ratio (“ETP Ratio”) Graph

The graph displays the relationship between each aircraft group’s “Asset Exposure to Ask Price” Ratio (the ATFE Value divided by the Average Ask Price) and the Average Ask Price. In general, as aircraft Ask Prices rise, the Ratio should decrease – all other factors being equal. However, the Ratio’s relationship to Ask Price is not an absolute inverse correlation. Aircraft with a greater or lesser maintenance-related Financial Exposure, but with the same Ask Price, may replace aircraft listed “for sale” during any given month. Accordingly, it is possible for both the Ratio and the Ask Price lines to move in the same direction.

Asset Exposure to Ask Price Ratio (“ETP Ratio”)

The Asset Exposure to Ask Price Ratio (“ETP Ratio”) is calculated by dividing the aircraft’s ATFE Value (the financial liability accrued with respect to future scheduled maintenance events) by its Ask Price. Accordingly, as the ETP Ratio decreases, the aircraft’s “value” increases (in relation to its Ask Price). Aircraft whose ETP Ratio is 40% or greater are believed to have accrued an excessive level of maintenance Asset Exposure (ATFE Value) in relation to their Ask Price. ETP Ratios are only available in cases where a statistically significant sample of aircraft Ask Price and maintenance status can be derived for a specific Make / Model.

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