

SANTA MONICA FLYERS

Leaseback Ownership

Santa Monica Flyers is expanding steadily. Every month we're adding new students to our roster, creating more and more demand for our aircraft. If you have an airplane and you'd like to start making money with it, we'd like to talk aircraft leasebacks.

What is an aircraft Leaseback?

An aircraft leaseback is basically a management agreement. Under this agreement, Santa Monica Flyers serves in the role of asset manager. The aircraft is owned by the individual, while SMF is responsible for marketing the aircraft, introducing qualified, well trained pilots, managing all financial transactions, coordinating maintenance, and ensuring the aircraft meets all regulatory requirements.

Working with SMF to Leaseback your Aircraft is quite simple.

- If you own an aircraft, you can earn money by renting it out to our members.
- If you don't own an aircraft but you would like to, we can help you find the right one.
- We will manage and take care of your aircraft for you.

What is the number one reason aircraft owners look to leaseback an airplane?

The average owner-flown airplane flies fewer than 100 hours per year, resulting in extremely high fixed costs of ownership. In the airplane leaseback agreement, flight schools rent out your personally owned airplane. In return, they manage the maintenance and repairs, clean the airplane, and handle the scheduling. The owner gets tax breaks and gets to offset the high cost of ownership through the leaseback operator, via having the airplane flown well over the 100-hour average.

Why leaseback with Santa Monica Flyers?

SMF is a seasoned flight school with a well-established student/renter base and reach across a wide demographic. SMF's philosophy revolves around a basic commitment to excellence. This applies not only to flight instruction but to all aspects of our business, including our aircraft rental fleet.

SMF has a well-established reputation for operating with the highest standard of integrity; we have an excellent relationship with aircraft maintenance shop Bill's Air Center, that not only ensures a high standard of aircraft maintenance, but also offers the lowest costs around.

When does an aircraft leaseback make sense?

While everyone's personal situation is different, here are just some of the reasons to consider putting an airplane on leaseback.

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- You want to own an airplane, but you can't afford to own it outright.
- You are in a position to take advantage of the tax advantages of owning an airplane.
- You own an airplane, but it is not flying enough. Airplanes should be flown regularly to keep them healthy (prevent corrosion and identify maintenance issues early when they are not as costly to fix).
- You want to make your aircraft an asset instead of a liability.
- You would like to reduce your flying costs.
- You have some specific training objectives, and would rather pay yourself for training, rather than someone else.
- You have multiple family members that want to learn to fly.
- You want to be in the Aviation Business.

How does an aircraft leaseback work?

Again, the aircraft leaseback is basically a management agreement involving an aircraft you own. You provide us with your airplane. We collect all the revenue. We pay all the expenses. At the end of each month we cut you a check net of the airplane's operating expenses. We take care of everything for you, so don't have to worry about all the tedious details of aircraft ownership. In exchange for our services, we charge a modest management fee of \$40 per hour. Of course, just like all other expenses, the management fee is deducted from the revenue.

While results vary, it is fairly typical for our aircraft owners to receive checks in the range of \$3,500 each month. Some aircraft owners are regularly receiving twice or even three times that. Of course, there are exceptions. Some airplanes just do not fly as much as others, and some are plagued with maintenance issues that lead to extended down times and unusually high maintenance bills. This is usually typical of much older airplanes – unlike those currently on the flight line at Santa Monica Flyers. Additionally, aircraft owners should set aside part of their profits to cover unexpected maintenance "surprises", as well as the more predictable maintenance expenses such as engine overhauls.

What are the pros and cons of aircraft leaseback?

The Pros:

- Your fixed costs (tie down, insurance, regular maintenance) are typically paid for.
- Fly the aircraft for less than the cost of renting an identical one
- You may use the aircraft for the cost of fuel alone (typically around \$50-75/hr).
- You will gain equity in an aircraft as it works, often paying for an aircraft completely in 4-5 years of service.
- Potential for excellent positive cash flow.
- Significant accelerated depreciation tax credits. (up to \$500,000 in the first year, exceeding your actual outlay by a factor of 10)

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The Cons:

- Poor airframes may generate maintenance “surprises”.
- Flight Training service is rigorous and will accelerate some wear on the aircraft. Many of our planes fly 500 hours per year or more. Our most popular airplane flew 720 hours last year! The fleet average is just about 550 hours per year.
- You’ll have to schedule your flights in the aircraft just like any other renter. You’ll lose the flexibility of flying your airplane whenever you want.

Aircraft leasebacks are highly variable investments and are not for everyone. The decision to put an aircraft into an aircraft leaseback should be considered carefully. We track the financial performance of all our aircraft, and have historical data to help make informed decisions. If you think a leaseback is something you might consider, please contact us for more details. We’ll be happy to work with you to predict the revenue, expense, and overall performance of your aircraft in our fleet. We can also help you purchase the right aircraft and to set your aircraft’s rental rate to maximize your profits. After all... we cannot be successful as a flight school unless our aircraft owners are successful.

For more information, set a meeting with our General Manager, Joseph Vazquez Miller, through the front desk:

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