

**57**

**FPL's Responses to Staff's Fourth Request  
for Production of Documents  
(No. 32)**

**Q.**

Please provide a copy of all supporting documents responsive to Interrogatory No. 124.

**A.**

Please see FPL's response to OPC's Second Request for Production of Documents No. 12, documents Bates numbered 293582 through 293592.

**The information is complete in what is being filed however certain cells have been deleted as they are not responsive to the discovery request.**

**OPC 293582  
FPL RC-12**

Uncollectible Accounts Receivable (UAR)  
Forecast 2012-2014



# Bad Debt and UAR Forecast

OPC 293584  
FPL RC-12

	2011 Est/Actual <sup>(1)</sup> [\$Millions]	2012 Est <sup>(2)</sup> [\$Millions]	2013 Est <sup>(2)</sup> [\$Millions]
[1] Net Write-off	11.70	13.94	17.24
<b>Management Actions:</b>			
[2] Remote Connect Service			(0.29)
[3] Process Improvements		(0.30)	(0.30)
[4] = [1] + [2] + [3] <b>Net Write-offs including Mgt. Actions</b>	11.70	13.64	16.65
[5] Provision Adjustment <sup>(3)</sup>	(4.51)	2.00	1.76
[6] = [4] + [5] <b>UAR</b>	7.19	15.63	18.41
[7] Unlagged Revenue <sup>(4)</sup>	10,298	9,807	9,860
[8] = [4]/[7] <b>Bad Debt Factor</b>	0.114%	0.139%	0.169%
[9] Lagged Revenues <sup>(4)</sup>	10,245	9,963	9,835
[10] = [4]/[9] <b>NWO to Lagged Revenues Factor</b>	0.114%	0.137%	0.169%

**Note:**

- (1) Actual thru September 2011.
- (2) For modeling purposes the 2011 actual excludes approximately \$5.2MM associated with one time MES customer write-offs.
- (3) The model includes forecast variables for deposits, assist dollars, revenues, price of electricity, KWh Sales, and home sales.
- (4) Provision adjustments are driven by standard accounting methodology.
- (5) Revenues exclude sales for resale

# Bad Debt and UAR Historical and Forecast

OPC 293585  
FPL RC-12

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est/Act <sup>[1][2]</sup>	2012 Est	2013 Est
	[\$Millions]	[\$Millions]	[\$Millions]	[\$Millions]	[\$Millions]	[\$Millions]	[\$Millions]	[\$Millions]
Net Write-off	17.90	19.44	26.38	28.19	18.69	11.70	13.64	16.65
Unlagged Revenue	11,629	11,265	11,296	11,544	9,812	10,298	9,807	9,860
Bad Debt Factor	0.154%	0.173%	0.234%	0.244%	0.190%	0.114%	0.139%	0.169%
Lagged Revenues	10,798	11,314	11,263	11,447	10,471	10,245	9,963	9,835
NWO to Lagged Revenues Factor	0.166%	0.172%	0.234%	0.246%	0.178%	0.114%	0.137%	0.169%
Provision Adjustment	2.52	(0.62)	3.34	1.74	(4.69)	(4.51)	2.00	1.76
UAR	20.42	18.82	29.72	29.93	14.00	7.19	15.63	18.41

Note:

[1] Actual thru September 2011

[2] For modeling purposes the 2011 actuals exclude approximately \$5.2MM associated with one time MES customer write-offs.

# Forecast Model Variables Inputs to Net Write-Off Forecast

OPC 293586  
FPL RC-12

## Assumptions and Vintage



GROSS WRITE-OFF INPUT VARIABLES:	Net Write-off Impact	Vintage	Source
Lagged Revenues (3 Months)	Increase	Dec-2011	Finance Department
Lagged KWH Sales (4 Months)	Increase	Dec-2011	Finance Department
Lagged Assist Dollars (6 Months)	Decrease	Nov-2011	Customer Advocacy
Lagged Deposits (6 Months)	Decrease	Dec-2011	Credit Risk Department
Lagged Florida, Home Sales (6 Months)	Decrease	Jul-2011	Global Insights
Lagged Dependent Variable (1 Month)			
Categorical Variables:			
Winter ( December - February)			
Fuel Credit (May 2010)			
Binary variables for 12/2004			



POST WRITE-OFF INPUT VARIABLES:	Post Write-off Recoveries Impact	Vintage	Source
Lagged Gross Write-off (18 Months)	Increase	Dec-2011	Revenue Recovery Dept.
Lagged Gross Write-off (13 Months)	Increase	Dec-2011	Revenue Recovery Dept.
Lagged Gross Write-off (1 Month)	Increase	Dec-2011	Revenue Recovery Dept.
Lagged Price of Electricity (3 Months)	Increase	Dec-2011	Finance Department
Lagged Dependent Variable (2 Months)			
Categorical Variables:			
Holiday (Binary for the month of December)			
MESP (Binary for the month of March - May 2011)			

*Note: Models use monthly actual from Jan. 2003 to Sept. 2011*

# Gross Write-Off and Post Recoveries

## Forecast Model

### Statistics and Output

Forecast Date: December 1, 2011

OPC 293587

FPL RC-12

## Gross Write Off Forecast

Variable	Coefficient	StdErr	T-Stat	P-Value
Y-Intercept Adjustment	-1375710.676	369950.002	-3.719	0.04%
Lagged Dependant(1)	0.643	0.039	16.333	0.00%
Binary 2004_12	-1200482.387	290849.577	-4.128	0.01%
Binary 2010_05_FuelRefund	580821.287	294207.099	1.974	5.14%
Winter	282549.654	95072.946	2.972	0.38%
Home Sales (6)	-1113.597	406.529	-2.739	0.74%
Assist_Deposit (6)	-0.074	0.026	-2.843	0.55%
Lagged KWH Sales	0.243	0.045	5.423	0.00%
Lagged Revenues (3)	0.001	0.000	3.263	0.16%

### Model Statistics

Iterations	1
Adjusted Observations	99
Deg. of Freedom for Error	90
<b>R-Squared</b>	<b>0.936</b>
<b>Adjusted R-Squared</b>	<b>0.930</b>
AIC	25.176
BIC	25.412
F-Statistic	164.2893788
Prob (F-Statistic)	0
Log-Likelihood	-1,377.67
Model Sum of Squares	103,466,375,787,646.00
Sum of Squared Errors	7,085,039,435,546.29
Mean Squared Error	78,722,660,394.96
Std. Error of Regression	280,575.59
Mean Abs. Dev. (MAD)	205,994.53
<b>Mean Abs. % Err. (MAPE)</b>	<b>8.25%</b>
Durbin-Watson Statistic	1.994
Durbin-H Statistic	0.031
Ljung-Box Statistic	41.52
Prob (Ljung-Box)	0.0146
Skewness	0.508
Kurtosis	3.499
Jarque-Bera	5.282
Prob (Jarque-Bera)	0.0713

UAR Forecast 2012+.xls

Model Output

12/01/2011

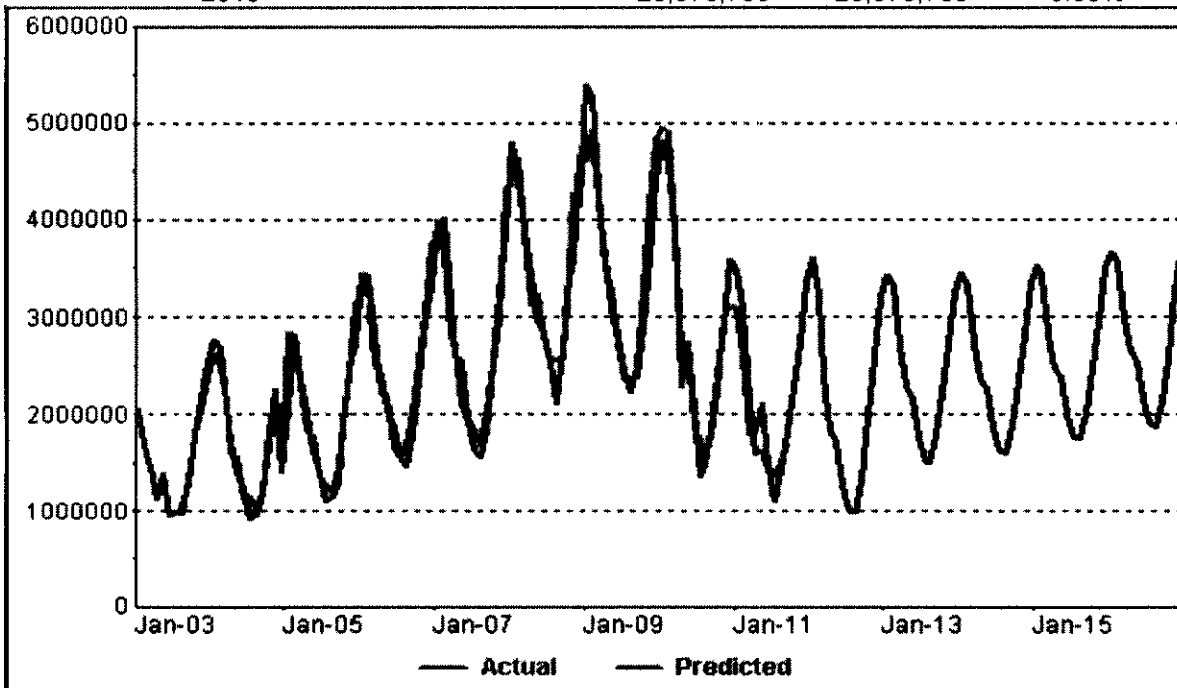
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# Gross Write-Off and Post Recoveries Forecast Model Statistics and Output

Forecast Date: December 1, 2011

## Annual Data for Gross Write Off

Year	Actual	Predicted	% Diff
2003	18,165,022	9,813,681	
2004	20,364,960	20,319,562	-0.22%
2005	24,004,159	23,246,799	-3.16%
2006	29,160,089	30,050,843	3.05%
2007	31,985,902	33,342,327	4.24%
2008	40,913,818	41,508,614	1.45%
2009	44,025,251	41,171,360	-6.48%
2010	34,090,866	34,332,614	0.71%
2011	25,836,363	26,074,904	0.92%
2012	25,145,533	25,145,533	0.00%
2013	28,678,786	28,678,786	0.00%



# Gross Write-Off and Post Recoveries Forecast Model Statistics and Output

Forecast Date: December 1, 2011

## Post Write-Off Recovery Forecast

Variable	Coefficient	StdErr	T-Stat	P-Value
Lagged Dependant (2)	0.337	0.087	3.857	0.02%
Holiday	-93656.187	28152.664	-3.327	0.13%
Binary_2011_M345	175926.598	45638.527	3.855	0.02%
Lagged Gross Write-off (1)	0.071	0.015	4.752	0.00%
Lagged Gross Write-off (13)	0.043	0.013	3.248	0.17%
Lagged Gross Write-off (18)	0.054	0.015	3.513	0.07%
Lagged Price (3)	21714.784	4766.658	4.556	0.00%

### Model Statistics

Iterations	1
Adjusted Observations	87
Deg. of Freedom for Error	80
<b>R-Squared</b>	<b>0.904</b>
<b>Adjusted R-Squared</b>	<b>0.897</b>
AIC	22.354
BIC	22.552
F-Statistic	#NA
Prob (F-Statistic)	#NA
Log-Likelihood	-1,088.83
Model Sum of Squares	3,558,211,002,423.15
Sum of Squared Errors	378,140,735,427.63
Mean Squared Error	4,726,759,192.85
Std. Error of Regression	68,751.43
Mean Abs. Dev. (MAD)	51,470.86
<b>Mean Abs. % Err. (MAPE)</b>	<b>5.35%</b>
Durbin-Watson Statistic	1.153
Durbin-H Statistic	#NA
Ljung-Box Statistic	92.92
Prob (Ljung-Box)	0.0000
Skewness	-0.463
Kurtosis	3.059
Jarque-Bera	3.120
Prob (Jarque-Bera)	0.2101

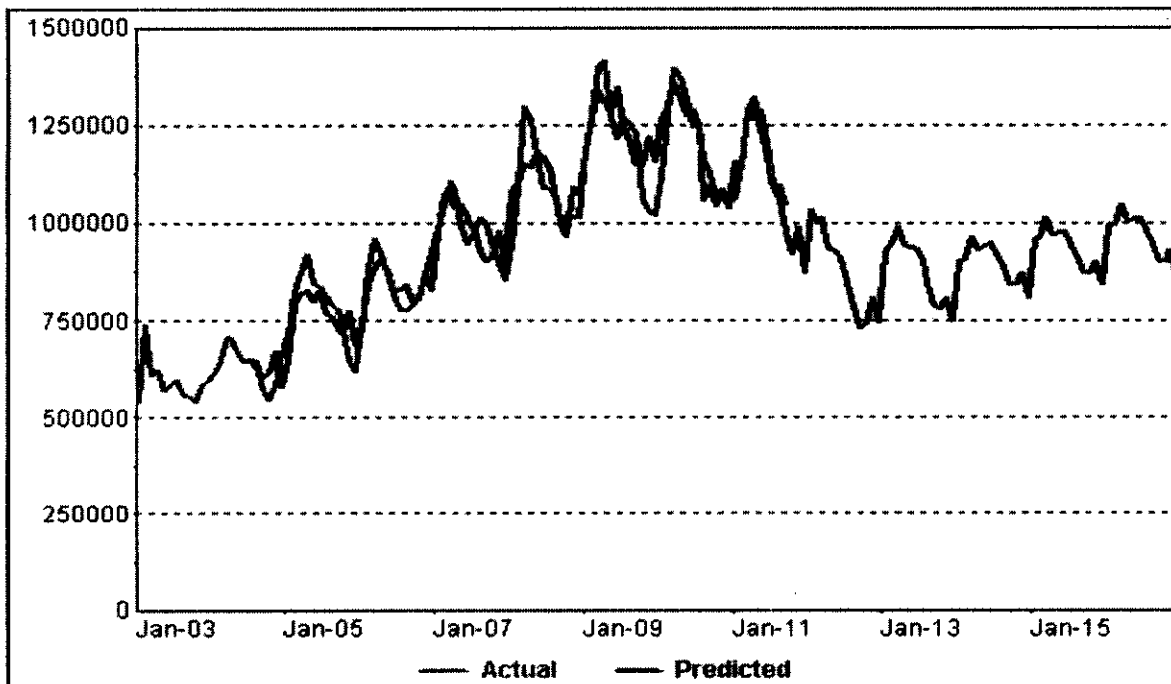
# Gross Write-Off and Post Recoveries Forecast Model

## Statistics and Output

Forecast Date: December 1, 2011

### Annual Data for Post Write Off Recoveries

Year	Actual	Predicted	% Diff	% of Post Recoveries to GWO
2003	7,101,870			
2004	7,641,408	3,757,812		
2005	9,396,786	9,140,141	-2.73%	39.1%
2006	10,144,873	10,073,238	-0.71%	34.8%
2007	11,828,742	11,839,831	0.09%	37.0%
2008	13,111,653	13,052,327	-0.45%	32.0%
2009	14,615,682	14,844,042	1.56%	33.2%
2010	14,448,734	14,363,180	-0.59%	42.4%
2011	13,235,887	13,258,028	0.17%	51.2%
2012	10,493,080	10,493,080	0.00%	41.7%
2013	10,556,475	10,556,475	0.00%	36.8%



**Net Write-Off Forecast Model**  
Forecast Date: December 1, 2011

OPC 293588  
FPL RC-12

Gross Write-off Forecast Model												Post Write-off Forecast Model								
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)	(P)	(Q)	(R)	(S)	(T)	
Winter	Revenues (Lagged 3Mo)	Dependant Variable (Lagged 1Mo)	KWH Sales (Lagged 4Mo)	Assist_Deposit (Lagged 6Mo)	Home Sales (Lagged 6Mo)	Y-intercept Adjustment	Gross Write-off (Lagged 18Mo)	Gross Write-off (Lagged 13Mo)	Gross Write-off (Lagged 1Mo)	Price (Lagged 3Mo)	Dependant Variable (Lagged 2Mo)	Holiday								
(AA)	(BB)	(CC)	(DD)	(EE)	(FF)	(GG)	(HH)	(II)	(JJ)	(KK)	(LL)	(MM)								
2012	886,358,070	3,346,556	10,534,336	4,832,215	416,38	3,609,192	1,751,750	3,118,256	3,346,556	10.56	990,117	0								
2012	774,327,847	3,608,192	8,926,181	5,819,242	421,24	3,206,035	1,577,522	3,083,816	3,608,192	10.61	872,319	0								
2012	752,686,292	3,206,035	7,780,117	5,292,862	422,99	2,402,803	1,775,975	2,592,141	3,206,035	10.64	1,031,535	0								
2012	810,426,900	2,402,803	7,613,329	5,896,235	425,35	1,851,500	2,241,707	1,793,041	2,402,803	10.55	1,001,174	0								
2012	706,778,050	1,851,500	8,393,165	4,369,222	427,55	1,702,747	3,029,295	1,829,964	1,851,500	9.83	1,015,805	0								
2012	696,294,626	1,702,747	7,294,089	5,035,774	430,66	1,277,510	3,118,256	2,129,349	1,702,747	9.84	936,808	0								
2012	703,986,272	1,277,510	7,230,125	4,766,873	433,52	1,011,872	3,093,816	1,474,035	1,277,510	9.81	930,916	0								
2012	802,990,187	1,011,872	7,302,863	4,173,473	436,37	990,558	2,592,141	1,358,756	1,011,872	9.84	911,796	0								
2012	874,888,655	990,558	8,323,635	3,579,033	439,34	1,331,491	1,793,041	1,525,040	990,558	9.67	848,969	0								
2012	957,025,409	1,331,491	9,089,205	1,332,225	440,50	1,976,485	1,829,964	1,682,405	1,331,491	9.62	787,706	0								
2012	955,704,838	1,976,485	9,935,449	1,313,378	445,77	2,591,186	2,129,349	2,284,859	1,976,485	9.60	729,777	0								
2012	915,941,222	2,591,186	9,896,118	1,607,329	452,01	3,194,533	1,474,035	2,726,401	2,591,186	9.62	741,206	1								
2012 Total	9,836,822,369	25,297,936	102,318,622	48,020,860	432,64	25,145,533	26,406,851	25,608,063	25,297,936	10.00	10,798,128	1								
2013	859,502,853	3,194,153	9,513,044	1,704,489	458,15	3,422,817	1,368,766	3,346,556	3,194,153	9.60	809,641	0								
2013	769,460,899	3,422,817	8,905,221	1,814,758	464,34	3,324,571	1,525,040	3,608,192	3,422,817	9.61	747,748	0								
2013	755,062,492	3,324,571	7,980,791	2,149,526	469,88	2,709,948	1,682,405	3,206,035	3,324,571	9.63	927,628	0								
2013	817,727,678	2,709,948	7,822,285	2,490,499	470,12	2,300,464	2,264,859	2,402,803	2,709,948	9.60	943,723	0								
2013	713,611,909	2,300,464	8,541,259	1,846,536	477,79	2,160,589	2,726,401	1,851,500	2,300,464	9.63	988,855	0								
2013	702,312,469	2,160,589	7,431,425	2,096,055	483,67	1,768,763	3,346,556	1,702,747	2,160,589	9.62	947,554	0								
2013	707,243,366	1,768,763	7,360,647	1,940,931	487,34	1,511,639	3,609,192	1,277,510	1,768,763	9.64	934,123	0								
2013	805,631,944	1,511,639	7,413,498	1,325,474	489,51	1,492,243	3,206,035	1,011,872	1,511,639	9.54	937,117	0								
2013	874,624,207	1,492,243	8,430,092	1,431,764	491,53	1,779,940	2,402,803	990,558	1,492,243	9.57	900,961	0								
2013	957,507,911	1,779,940	9,175,628	1,319,579	493,76	2,227,799	1,851,500	1,331,491	1,779,940	9.52	848,111	0								
2013	956,557,310	2,227,799	10,036,965	1,293,819	495,58	2,723,683	1,702,747	1,976,485	2,227,799	9.50	790,829	0								
2013	917,321,809	2,723,683	9,989,783	1,583,859	497,30	3,256,329	1,277,510	2,591,186	2,723,683	9.52	777,431	1								
2013 Total	9,836,464,846	28,616,611	102,610,539	21,013,291	482,41	28,616,786	26,973,805	25,297,936	28,616,611	9.58	10,563,721	1								

**Data Source References:**

- BB January 2012-December 2014 forecasted revenues was provided to Revenue Recovery by Finance on 12/01/2011.
- DD January 2012-December 2014 forecasted KWH Sales was provided to Revenue Recovery by Finance on 12/01/2011.
- EE Assist\_Deposit shown indicate the total Assist dollars and Deposit balances. Assist Dollars was provided by Customer Advocacy and Deposits was provided by Credit Risk Department.
- FF Home Sales Data was provided by Global Insights on 07/2011.
- HH Monthly Lagged Dependant is the previous 18 month's Gross write-off value.
- II Monthly Lagged Dependant is the previous 13 month's Gross write-off value.
- JJ Monthly Lagged Dependant is the previous month's Gross write-off value.
- KK January 2012-December 2014 forecasted price of electric was provided to Revenue Recovery by Finance on 12/01/2011.
- LL Monthly Lagged Dependant is the prior two month's post write-off value.
- PP Franchise Fee was calculated based on historical average (4.89%) from Jan 2010 - Feb 2011.
- SS RCS Reduction Analysis was calculated based on the latest Net Write-off forecast which included the 12/01/2011 revenue forecast.
- TT Management Actions Process Improvements were allocated based on the Net Write-off monthly distribution.

Note:

This document outlines the methodology utilized in calculating the monthly forecast of Net Write-offs. The input data to the models includes actuals from 1/2003 to 7/2011. Projected revenues excludes resale class.

**Calculations:**

- CC (A\*AA)+(B\*BB)+(C\*CC)+(D\*DD)+(E\*EE)+(F\*FF)+G
- GG (A\*AA)+(B\*BB)+(C\*CC)+(D\*DD)+(E\*EE)+(F\*FF)+G
- NN (H\*HH) + (I\*II) + (J\*JJ) + (K\*KK) + (L\*LL) + (M\*MM)
- OO CG - NN
- TT run=oo



## Forecast Model Variables Monthly Summary

OPC 293589  
FPL RC-12

Year	Month	Assist (\$MM)	3 Months Lagged Revenues (\$MM)	4 Months Lagged KWH Sales	Year Ending Balances Deposits (\$MM)	6 Months Lagged Home Sales	3 Months Lagged Price of Electricity
2003	1	1.3	658.7	8,995,484	319.4	443	7.86
2003	2	0.8	592.9	8,068,220	323.4	442	7.89
2003	3	0.7	523.2	7,154,234	327.7	444	7.86
2003	4	0.8	564.7	7,567,730	330.0	439	7.99
2003	5	0.9	546.5	7,462,495	333.6	450	7.82
2003	6	1.0	556.1	7,510,705	335.6	464	7.95
2003	7	1.0	580.9	7,394,005	338.0	478	8.41
2003	8	1.4	631.7	7,998,561	340.8	490	8.45
2003	9	1.3	712.9	9,058,878	344.7	501	8.41
2003	10	1.8	736.9	9,333,124	348.5	514	8.44
2003	11	0.7	771.6	9,222,966	342.5	521	8.91
2003	12	0.8	785.7	9,347,727	348.5	528	8.96
2004	1	0.7	742.1	8,817,008	351.1	531	8.98
2004	2	0.5	682.3	8,091,297	354.4	546	9.01
2004	3	0.5	647.3	7,702,884	361.7	557	8.97
2004	4	0.6	644.8	7,668,715	364.7	592	8.96
2004	5	0.8	602.4	7,175,176	367.8	572	8.94
2004	6	0.6	593.2	7,034,440	369.7	543	9.00
2004	7	0.8	572.2	6,799,137	374.2	499	8.99
2004	8	1.4	642.6	7,644,908	377.1	492	8.97
2004	9	1.3	782.9	9,270,487	379.6	498	9.00
2004	10	1.6	850.6	10,114,064	380.4	493	8.96
2004	11	1.6	777.4	9,248,711	383.5	509	8.96
2004	12	1.4	774.0	9,152,649	388.1	526	9.00
2005	1	1.2	747.1	8,793,916	393.5	546	9.06
2005	2	0.7	689.0	8,218,929	397.7	561	8.95
2005	3	0.8	665.4	7,973,739	394.4	572	8.90
2005	4	0.6	695.4	7,987,484	395.6	598	9.27
2005	5	0.8	640.8	7,234,353	398.2	592	9.43
2005	6	0.9	639.1	7,116,993	401.0	579	9.57
2005	7	0.8	655.6	7,318,195	404.0	571	9.56
2005	8	1.1	687.9	7,690,880	410.4	553	9.55
2005	9	1.5	820.0	9,177,535	413.5	535	9.52
2005	10	1.7	902.4	10,068,714	415.6	514.6	9.54
2005	11	1.4	936.7	10,431,105	419.5	500.7	9.55
2005	12	1.3	933.5	10,421,080	421.6	488.3	9.53
2006	1	1.0	853.5	9,586,084	425.9	476.1	9.48
2006	2	1.5	668.8	7,420,069	430.9	463.1	9.60
2006	3	0.7	694.3	7,843,946	433.5	449.2	9.44
2006	4	0.7	878.1	8,025,136	437.7	437.0	11.57
2006	5	1.0	815.9	7,283,681	441.8	420.9	11.84
2006	6	1.2	806.2	7,191,005	446.0	404.4	11.86
2006	7	1.3	851.6	7,616,708	452.6	386.0	11.83
2006	8	1.7	948.8	8,445,324	458.7	371.0	11.88
2006	9	2.5	1,075.4	9,560,738	467.1	359	11.87
2006	10	2.5	1,129.8	10,009,128	473.7	339	11.92
2006	11	2.5	1,141.7	10,084,116	483.3	337	11.95
2006	12	1.7	1,123.9	9,957,140	499.8	338	11.92
2007	1	1.9	1,056.0	9,383,354	506.4	342	11.89
2007	2	2.6	917.3	8,180,637	505.1	338	11.87
2007	3	1.1	884.0	7,921,599	511.2	330	11.80
2007	4	1.0	912.5	8,555,173	512.8	329	11.28
2007	5	1.2	796.4	7,458,110	514.3	312	11.30
2007	6	1.5	787.8	7,381,835	517.3	294	11.29
2007	7	1.2	796.9	7,481,240	519.6	270	11.28
2007	8	2.1	879.0	8,249,438	521.9	260	11.28
2007	9	3.3	970.0	9,086,669	525.0	254	11.31
2007	10	1.9	1,089.3	10,150,866	528.6	244	11.35
2007	11	1.6	1,100.7	10,223,403	529.7	242	11.40
2007	12	1.3	1,150.2	10,696,165	531.0	242	11.38

12/12/2011

UAR Forecast 2012+.xls  
Variables (Monthly)

## Forecast Model Variables Monthly Summary

OPC 293589  
FPL RC-12

Year	Month	Assist (\$MM)	3 Months Lagged Revenues (\$MM)	4 Months Lagged KWH Sales	Year Ending Balances Deposits (\$MM)	6 Months Lagged Home Sales	3 Months Lagged Price of Electricity
2008	1	1.3	1,020.5	9,553,814	533.9	236	11.32
2008	2	0.8	901.7	8,459,531	536.1	246	11.32
2008	3	0.7	860.2	8,118,658	540.9	256	11.25
2008	4	0.9	884.8	8,399,773	542.6	274	11.16
2008	5	0.9	783.6	7,454,102	546.2	273	11.16
2008	6	1.1	781.1	7,370,925	551.6	267	11.25
2008	7	1.2	806.7	7,628,219	554.1	256	11.22
2008	8	1.6	886.3	8,337,469	559.3	257	11.28
2008	9	1.8	1,040.0	9,759,915	559.3	262	11.28
2008	10	1.7	1,040.0	9,757,484	562.6	262	11.30
2008	11	1.6	1,108.3	9,672,919	570.1	273	12.12
2008	12	2.0	1,179.6	10,238,893	569.6	285	12.17
2009	1	1.9	1,042.5	9,066,193	589.1	299	12.16
2009	2	1.4	868.1	7,573,675	584.1	308	12.16
2009	3	2.7	874.4	7,659,241	583.3	315	12.10
2009	4	2.0	886.9	7,881,415	585.0	323	11.93
2009	5	2.2	841.9	7,403,942	585.1	326	12.03
2009	6	2.6	772.0	6,879,255	586.6	333	11.90
2009	7	2.7	839.2	7,434,516	588.9	324	11.97
2009	8	3.5	921.2	8,229,579	591.7	353	11.87
2009	9	3.3	1,008.0	9,108,650	595.5	384	11.72
2009	10	4.6	1,111.8	9,998,657	596.4	437	11.77
2009	11	3.7	1,101.4	9,877,099	601.9	439	11.82
2009	12	3.8	1,124.0	9,996,148	606.6	430	11.92
2010	1	4.2	1,066.7	9,480,037	612.8	420	11.93
2010	2	2.2	961.4	8,426,285	615.2	419	12.13
2010	3	2.7	909.2	8,038,985	620.8	421	12.03
2010	4	2.2	478.0	9,116,973	622.7	437	5.71
2010	5	2.1	739.6	7,491,191	624.2	416	10.51
2010	6	3.0	709.4	7,202,476	629.3	390	10.48
2010	7	3.4	666.4	6,885,210	624.3	343	10.33
2010	8	3.2	805.1	8,296,042	625.1	343	10.35
2010	9	4.4	970.2	9,976,346	625.3	360	10.35
2010	10	5.6	1,022.9	10,473,504	625.5	358	10.40
2010	11	4.0	1,018.0	10,347,575	627.9	399	10.48
2010	12	4.7	997.0	10,176,323	628.4	436	10.44
2011	1	4.1	864.8	10,176,323	628.0	512	10.44
2011	2	3.6	763.4	8,847,767	628.8	497	10.44
2011	3	3.0	777.4	7,822,011	630.7	466	10.46
2011	4	2.6	812.4	7,921,088	632.1	422	10.50
2011	5	2.6	680.2	8,220,268	633.7	413	10.47
2011	6	3.4	693.8	6,928,617	631.6	417	10.58
2011	7	4.2	810.8	7,012,026	631.9	416	10.49
2011	8	5.2	868.0	8,238,365	631.9	421	10.59
2011	9	4.7	973.0	8,743,943	632.5	423	10.56
2011	10	5.3	979.6	9,831,304	602.2	425	10.61
2011	11	3.8	1,024.5	9,849,419	558.2	428	10.64
2011	12	4.5	1,042.4	10,273,158	535.6	431	9.83
2012	1	4.2	886.4	10,534,336	534.4	434	9.83
2012	2	3.6	774.3	8,926,181	533.3	436	9.84
2012	3	3.0	752.7	7,780,117	532.1	439	9.81
2012	4	0.8	810.4	7,613,329	530.9	440	10.12
2012	5	0.8	706.8	8,393,165	529.8	446	10.15
2012	6	1.1	696.3	7,294,099	528.6	452	10.10
2012	7	1.2	703.4	7,230,125	527.4	458	10.08
2012	8	1.3	803.0	7,302,863	526.3	464	10.10
2012	9	1.6	874.9	8,323,635	525.1	470	10.08
2012	10	2.0	957.0	9,089,205	523.9	477	10.09
2012	11	1.3	955.7	9,935,449	522.8	481	10.11
2012	12	1.6	915.9	9,896,118	521.6	484	10.08

UAR Forecast 2012+.xls  
Variables (Monthly)

12/12/2011

## Forecast Model Variables Monthly Summary

OPC 293589  
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Year	Month	Assist (\$MM)	3 Months Lagged Revenues (\$MM)	4 Months Lagged KWH Sales	Year Ending Balances Deposits (\$MM)	6 Months Lagged Home Sales	3 Months Lagged Price of Electricity
2013	1	1.4	859.5	9,513,044	520.5	487	10.11
2013	2	0.8	769.5	8,905,221	519.5	490	10.10
2013	3	0.9	755.1	7,980,791	518.4	492	10.12
2013	4	0.8	817.7	7,822,285	517.3	494	9.32
2013	5	0.8	713.6	8,541,259	516.2	496	9.35
2013	6	1.1	702.3	7,431,425	515.1	497	9.30
2013	7	1.2	707.2	7,360,647	514.1	499	9.28
2013	8	1.3	805.6	7,413,498	513.0	501	9.30
2013	9	1.6	874.5	8,430,092	511.9	502	9.27
2013	10	2.0	957.5	9,175,628	510.8	504	9.29
2013	11	1.3	956.6	10,036,965	509.7	504	9.31
2013	12	1.6	917.3	9,999,783	508.7	505	9.28

# Franchise Fees

OPC 293590  
FPL RC-12

**Franchise Fees:**

Franchise Fees is the product of an agreement between Florida Power & Light (FPL) and a municipality for the right of installing electric lines or telecommunications cables through the community. A fee is paid to the municipality based on billed revenues and is, in turn, allowed by the Florida Public Service Commission to be recovered as an operating expense from the customers of that municipality.

**Franchise Fee Credit:**

The Franchise Fee Credit is associated with the franchise fee component of Gross Write-off accounts. The credit is calculated on uncollectible or Gross Write-off balances, and is subtracted from the amounts due to each franchisee.

**Monthly Franchise Fee Forecast:**

The Franchise Fee forecast was calculated based on historical average (4.89%) from Jan 2010 - Feb 2011.

	Year	Month	Net WOs exlc Franchise Fee Cr's	Franchise Fee Credits	Fran Fee Credits Rates
J 10	2010	1	3,687,036	183,841	4.99%
F	2010	2	3,359,877	169,234	5.04%
M	2010	3	2,485,805	120,010	5.05%
A	2010	4	1,073,577	60,302	5.11%
M	2010	5	1,370,467	66,847	4.88%
J	2010	6	713,643	35,438	4.97%
J	2010	7	528,429	17,783	4.22%
A	2010	8	471,270	28,919	5.00%
S	2010	9	727,907	35,162	4.83%
O	2010	10	1,203,892	56,250	4.67%
N	2010	11	1,857,081	92,232	4.97%
D	2010	12.0	2,182,181.0	106,598	4.88%
J 11	2011	1.0	2,010,011.7	100,540	5.00%
F	2011	2.0	1,170,937.2	57,749	4.93%
					<b>4.89%</b>

# Impact of Remote Connect Service (RCS) on Net Write-Off

OPC 293591  
FPL RC-12

Note: This document outlines the methodology utilized in calculating the RCS impact to the monthly forecast of NWO.

Year	Month	RCS NWO Impact	A = G	B	C	D	E = B * C	F	G = D * E * F	Total RCS Actionable NWO
				NWO Forecast	% of NWO that is RCS eligible	RCS Utilization Rate	RCS Actionable NWO	% of NWO decrease per pilot		
2013	January	-		2,373,175	88%	0%	2,087,779	30%	-	-
2013	February	-		2,264,425	88%	0%	1,992,107	30%	-	-
2013	March	-		1,636,932	88%	0%	1,440,076	30%	-	-
2013	April	-		1,286,753	88%	3%	1,132,009	30%	-	-
2013	May	-		1,166,492	88%	3%	1,026,211	30%	-	-
2013	June	-		790,979	88%	6%	695,856	30%	-	-
2013	July	5,180		580,816	88%	11%	510,968	30%	5,180	5,180
2013	August	5,464		612,634	88%	17%	538,960	30%	5,464	5,464
2013	September	13,984		940,743	88%	23%	827,610	30%	13,984	13,984
2013	October	41,009		1,379,445	88%	28%	1,213,554	30%	41,009	41,009
2013	November	81,187		1,820,621	88%	34%	1,601,675	30%	81,187	81,187
2013	December	141,694		2,383,116	88%	34%	2,096,525	30%	141,694	141,694
<b>2013 Total</b>		<b>\$ 280,518</b>		<b>\$ 17,236,131</b>	<b>88%</b>	<b>15%</b>	<b>\$ 12,163,338</b>	<b>30%</b>		<b>\$ 280,518</b>

(Average)

Please note that RCS Utilization rates are lagged due to write off lifecycle

# Provision Adjustment Calculation

[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
		5 Month Lagged Date	5 Month Lagged Write-Off Amount						
			[\$MM]						
Jan 10	472	Jun 10	0.68	Jan 10					
Feb 10	732	Jul 10	0.51	Feb 10					
Mar 10	703	Aug 10	0.44	Mar 10					
Apr 10	660	Sep 10	0.69	Apr 10					
May 10	798	Oct 10	1.15	May 10					
Jun 10	963	Nov 10	1.76	Jun 10					
Jul 10	1,016	Dec 10	2.08	Jul 10					
Aug 10	1,011	Jan 11	1.91	Aug 10	0.19%	0.32%	3.24		
Sep 10	990	Feb 11	1.11	Sep 10	0.11%	0.29%	2.83		
Oct 10	858	Mar 11	0.38	Oct 10	0.04%	0.22%	1.92		
Nov 10	758	Apr 11	0.55	Nov 10	0.07%	0.11%	0.80		
Dec 10	771	May 11	0.86	Dec 10	0.11%	0.14%	1.11	9.90	(4.69)
Jan 11	804	Jun 11	0.30	Jan 11					
Feb 11	673	Jul 11	0.35	Feb 11					
Mar 11	687	Aug 11	0.27	Mar 11					
Apr 11	804	Sep 11	0.66	Apr 11					
May 11	861	Oct 11	1.30	May 11					
Jun 11	966	Nov 11	1.65	Jun 11					
Jul 11	973	Dec 11	2.35	Jul 11					
Aug 11	1,017	Jan 12	2.40	Aug 11	0.24%	0.19%	1.92		
Sep 11	1,036	Feb 12	2.05	Sep 11	0.20%	0.11%	1.16		
Oct 11	876	Mar 12	1.29	Oct 11	0.15%	0.04%	0.39		
Nov 11	766	Apr 12	0.85	Nov 11	0.11%	0.07%	0.55		
Dec 11	745	May 12	0.72	Dec 11	0.10%	0.11%	0.83	4.86	(5.04)
Jan 12	803	Jun 12	0.34	Jan 12					
Feb 12	700	Jul 12	0.15	Feb 12					
Mar 12	689	Aug 12	0.19	Mar 12					
Apr 12	696	Sep 12	0.56	Apr 12					
May 12	798	Oct 12	1.15	May 12					
Jun 12	868	Nov 12	1.66	Jun 12					
Jul 12	950	Dec 12	2.28	Jul 12					
Aug 12	949	Jan 13	2.33	Aug 12	0.25%	0.24%	2.24		
Sep 12	909	Feb 13	2.23	Sep 12	0.24%	0.20%	1.80		
Oct 12	852	Mar 13	1.61	Oct 12	0.19%	0.15%	1.25		
Nov 12	762	Apr 13	1.26	Nov 12	0.17%	0.11%	0.85		
Dec 12	748	May 13	1.15	Dec 12	0.15%	0.10%	0.72	6.86	2.00
Jan 13	810	Jun 13	0.78	Jan 13					
Feb 13	706	Jul 13	0.57	Feb 13					
Mar 13	695	Aug 13	0.60	Mar 13					
Apr 13	700	Sep 13	0.91	Apr 13					
May 13	798	Oct 13	1.31	May 13					
Jun 13	867	Nov 13	1.71	Jun 13					
Jul 13	950	Dec 13	2.20	Jul 13					
Aug 13	949	Jan 14	2.20	Aug 13	0.23%	0.25%	2.33		
Sep 13	910	Feb 14	2.07	Sep 13	0.23%	0.24%	2.23		
Oct 13	857	Mar 14	1.50	Oct 13	0.18%	0.19%	1.62		
Nov 13	770	Apr 14	1.20	Nov 13	0.16%	0.17%	1.28		
Dec 13	759	May 14	1.09	Dec 13	0.14%	0.15%	1.16	8.62	1.76

Note: Blue font indicates forecasted values

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**FPL's Responses to Staff's Fifth Request for  
Production of Documents  
(No. 41)**

# **Self-Contained Appraisal Report**

**Completed 11 January 2011**

**2004 Agusta A109E Power Helicopter  
Registration # N197J**

**This appraisal report is prepared for  
Florida Power & Light Co.**

**Prepared by: William B Kellogg  
Owner/Appraiser  
Aircraft Valuation  
623-398-7255**

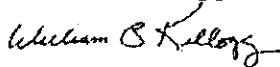
**STAFF 002663  
FPL RC-12**



**I certify that, to the best of my knowledge and belief:**

- The statements of fact contained in this report are true and correct.
- The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of stipulated result, or the occurrence of the subsequent event directly related to the intended use of this appraisal.
- My analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity, with the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.

William B Kellogg



**Scope of work for this assignment:**

- Examine information provided on aircraft condition and time/age.
- Determine average Fair Market Value for an average time aircraft.
- Make appropriate adjustments for variations from average times.
- Determine whether the Price Comparison, Cost, and Income approaches are relevant.
- Conduct necessary and appropriate research by all means available.
- Prepare valuation report.

## Aircraft Information Sheet Agusta A109E Power N197J

### Client Information

<b>Name:</b>	Greg Jacobs	<b>Company:</b>	Florida Power & Light Co.
<b>Telephone:</b>	561-691-7066	<b>Address:</b>	3800 Southern Blvd. Hngr 1625C
<b>FAX:</b>	561-694-4072		
<b>Intended Users</b>	To be determined	<b>Appraisal Purpose</b>	In house transfer

### Aircraft Inspection Information

<b>Aircraft Manufacturer</b>	Agusta
<b>Aircraft Model</b>	A109E
<b>Year of Mfg</b>	2004
<b>Registration Number</b>	N197J
<b>Serial Number</b>	11616
<b>Any known damage history</b>	None
<b>Total Airframe Time / Landings</b>	2458.7 / 6463
<b>A/F Cycles</b>	N/A
<b>#1 Left Engine - Mfg. - Model</b>	P&W Canada - PW206C
<b>S/N#</b>	PCE-BC0431
<b>TBO</b>	3500
<b>TSN</b>	2458.7
<b>Hot Section</b>	O/C
<b>#2 Right Engine - Mfg. - Model</b>	P&W Canada - PW206C
<b>S/N#</b>	PCE-BC0428
<b>TBO</b>	3500
<b>TSN</b>	2458.7
<b>Hot Section</b>	O/C
<b>12 Month Inspection (Phase II) Completed</b>	02/03/10
<b>AD's complied with</b>	Current and up to date
<b>Maintenance records</b>	All records are complete, current, well organized and easy to read.
<b>Remarks:</b>	<ol style="list-style-type: none"> <li>1. No warrantee maintenance programs for engine or airframe.</li> <li>2. Use Power Assurance Trending.</li> <li>3. Use Oil Analysis Program.</li> <li>4. Uses CAMP Maintenance system</li> <li>5. Operates under FAA Part 91</li> </ol>

### Major Time Life / TBO Components

Component	Life Limit	% Remaining
Engine 1	3500	30%
Engine 2	3500	30%
Main rotor blade	25000	91%
Main rotor blade	25000	91%
Main rotor blade	25000	90%
Main rotor blade	25000	90%
Swashplate assy	O/C	n/a
Main rotor hub	O/C	n/a
Main transmission	4800	49%
T/R gearbox	3000	18%
Tail rotor blade	15000	84%
Tail rotor blade	15000	84%
Main servo	1800	40%
Main servo	1800	40%
Main servo	1800	31%

### Aircraft Inspection Information

Rating 1 – 10 (10 is new)

Nose radome	9 good paint, latches & lock
Nose gear / strut / tire	8 good extension, clean & 80-85% remaining tread
Windshield	9 clear with no scratches or crazing
L/ cockpit door	9 good paint, latch & lock
Door window	9 clear with no scratches or crazing
L/ rear door	9 good paint, latch & lock
Door window	9 clear with no scratches or crazing
Overhead cockpit windows	9 clear with no scratches or crazing
Baggage comp	9 clean good door latch & lock
Left engine comp	9 clean
Left main gear / tires / brakes	8 clean no leaks 50-60% remaining tread
Left side fuselage	9 glossy paint, no scratches or peeling
L/side tailboom	9 glossy paint, no scratches or peeling
Underside belly	9 glossy paint, no scratches or peeling
T/R drive shaft cover	8 good paint, no scratches, good fasteners
Horizontal stab	9 glossy paint, no scratches or peeling
Vertical stab	9 glossy paint, no scratches or peeling
T/R blades	8 clean with smooth leading edges
T/R hub	8 clean and no leaks
R/side tailboom	9 glossy paint, no scratches or peeling
Right engine comp	9 clean
R/ rear door	9 good paint, latch & lock
Door window	9 clear with no scratches or crazing
R/ Cockpit door	9 good paint, latch & lock
Door window	9 clear with no scratches or crazing
Right main gear, tires & brakes	8 clean no leaks 50-60% remaining tread

Condition of Paint	9 glossy, no oxidation, peeling or scratches
Interior:	
Instrument panel	9 clean
Console	9 clean
Overhead panel	9 clean
L/front seat	9 Seat is gray leather w/sheepskin inserts
R/front seat	9 Seat is gray leather w/sheepskin inserts
L/rear seats	9 Seats are all gray w/blue piping
R/rear seats	9 Seats are all gray w/blue piping
Flooring	9 Light blue carpet with protective pad
Headliner	9 Gray leather
Top:	
Main rotor head	8 clean
M/R Blades	8 clean
Remarks:	The cabin layout is a 5 passenger configuration (fwd facing 3 & aft facing 2) it has a center blond wood credenza with NAT ICS control panel & a 12 volt power point. It also has 5 Bose Aviation Headsets.

### Avionics

Description	Remarks
Garmin GNS530A Comm/Nav/GPS, IFR approved	2 each
Garmin Transponder GTX330, Mode S with Traffic information service (no audio)	
HeliPilot computers (autopilot and SAS system) SP711	2 each
Flight Director (autopilot FZ-702 computer)	
Kratos/Rogerson EFIS (EADI / EHSI) p/n 160E015-3	4 each (All interchangeable)
Garmin MX-20 Multi Function Display, with Shadin Altitude Serializer (p/n 9000M)	
Skywatch SKY-497 TAS (displayed on the MX-20), consisting of Skywatch TRC-497 computer, Sensor System Directional Antenna (p/n 805-10890-001).	
DME Receiver (KDM-706A)	
Marker Beacon Receiver (KMR-675)	
Encoded Altimeter Indicator, Altimeter Indicator, & Vertical Speed Indicator.	
Honeywell Radar Altimeter Trans/Receiver (RT-300)	
AMETEK Information Display Indicators	2 each
AMETEC Data Acquisition Unit computer	
Weather Radar ART 2000 Antenna/Transmitter	
Davtron Chronograph M877	

### Miscellaneous & Optional Equipment

Description	Remarks
Composite Tail Rotor Blades	Optional
Supplementary Auxiliary Fuel Tanks	TC kit
Engine Fire Control System	Optional
Chadwick/Honeywell VXP Vibration Monitoring System & Equipment	
Sponson Lights kit	TC kit
Pulsed Chip Detector system	TC kit
Whelen wing tip position & strobe lights on left & right elevators	
Recognition and boarding lights L&R sides	
Precise Pulselight System for Sponson Lights & recognition lights	STC # SH3319NM
L/side cabin retractable boarding step Whelen LED anti-collision lights (upper & lower)	
Reinforced, bird resistant wind screens	
TC'd removed windshield wipers	
12 VDC Power System in cockpit and cabin for crews and passengers	
Cockpit and cabin NAT ICS System	
Aircell ST-3100 SAT Phone System	
Air Conditioner – Normalaire ECU pack and water separator system	
Heads-Up Technologies Passenger Briefing System	
Artex C406-N HM ELT	
Latitude Technologies SKYNODE Aircraft Tracking System	
Reinforced Tail Rotor Drive Shaft Cover Assy	
Acft. Increased max gross weight to 3000 kg. with installed Enhanced Landing Gear struts on Nose and Mains	STC # SR01848NY

### Statement of Value Breakdown

<b>Average Resale Value (Base)</b>	<b>2,800,000</b>	
<b>Additions:</b>		
Misc and Optional Equipment	\$115,000	
<b>Total Additions:</b>	<b>\$115,000</b>	
<b>Deductions:</b>		
High life limit component times	\$31,000	
<b>Total Deductions:</b>	<b>\$31,000</b>	
<b>Fair Market Value:</b>	<b>\$2,884,000</b>	

The effective date of this appraisal is: 01/11/11

**It is this appraiser's opinion that the "Fair Market Value" is \$2,884,000**

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## Appraiser Comments

This aircraft is in excellent condition. It is a one owner and has been kept in a hanger when not in use throughout its life. There have been no damages to the aircraft and it is well maintained. The records are well organized, complete, and clean. All AD's, SB, TB's etc are all current. It is being maintained under the CAMPS system.

The paint is a Matterhorn White, Dark Blue Metallic, Jadestone Metallic, and has a Clear Coat (3480). It has a true shine and shows no signs of oxidation, crazing, or chipping. The interior is also in excellent condition and is configured for 5 passengers with 2 aft facing and 3 forward facing leather seats. It also has a Center Credenza/ with NAT ICS Control Panel & 12 volt Power Point. It also has 5 ea. Bose Aviation Headset X units for passengers.

## Definitions & Explanations

The definition of *Average Resale Value (Base)* is the estimated *Fair Market Value* that this year and model aircraft would sell for on the open market if all component times, airframe times, major inspections, and engines are all exactly at mid TBO/Life time. It also assumes that the aircraft itself is in average condition for its age and has standard avionics and equipment installed.

The definition of *Fair Market Value* is; The estimated amount, expressed in terms of money that may be reasonably expected for a property in an exchange between a willing buyer and a willing seller, with equity to both, neither under any compulsion to buy or sell, and both fully aware of all relevant facts as of a specific date.

Listed in the *Statement of Value Breakdown* above, show the adjustments made to the *Average Resale Value (Base)*, where *this* aircraft is either above or below average condition or its components are higher or lower than mid-time. Some of the items considered are the engine, optional equipment, avionics, hours on components, and overall condition.

The research material used in determining the *Fair Market Value* of this aircraft was information provided by the client, The Official Helicopter Blue Book, FAA website, NTSB website, several "For Sale" websites.

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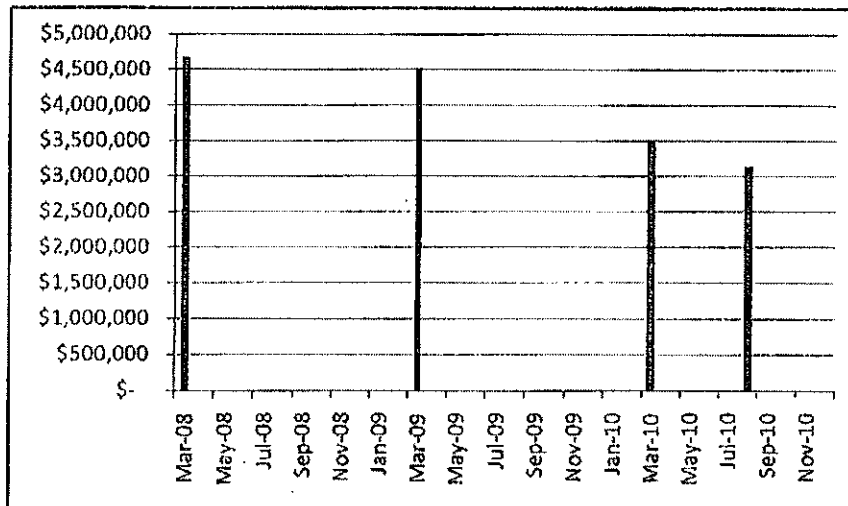
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STAFF 002669  
FPL RC-12

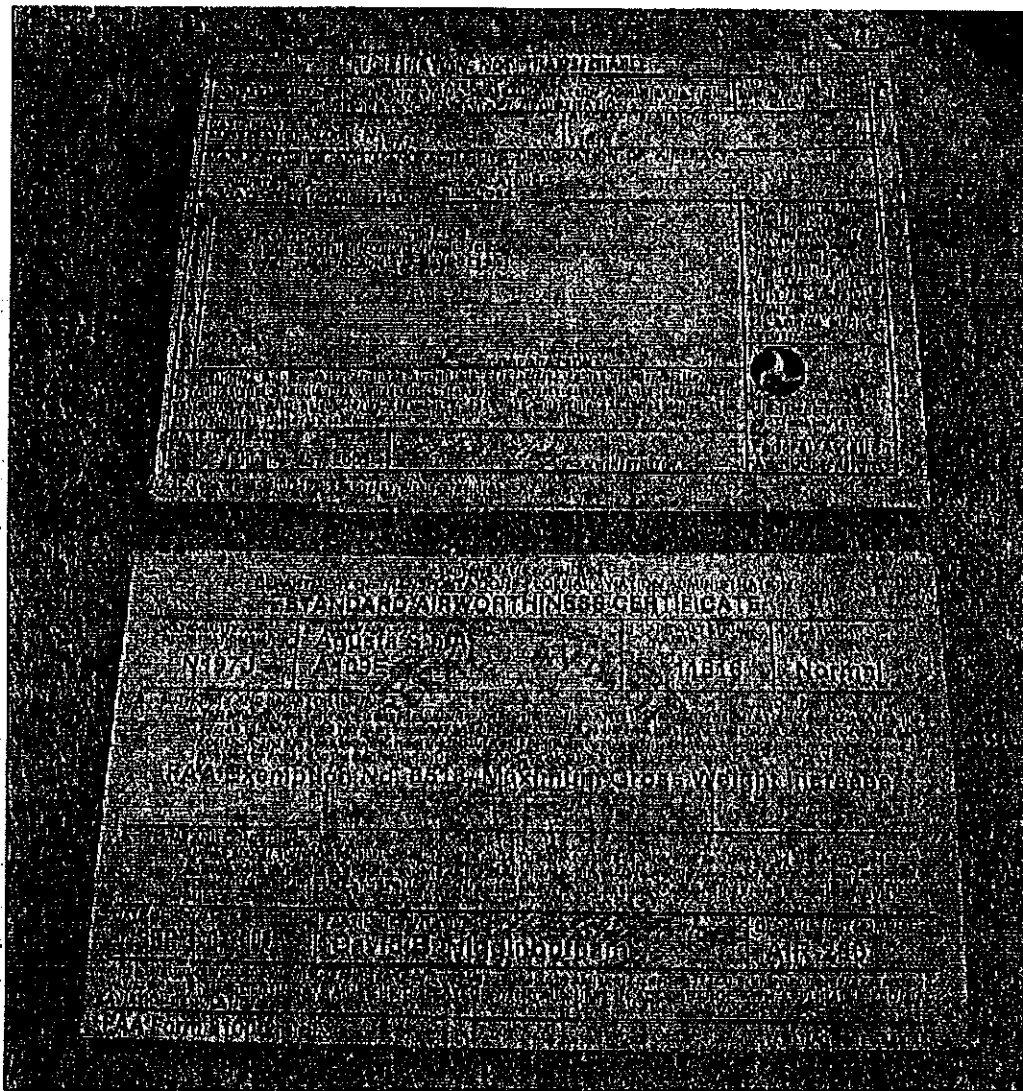
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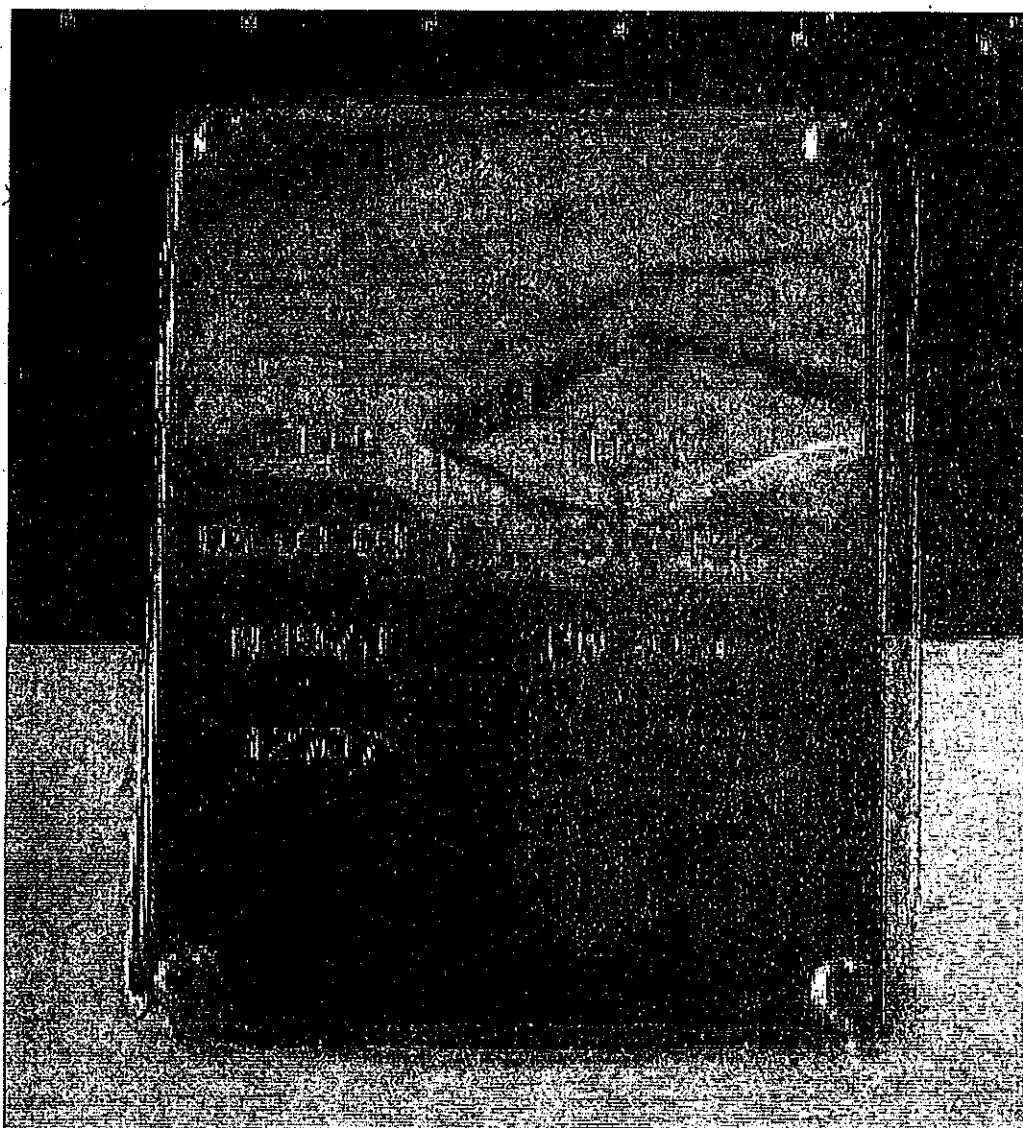
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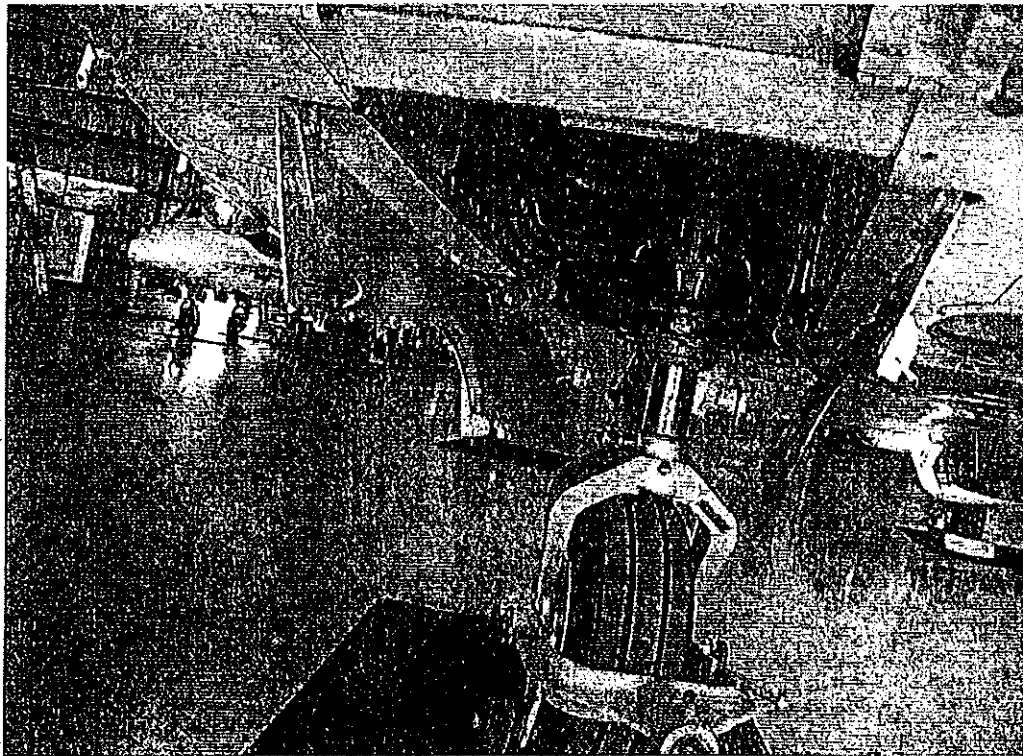
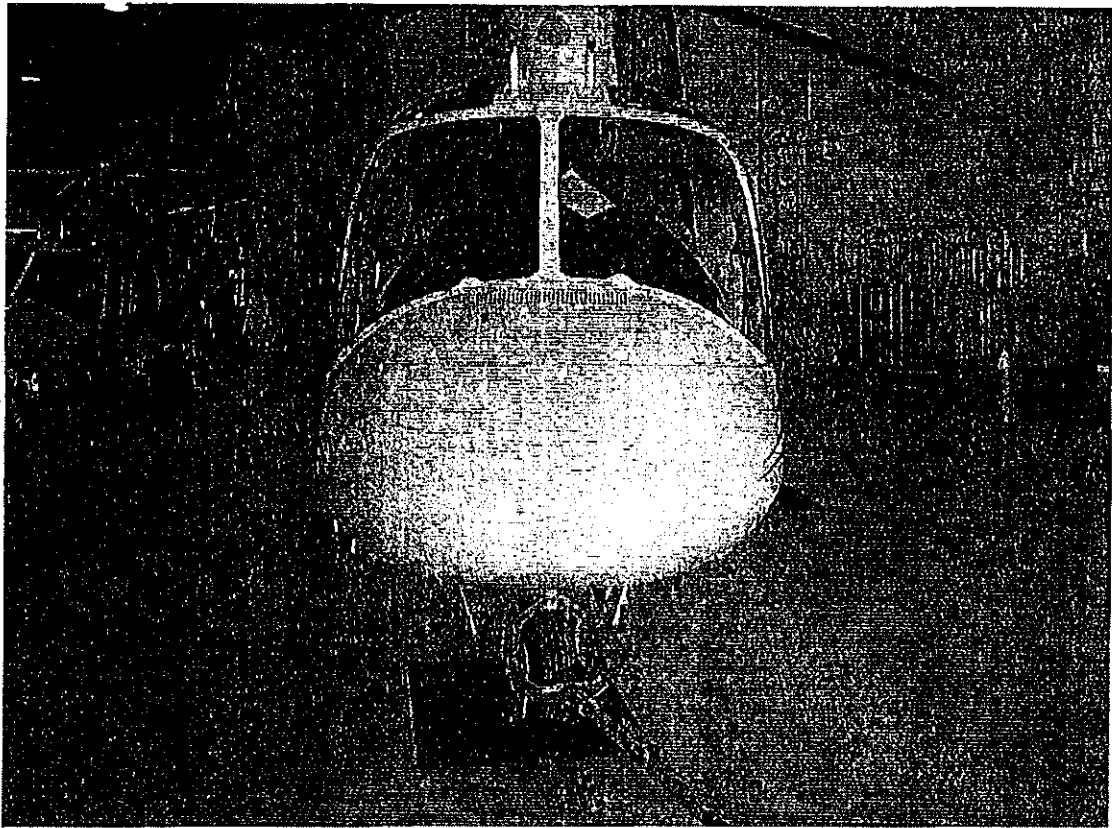


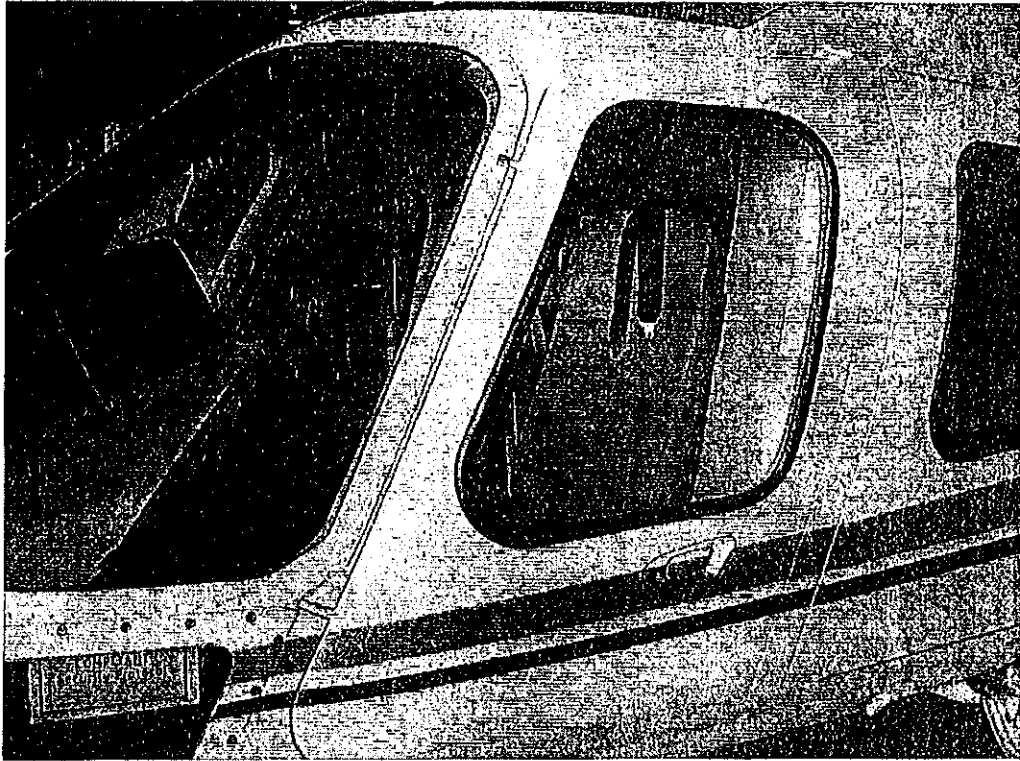
Pictures

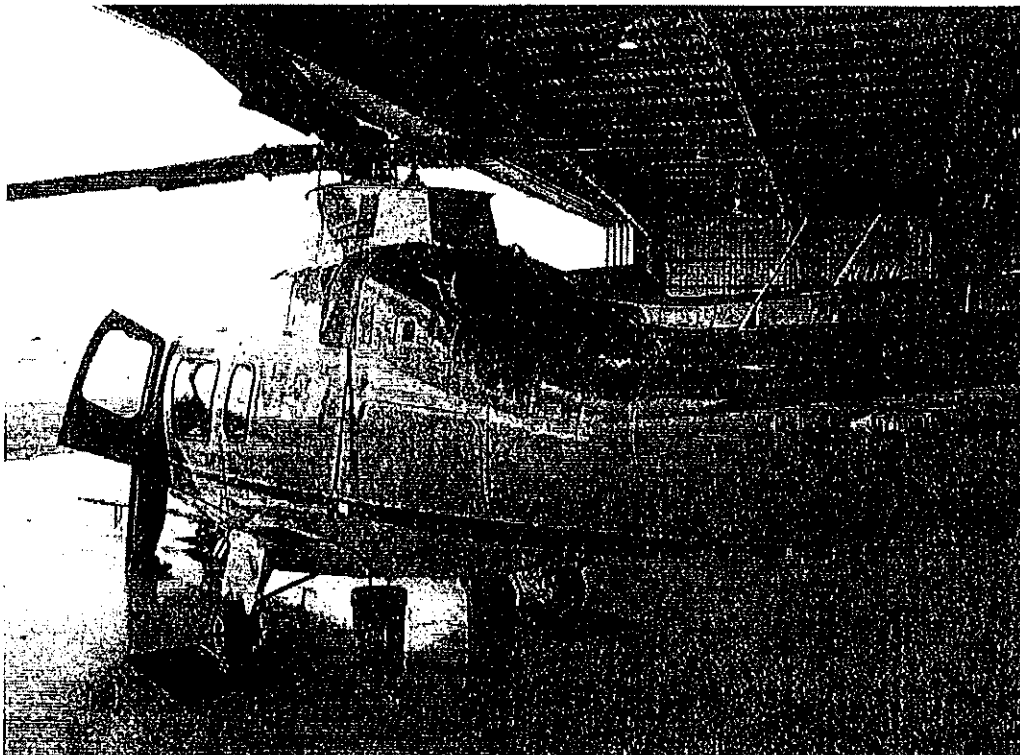
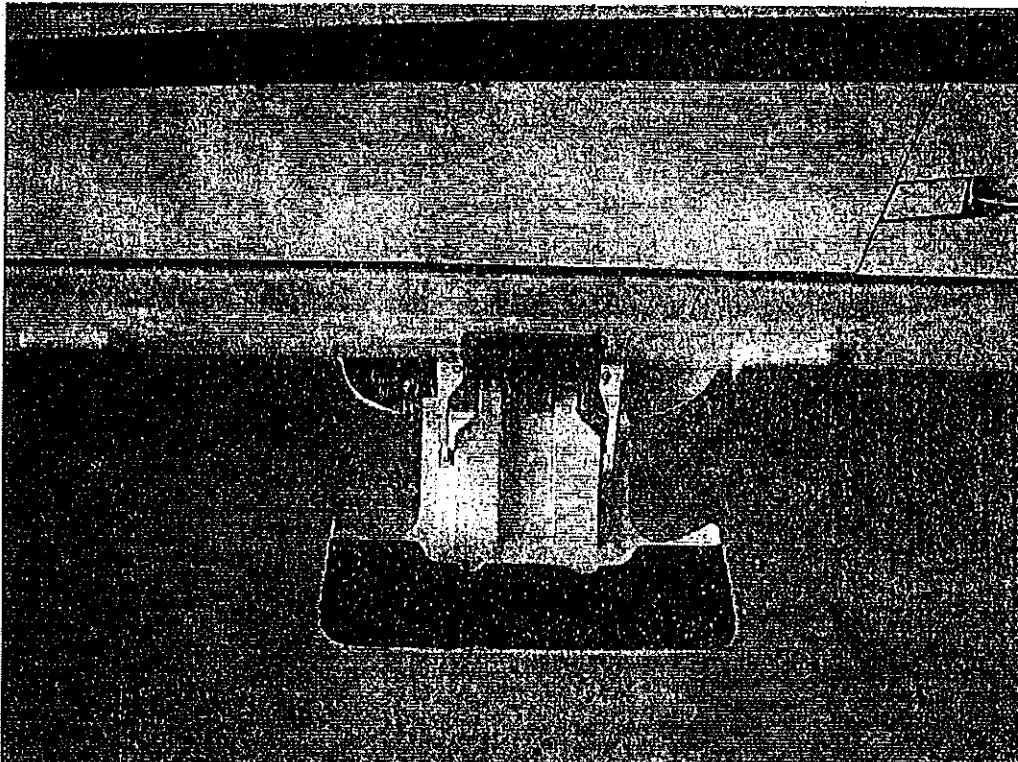


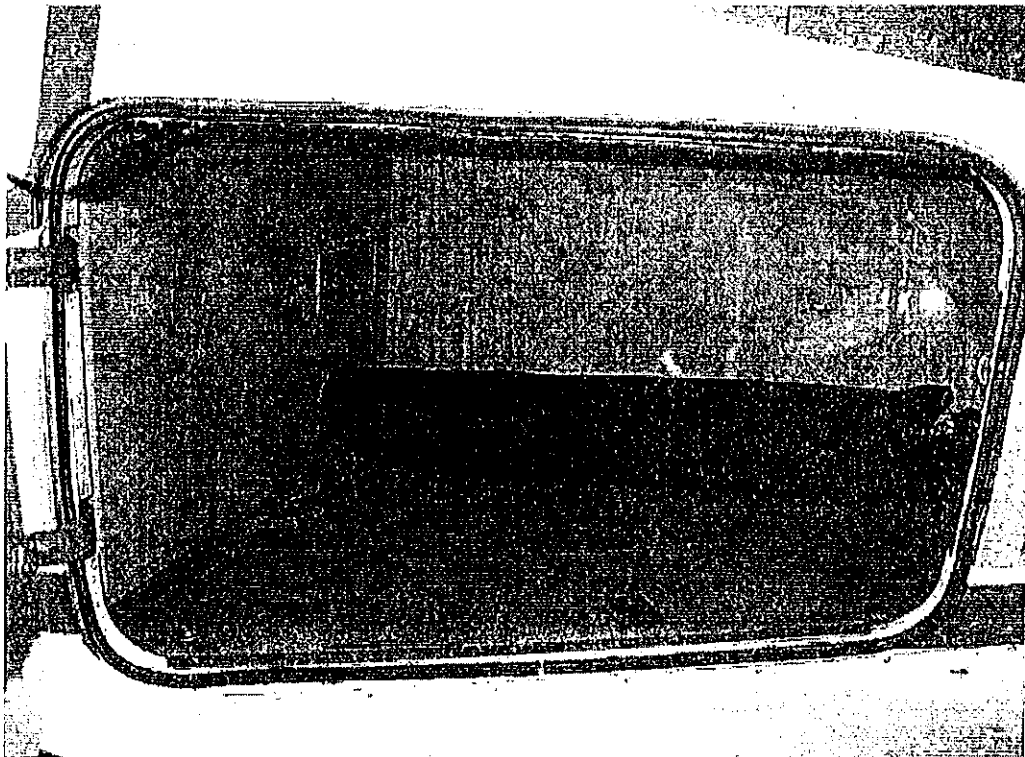
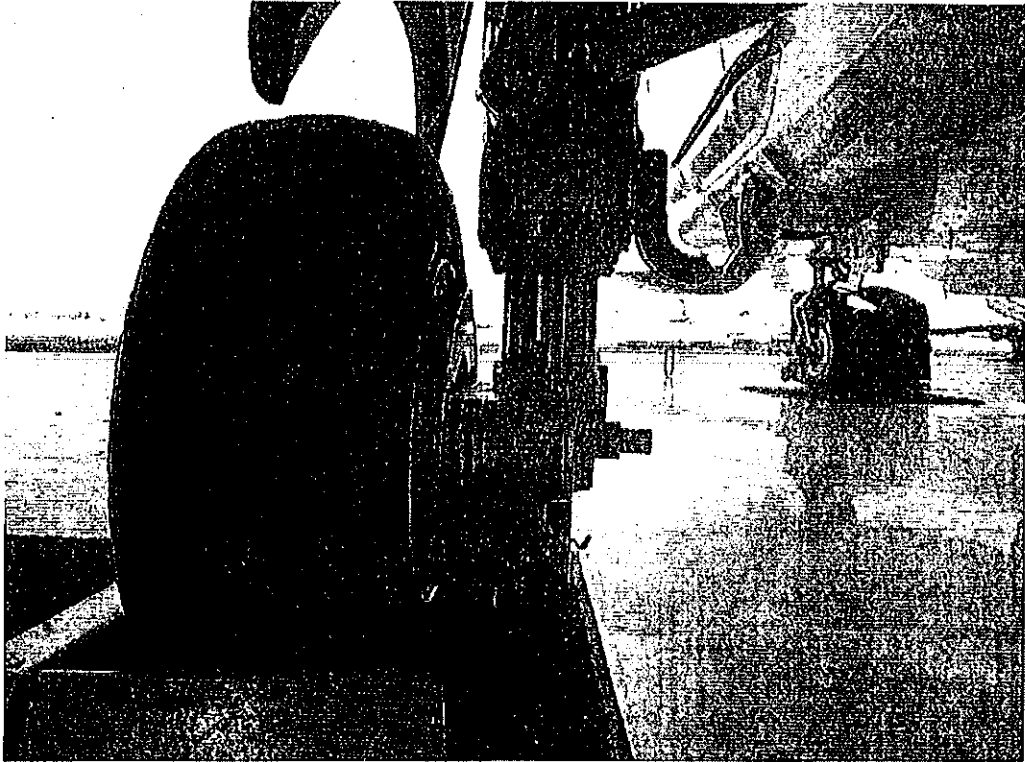


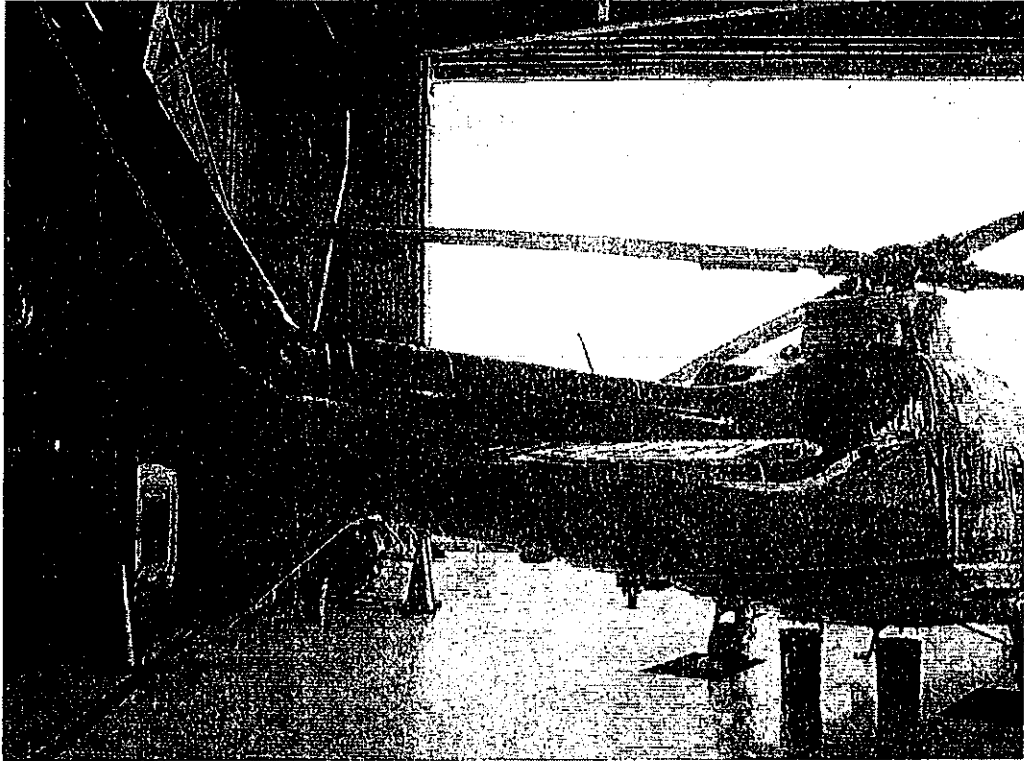




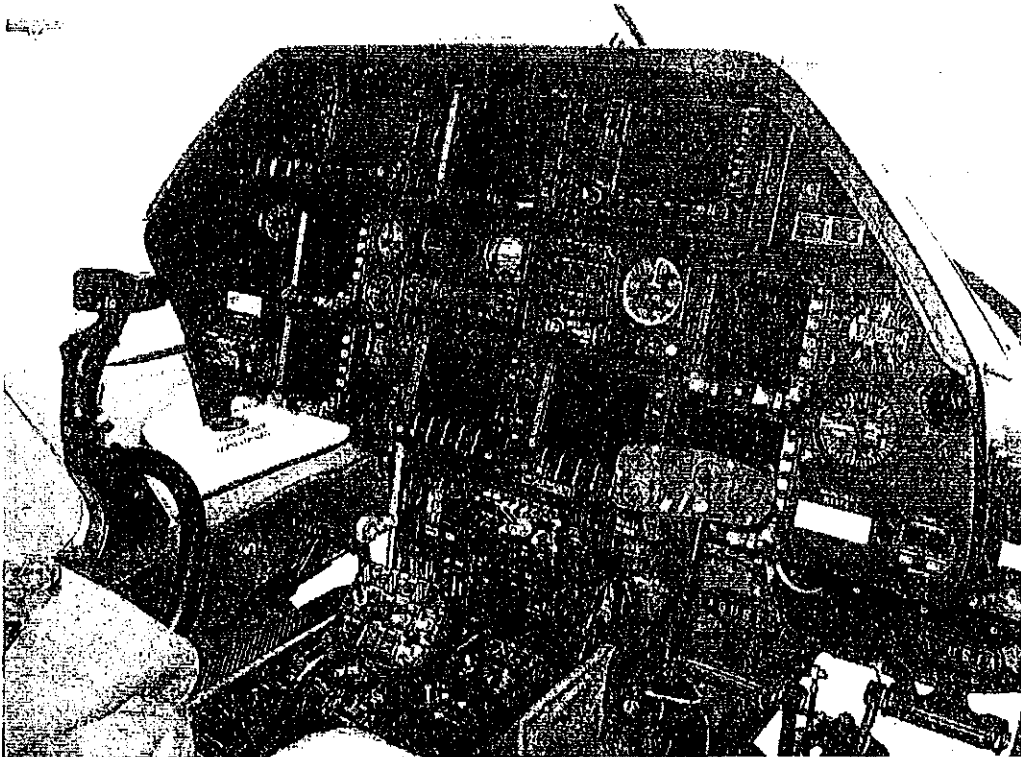
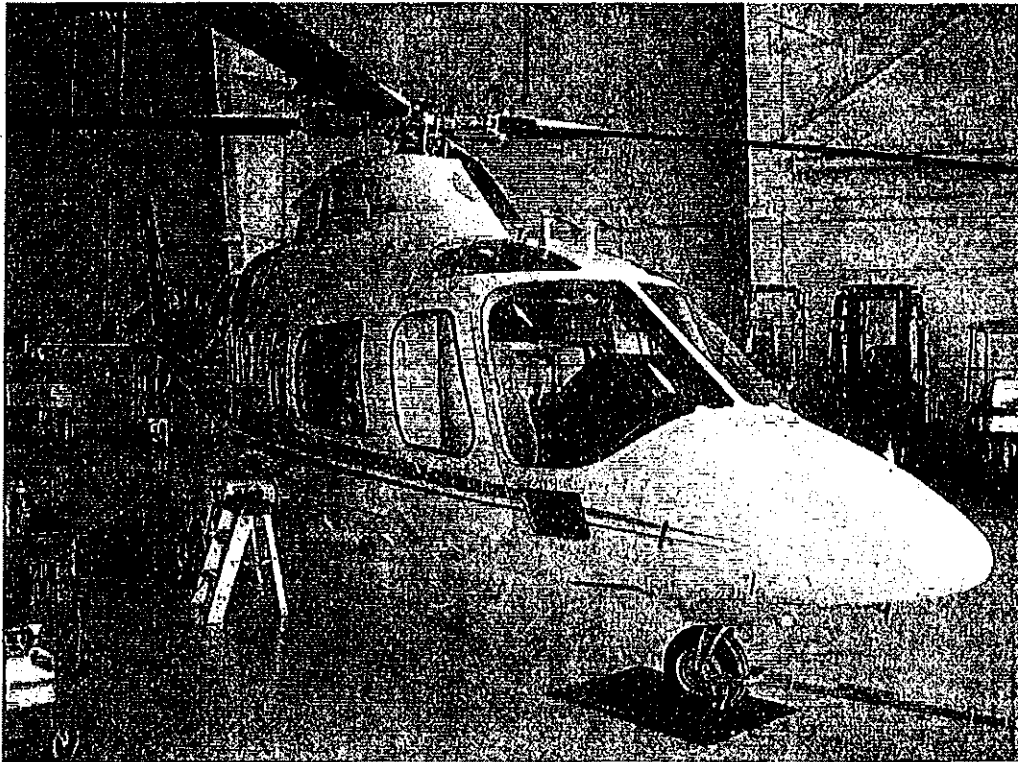


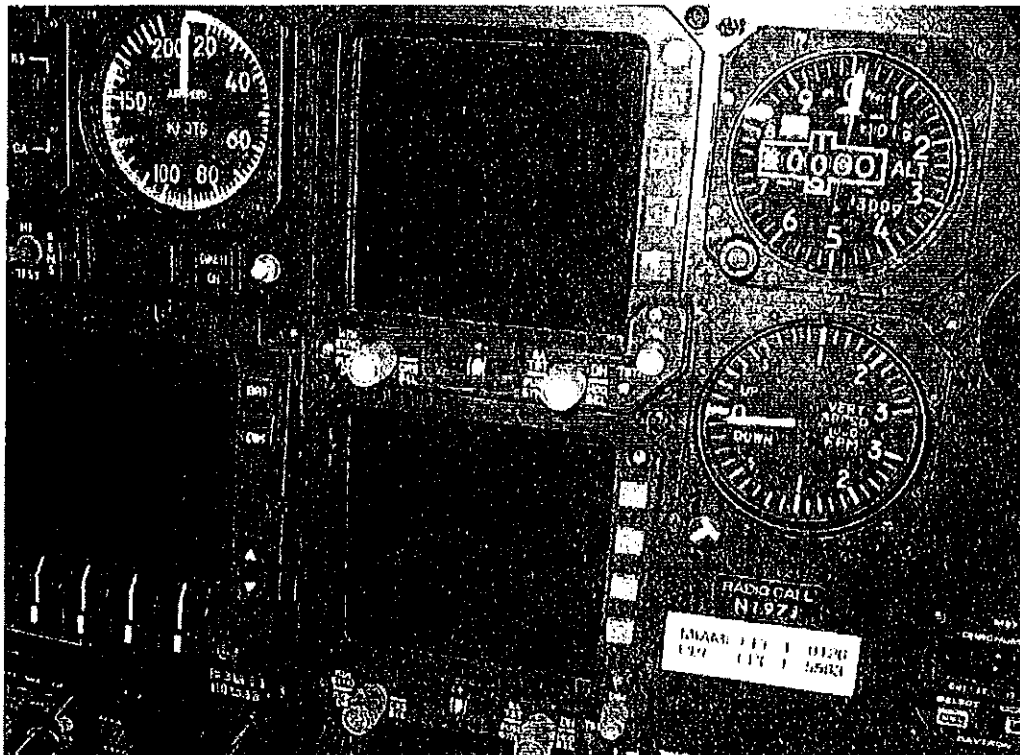
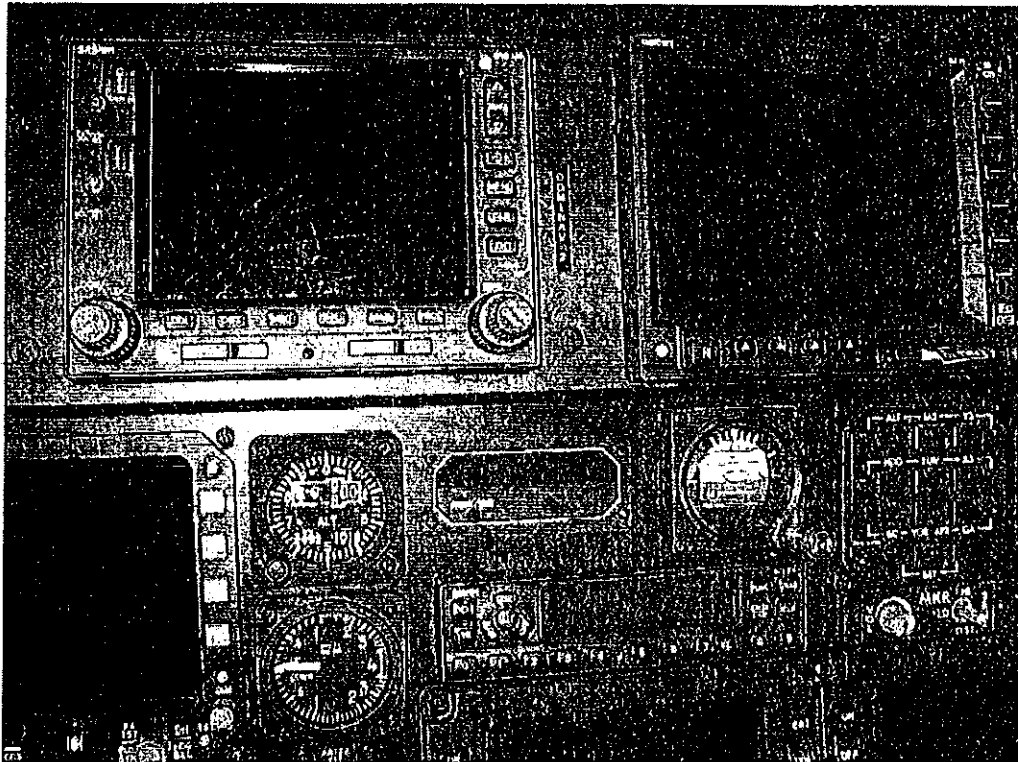




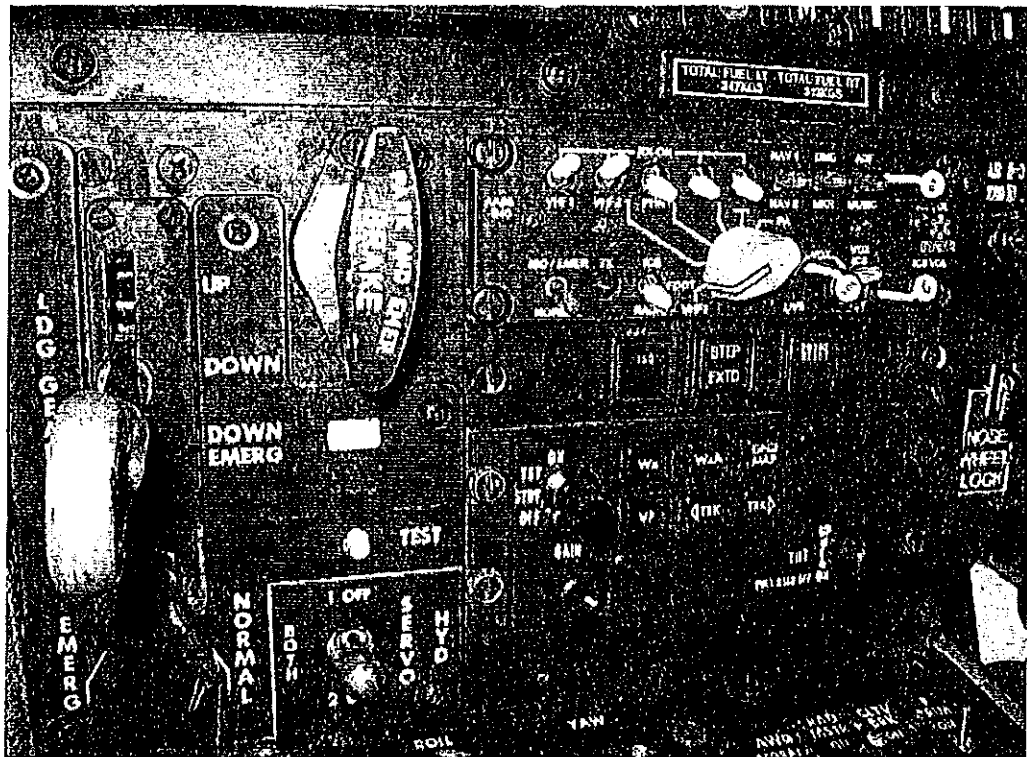
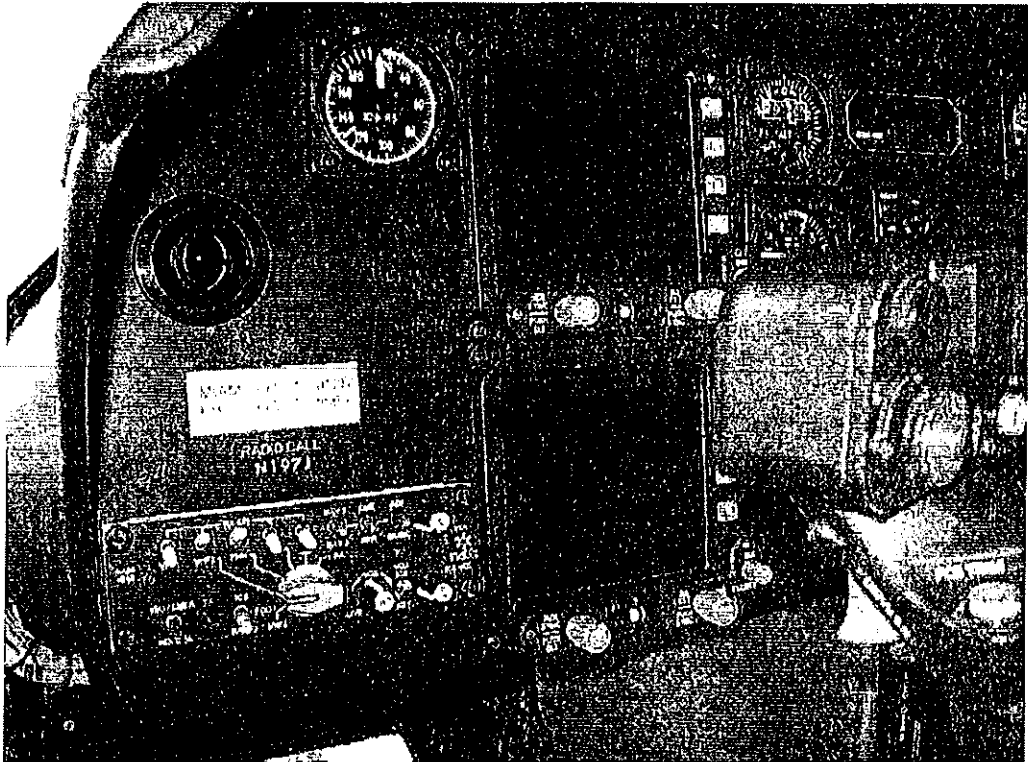


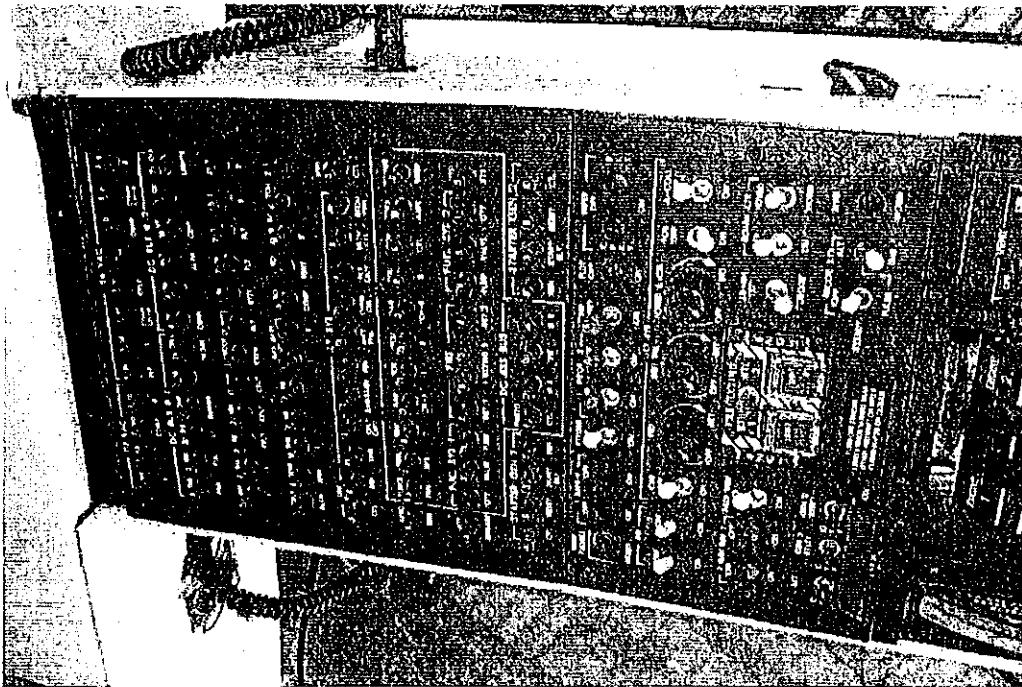
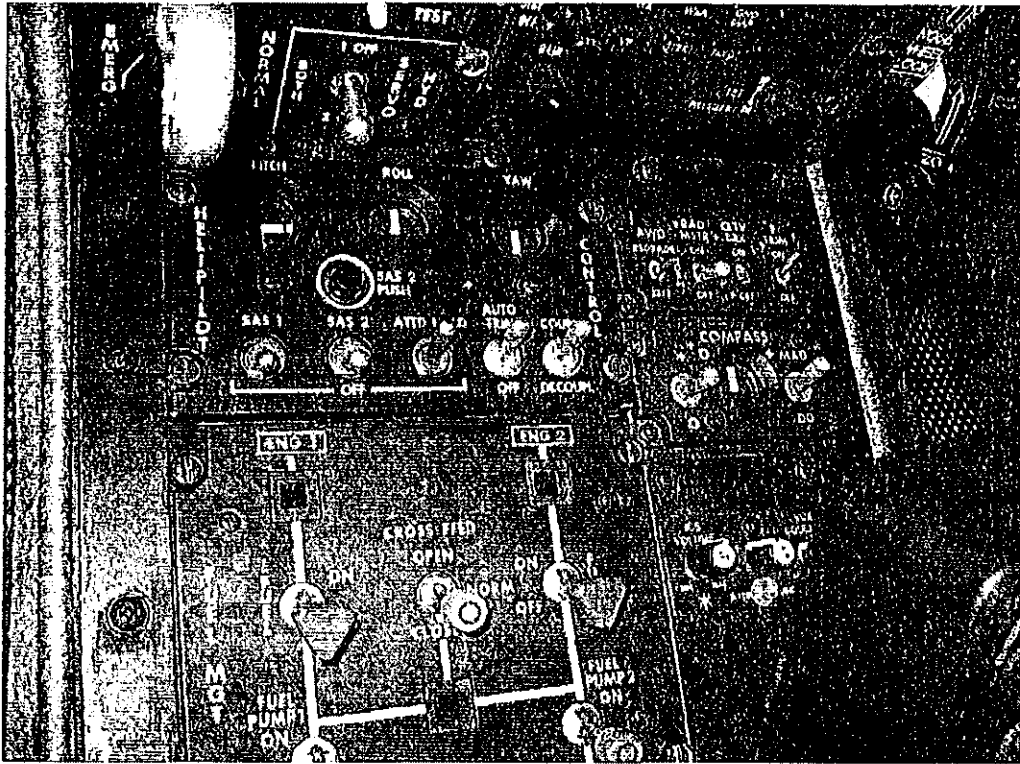




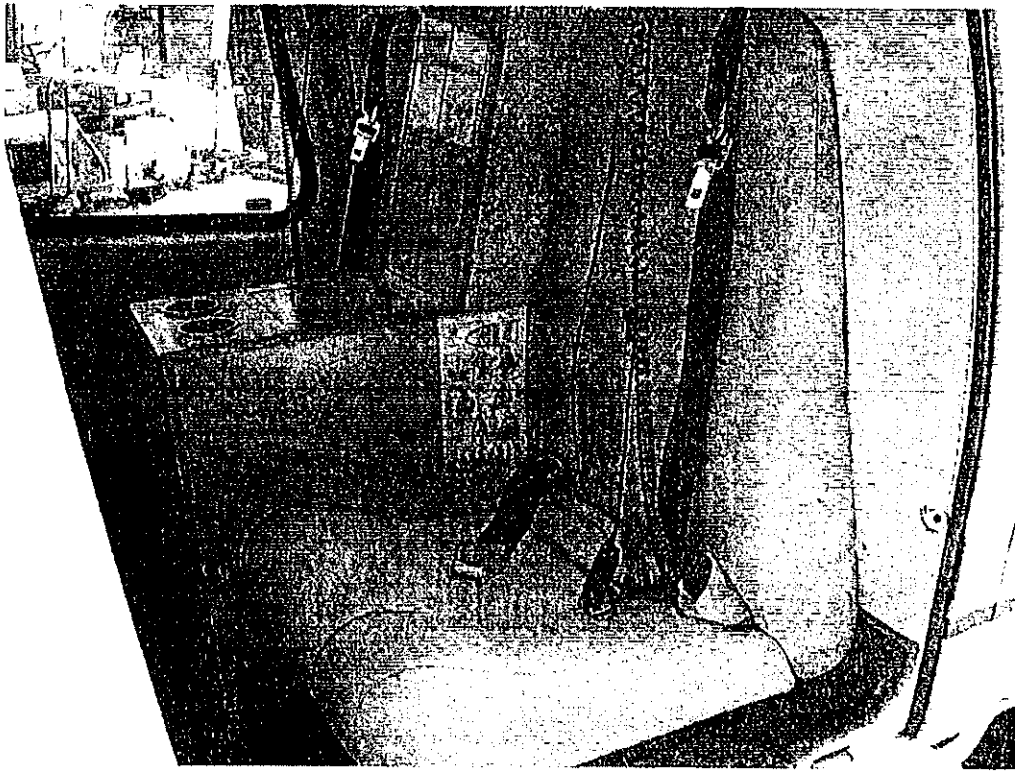


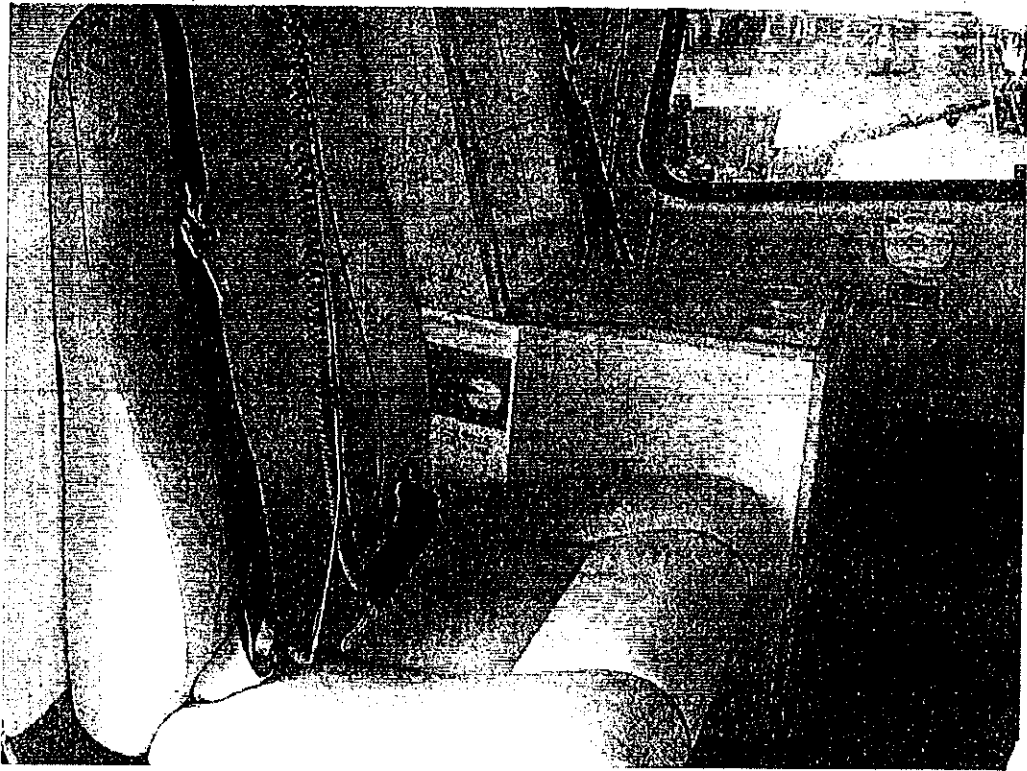


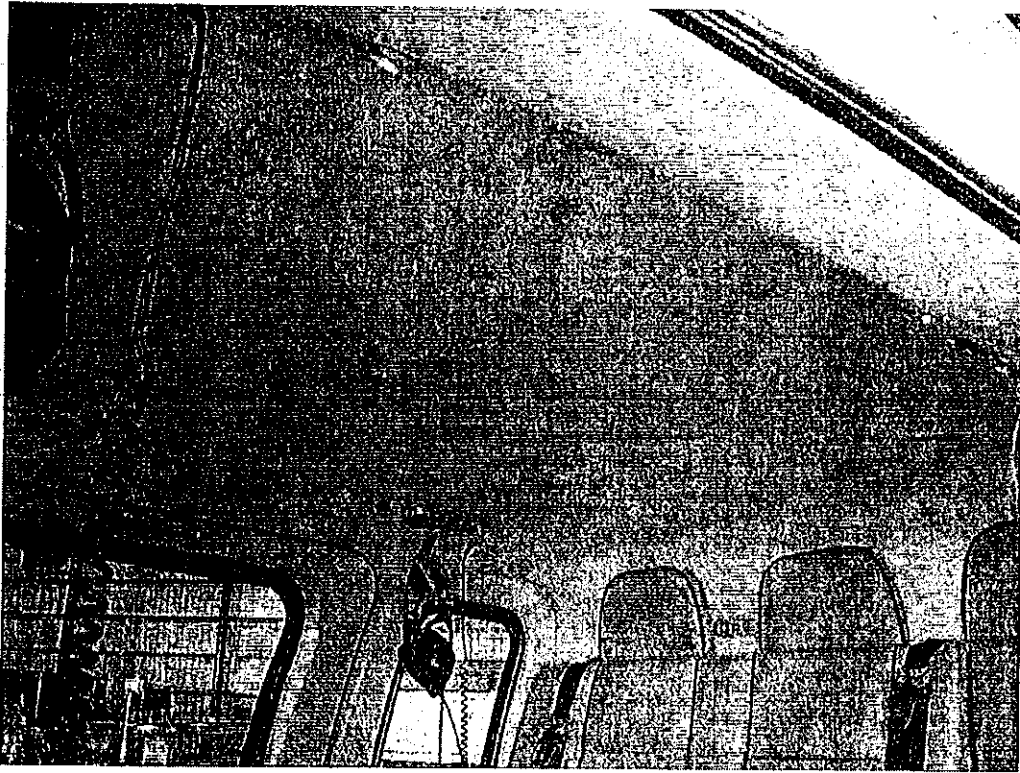












Appraisal Completed By:

*William B Kellogg*

William B Kellogg  
Owner / Appraiser  
Aircraft Valuation  
623-398-7255

Date of Report:

01/11/11

23

STAFF 002685  
FPL RC-12

# **Self-Contained Appraisal Report**

Completed 10 January 2011

**2004 Agusta A109E Power Helicopter  
Registration # N298R**

**This appraisal report is prepared for  
Florida Power & Light Co.**

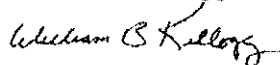
Prepared by: William B Kellogg  
Owner/Appraiser  
Aircraft Valuation  
623-398-7255

STAFF 002686  
FPL RC-12

**I certify that, to the best of my knowledge and belief:**

- The statements of fact contained in this report are true and correct.
- The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of stipulated result, or the occurrence of the subsequent event directly related to the intended use of this appraisal.
- My analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity, with the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.

William B Kellogg



**Scope of work for this assignment:**

- Examine information provided on aircraft condition and time/age.
- Determine average Fair Market Value for an average time aircraft.
- Make appropriate adjustments for variations from average times.
- Determine whether the Price Comparison, Cost, and Income approaches are relevant.
- Conduct necessary and appropriate research by all means available.
- Prepare valuation report.



## Aircraft Information Sheet Agusta A109E Power N298R

### Client Information

<b>Name:</b>	Greg Jacobs	<b>Company:</b>	Florida Power & Light Co.
<b>Telephone:</b>	561-691-7066	<b>Address:</b>	3800 Southern Blvd. Hngr 1625C
<b>FAX:</b>	561-694-4072		
<b>Intended Users</b>	To be determined	<b>Appraisal Purpose</b>	In house transfer

### Aircraft Inspection Information

<b>Aircraft Manufacturer</b>	Agusta
<b>Aircraft Model</b>	A109E
<b>Year of Mfg</b>	2004
<b>Registration Number</b>	N298R
<b>Serial Number</b>	11618
<b>Any known damage history</b>	None
<b>Total Airframe Time / Landings</b>	2067.8 / 6305
<b>A/F Cycles</b>	N/A
<b>#1 Left Engine - Mfg. - Model</b>	P&W Canada – PW206C
<b>S/N#</b>	PCE-BC0441
<b>TBO</b>	3500
<b>TSN</b>	2067.8
<b>Hot Section</b>	O/C
<b>#2 Right Engine - Mfg. - Model</b>	P&W Canada – PW206C
<b>S/N#</b>	PCE-BC0434
<b>TBO</b>	3500
<b>TSN</b>	2067.8
<b>Hot Section</b>	O/C
<b>12 Month Inspection (Phase II) Completed</b>	09/02/2010
<b>AD's complied with</b>	Current and up to date
<b>Maintenance records</b>	All records are complete, current, well organized and easy to read.
<b>Remarks:</b>	<ol style="list-style-type: none"> <li>1. No warrantee maintenance programs for engine or airframe.</li> <li>2. Use Power Assurance Trending.</li> <li>3. Use Oil Analysis Program.</li> <li>4. Uses CAMP Maintenance system</li> <li>5. Operates under FAA Part 91</li> </ol>

### Major Time Life / TBO Components

Component	Life Limit	% Remaining
Engine 1	3500	41%
Engine 2	3500	41%
Main rotor blade	25000	92%
Main rotor blade	25000	92%
Main rotor blade	25000	92%
Main rotor blade	25000	92%
Swashplate assy	O/C	----
Main rotor hub	O/C	----
Main transmission	4800	57%
T/R gearbox	3000	33%
Tail rotor blade	20000	86%
Tail rotor blade	20000	86%
Main servo	1800	27%
Main servo	1800	45%
Main servo	1800	24%

### Aircraft Inspection Information Rating 1 – 10 (10 is new)

Nose radome	9 clean, good paint, hinges and lock
Nose gear / strut / tire	8 good extension, clean, 90% remaining tread
Windsheld	9 clear with no scratches or crazing
L/ cockpit door	9 glossy paint, good latch and lock
Door window	9 clear with no scratches or crazing
L/ rear door	9 glossy paint, good latch and lock
Door window	9 clear with no scratches or crazing
Overhead cockpit windows	9 clear with no scratches or crazing
Baggage comp	9 clean good door latch & lock
Left engine comp	9 clean
Left main gear / tires / brakes	8 clean, no leaks, 85-90% remaining tread
Left side fuselage	9 clean, glossy paint, no chips or scratches
L/side tailboom	9 clean, glossy paint, no chips or scratches
Underside belly	9 clean, glossy paint, no chips or scratches
T/R drive shaft cover	8 clean, glossy paint, good latches
Horizontal stab	9 clean, glossy paint, no chips or scratches
Vertical stab	9 clean, glossy paint, no chips or scratches
T/R blades	8 clean with smooth leading edges
T/R hub	8 clean, no leaks
R/side tailboom	9 clean, glossy paint, no chips or scratches
Right engine comp	9 clean
R/ rear door	9 glossy paint, good latch and lock
Door window	9 clear with no scratches or crazing
R/ Cockpit door	9 glossy paint, good latch and lock
Door window	9 clear with no scratches or crazing
Right main gear, tires & brakes	8 clean, no leaks, 85-90% remaining tread

Condition of Paint	9 glossy, no scratches, chips or peeling
Interior:	
Instrument panel	9 well laid out and clean
Console	9 clean
Overhead panel	9 clean
L/front seat	8 Seat is gray leather w/sheepskin inserts
R/front seat	8 Seat is gray leather w/sheepskin inserts
L/rear seats	9 Seats are all gray w/blue piping
R/rear seats	9 Seats are all gray w/blue piping
Flooring	9 Light blue carpet with protective pad
Headliner	9 Gray
Top:	
Main rotor head	8 clean
M/R Blades	8 clean
Remarks:	The cabin layout is a 5 passenger configuration (fwd facing 3 & aft facing 2) it has a center blond wood credenza with NAT ICS control panel & a 12 volt power point. It also has 5 Bose Aviation Headsets.

### Avionics

Description	Remarks
Garmin GNS530A Comm/Nav/GPS, IFR approved	2 each
Garmin Transponder GTX330, Mode S with Traffic information service (no audio)	
Helipilot computers (autopilot and SAS system) SP711	2 each
Flight Director (autopilot FZ-702 computer)	
Kratos/Rogerson EFIS (EADI / EHSI) p/n 160E015-3	4 each (All interchangeable)
Garmin MX-20 Multi Function Display, with Shadin Altitude Serializer (p/n 9000M)	
Skywatch SKY-497 TAS (displayed on the MX-20), consisting of Skywatch TRC-497 computer, Sensor System Directional Antenna (p/n 805-10890-001).	
DME Receiver (KDM-706A)	
Marker Beacon Receiver (KMR-675)	
Encoded Altimeter Indicator, Altimeter Indicator, & Vertical Speed Indicator.	
Honeywell Radar Altimeter Trans/Receiver (RT-300)	
AMETEK Information Display Indicators	2 each
AMETEC Data Acquisition Unit computer	
Weather Radar ART 2000 Antenna/Transmitter	
Davtron Chronograph M877	

### Miscellaneous & Optional Equipment

Description	Remarks
Composite Tail Rotor Blades	Optional
Supplementary Auxiliary Fuel Tanks	TC kit
Engine Fire Control System	Optional
Chadwick/Honeywell VXP Vibration Monitoring System & Equipment	
Sponson Lights kit	TC kit
Pulsed Chip Detector system	TC kit
Whelen wing tip position & strobe lights on left & right elevators	
Recognition and boarding lights L&R sides	
Precise Pulselight System for Sponson Lights & recognition lights	STC # SH3319NM
Whelen LED anti-collision lights (upper & lower)	
L/side cabin retractable boarding step	
Reinforced, bird resistant wind screens	
TC'd removed windshield wipers	
12 VDC Power System in cockpit and cabin for crews and passengers	
Cockpit and cabin NAT ICS System	
Aircell ST-3100 SAT Phone System	
Air Conditioner – Normalaire ECU pack and water separator system	
Heads-Up Technologies Passenger Briefing System	
Artex C406-N HM ELT	
Latitude Technologies SKYNODE Aircraft Tracking System	
Reinforced Tail Rotor Drive Shaft Cover Assy	
Acft. Increased max gross weight to 3000 kg. with installed Enhanced Landing Gear struts on Nose and Mains	STC # SR01848NY

### Statement of Value Breakdown

<b>Average Resale Value (Base)</b>	<b>\$2,800,000</b>
<b>Additions:</b>	
Low life limit component times	60,000
Misc and Optional Equipment	115,000
<b>Total Additions:</b>	<b>175,000</b>
<b>Deductions:</b>	<b>0</b>
<b>Total Deductions:</b>	<b>0</b>
<b>Fair Market Value:</b>	<b>2,975,000</b>

The effective date of this appraisal is: 01/10/2011

**It is this appraiser's opinion that the "Fair Market Value" is \$2,975,000**

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STAFF 002691  
FPL RC-12

## Appraiser Comments

This aircraft is in excellent condition. It is a one owner and has been kept in a hanger when not in use throughout its life. There have been no damages to the aircraft and it is well maintained. The records are well organized, complete, and clean. All AD's, SB, TB's etc are all current. It is being maintained under the CAMPS system.

The paint is a Matterhorn White, Dark Blue Metallic, Jadestone Metallic, and has a Clear Coat (3480). It has a true shine and shows no signs of oxidation, crazing, or chipping. The interior is also in excellent condition and is configured for 5 passengers with 2 aft facing and 3 forward facing leather seats. It also has a Center Credenza/ with NAT ICS Control Panel & 12 volt Power Point. It also has 5 ea. Bose Aviation Headset X units for passengers.

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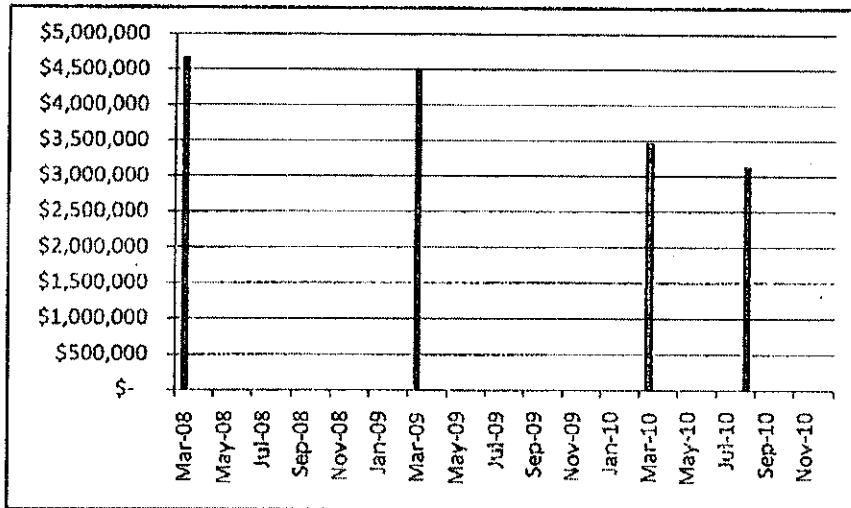
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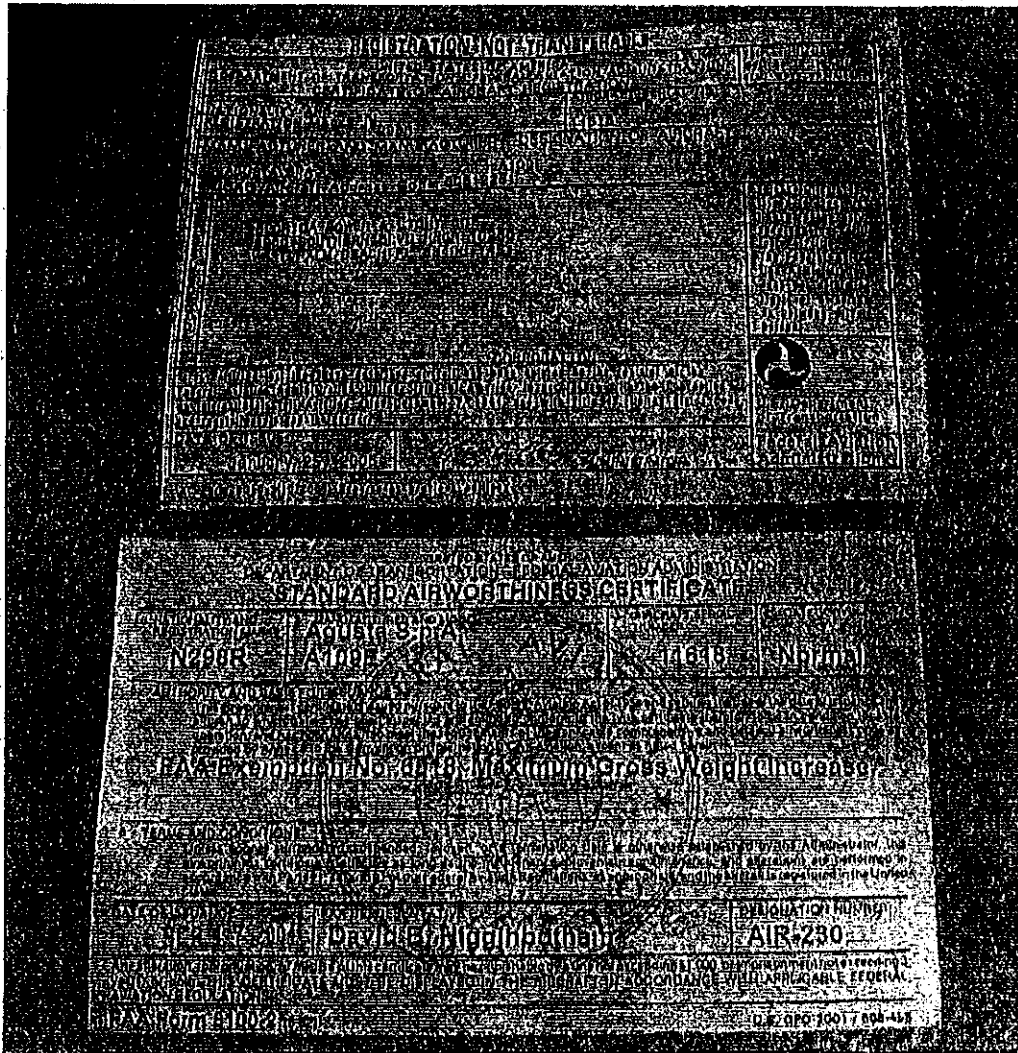
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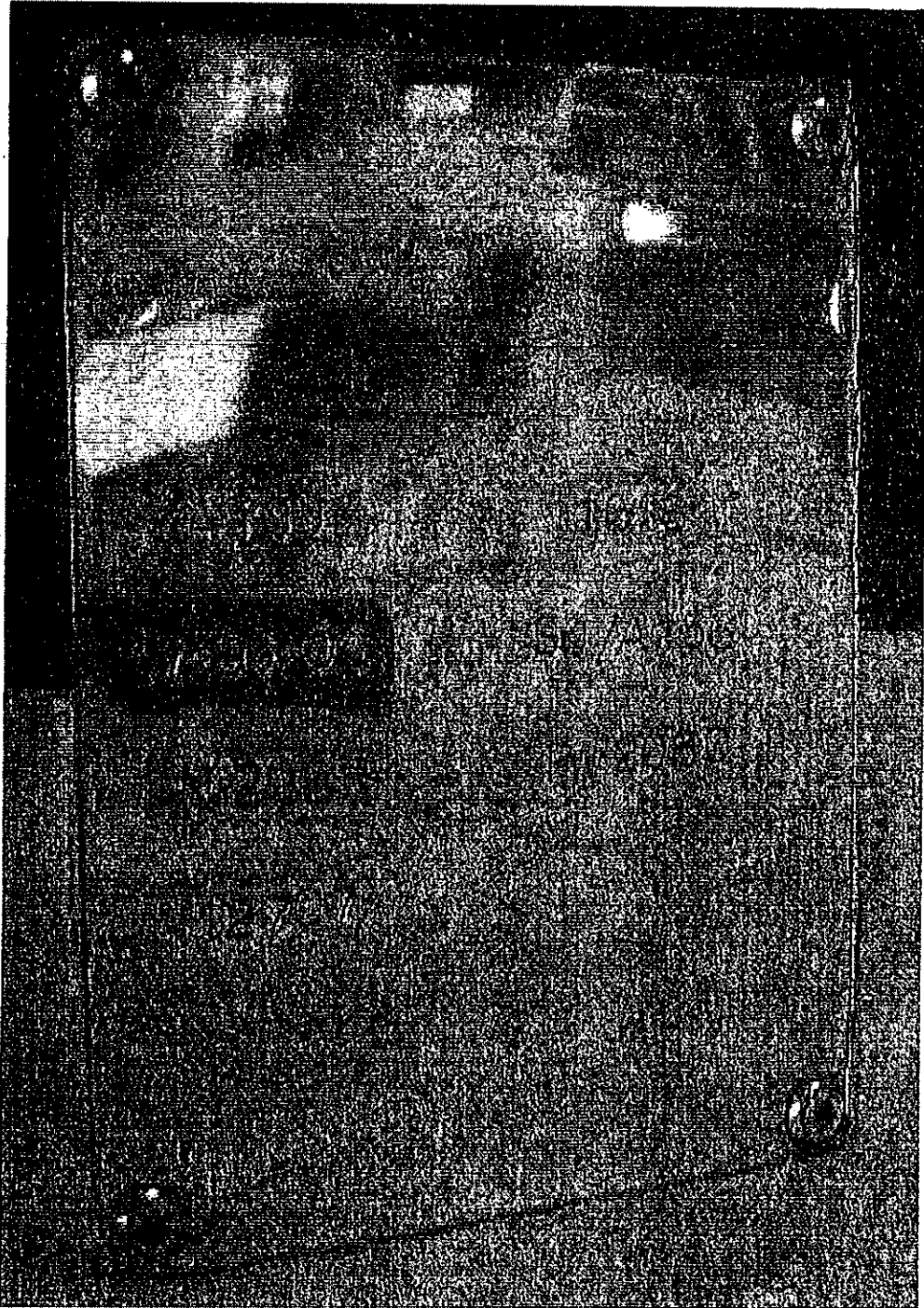
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(Info from HellValues Blue Book)



Pictures



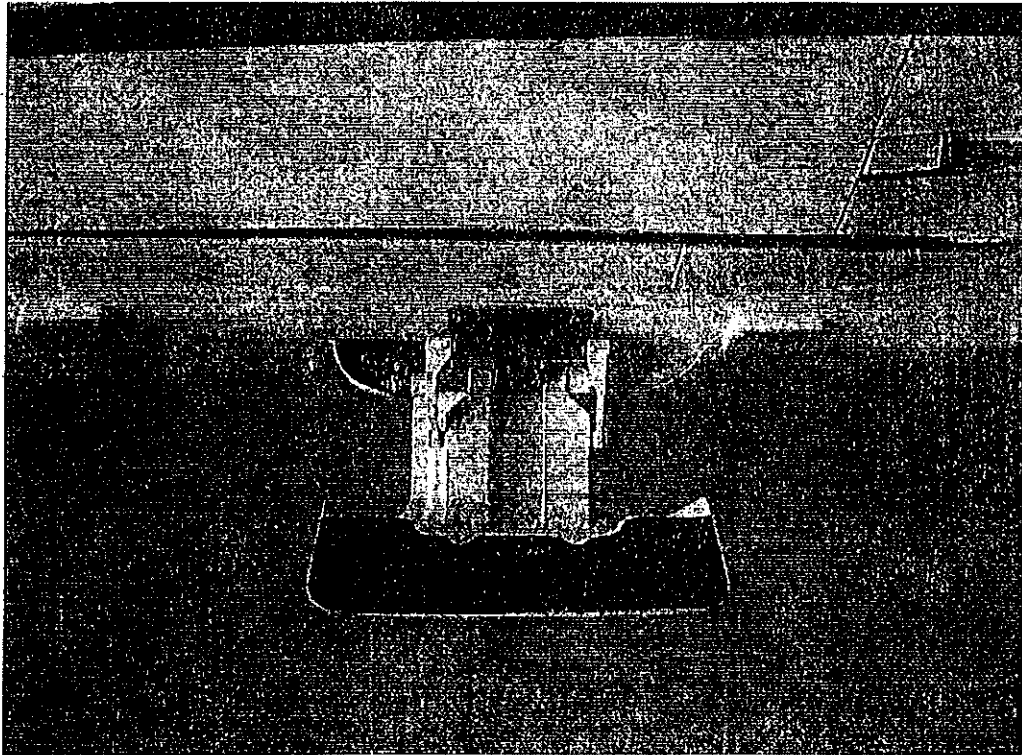
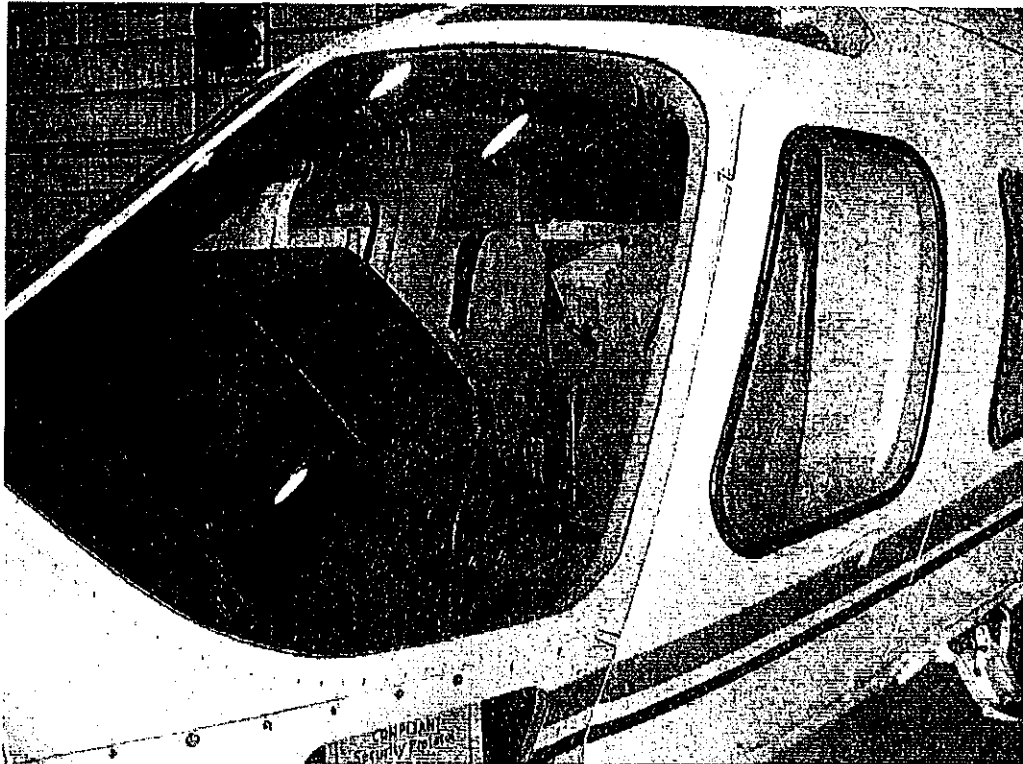


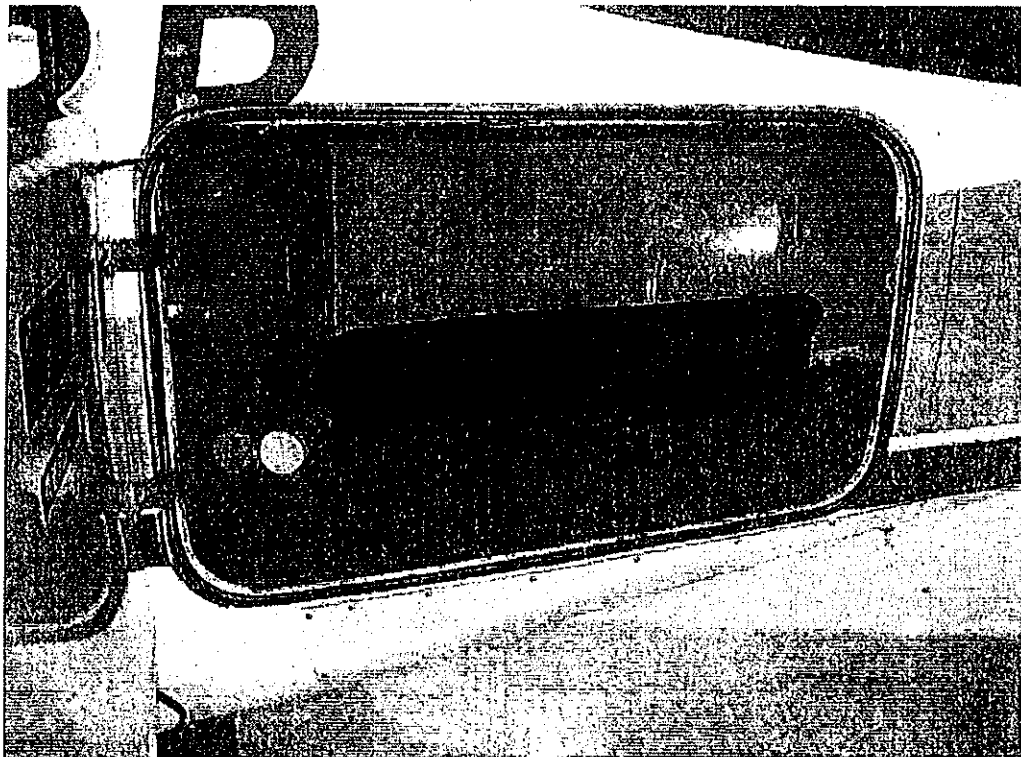
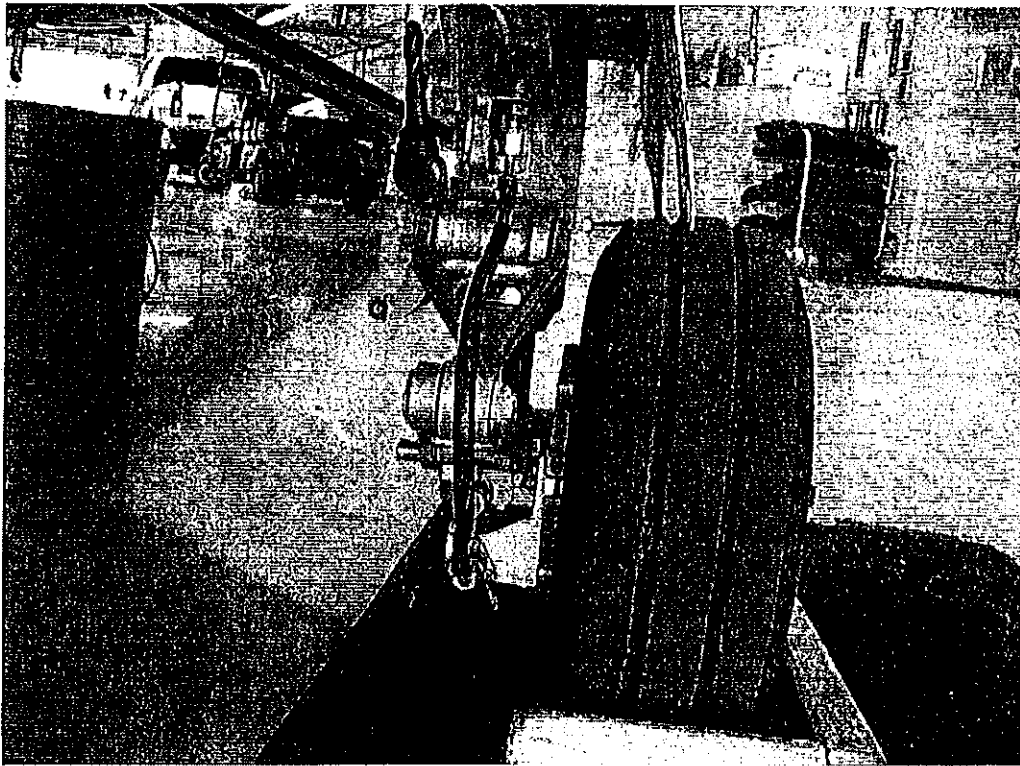
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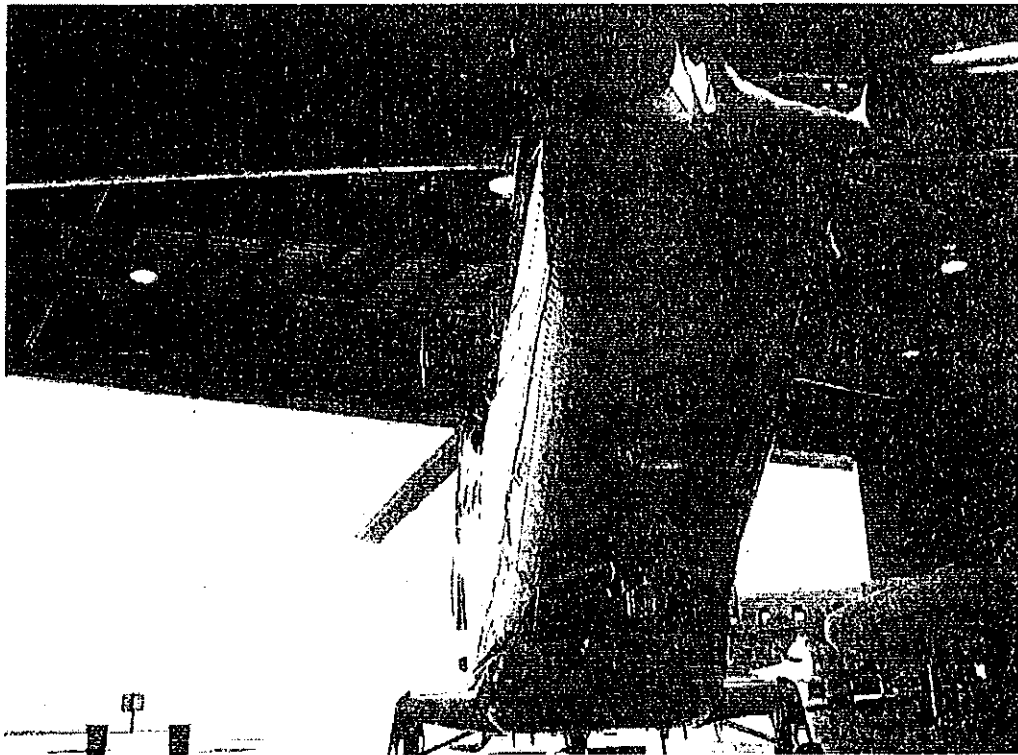
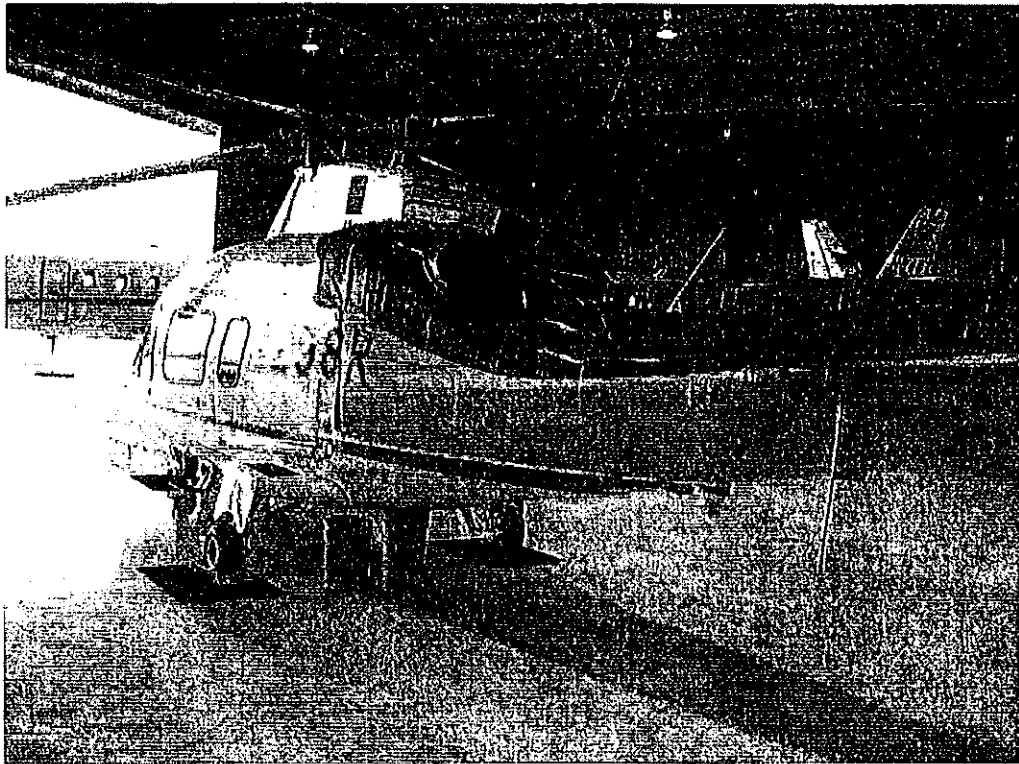
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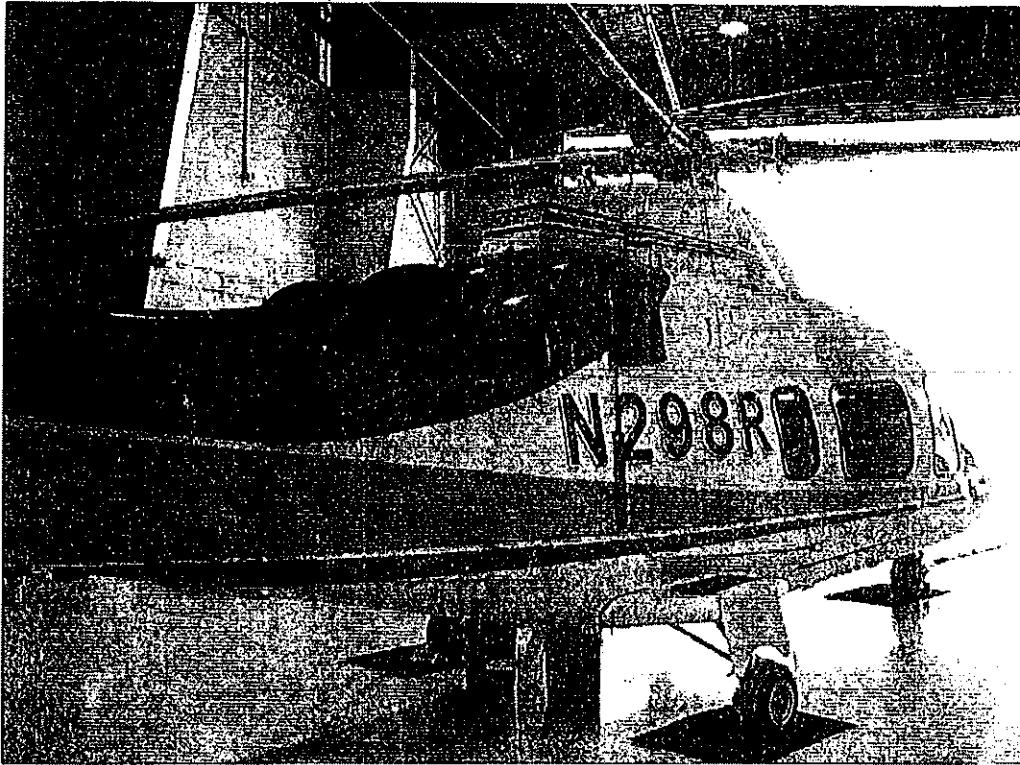


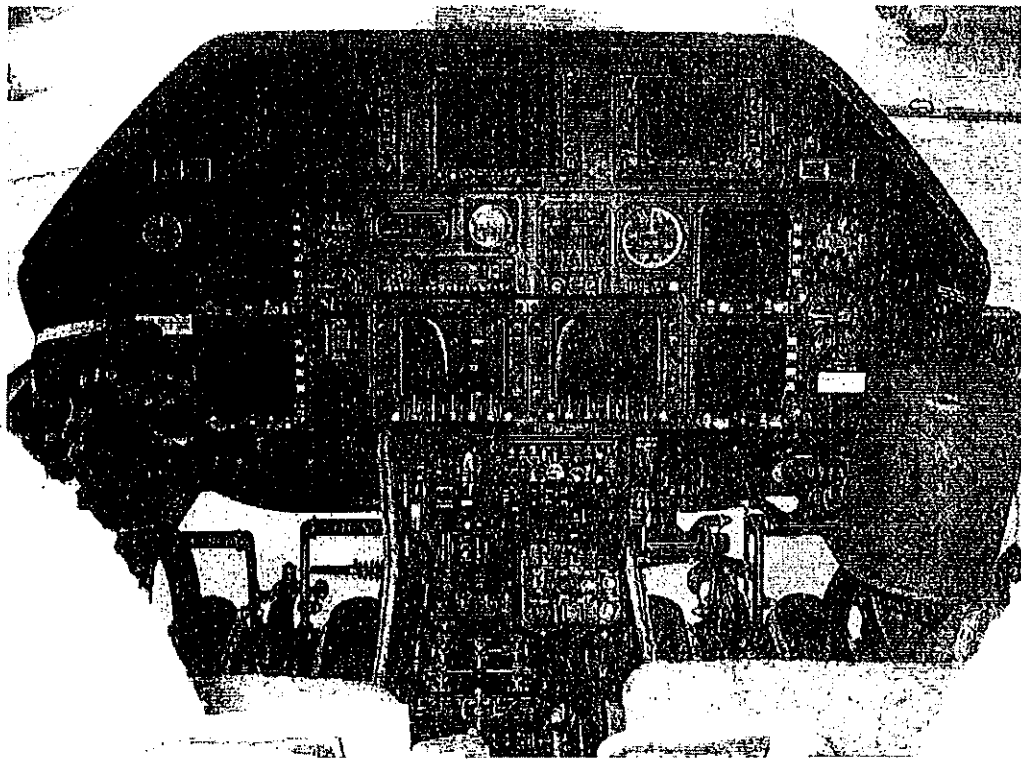


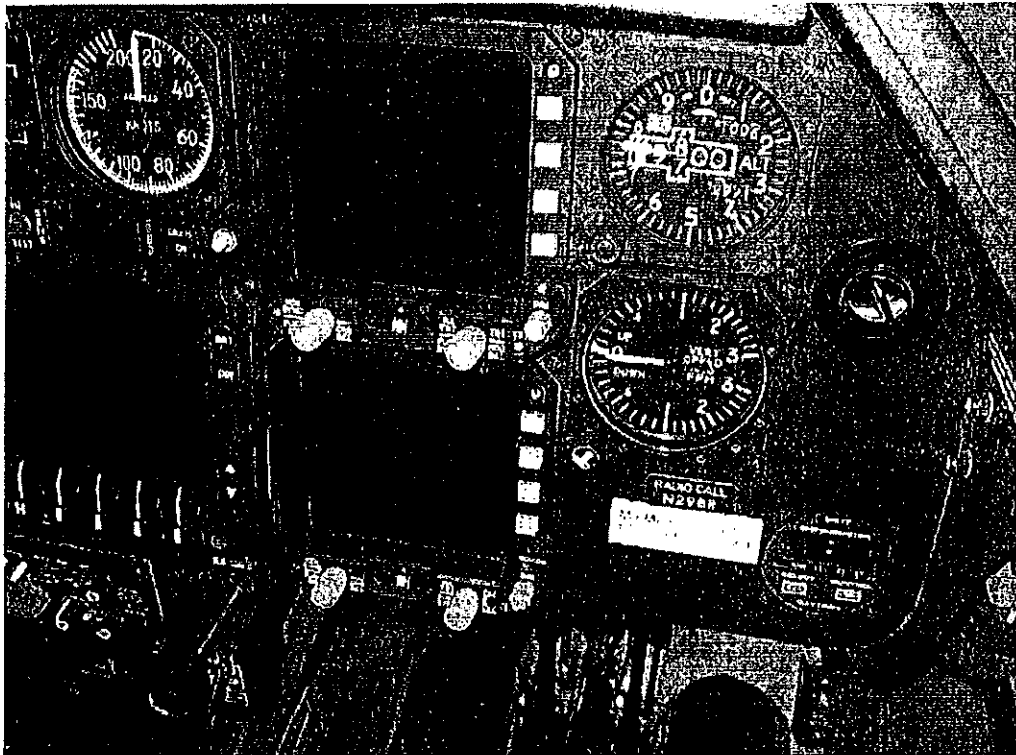
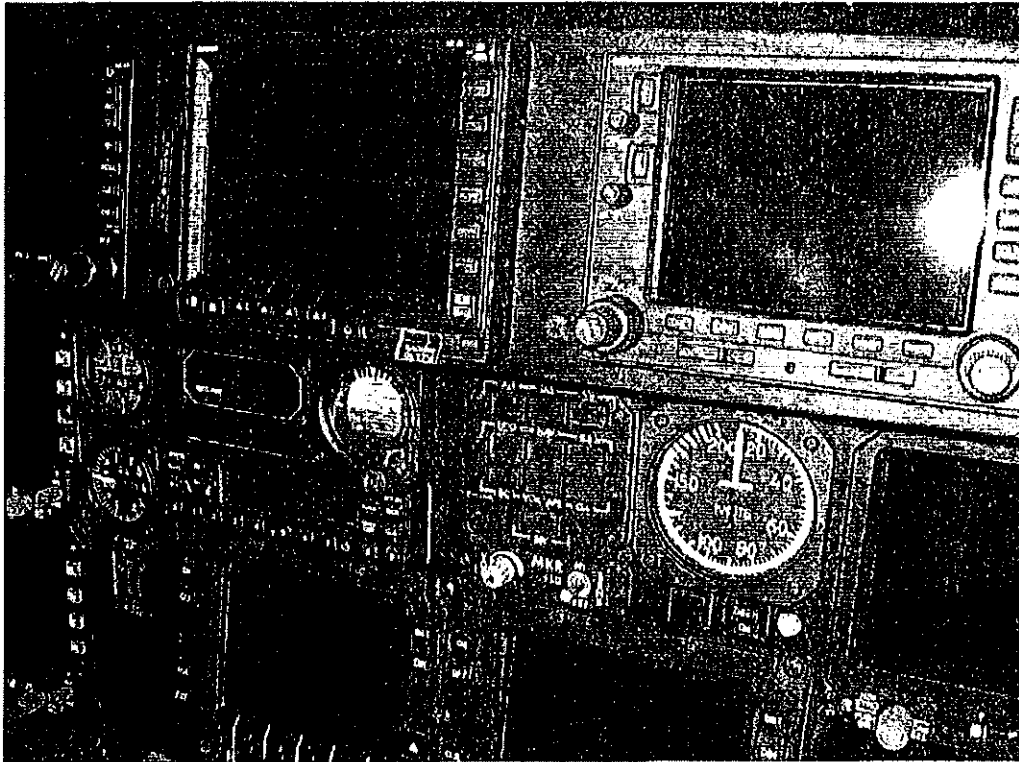




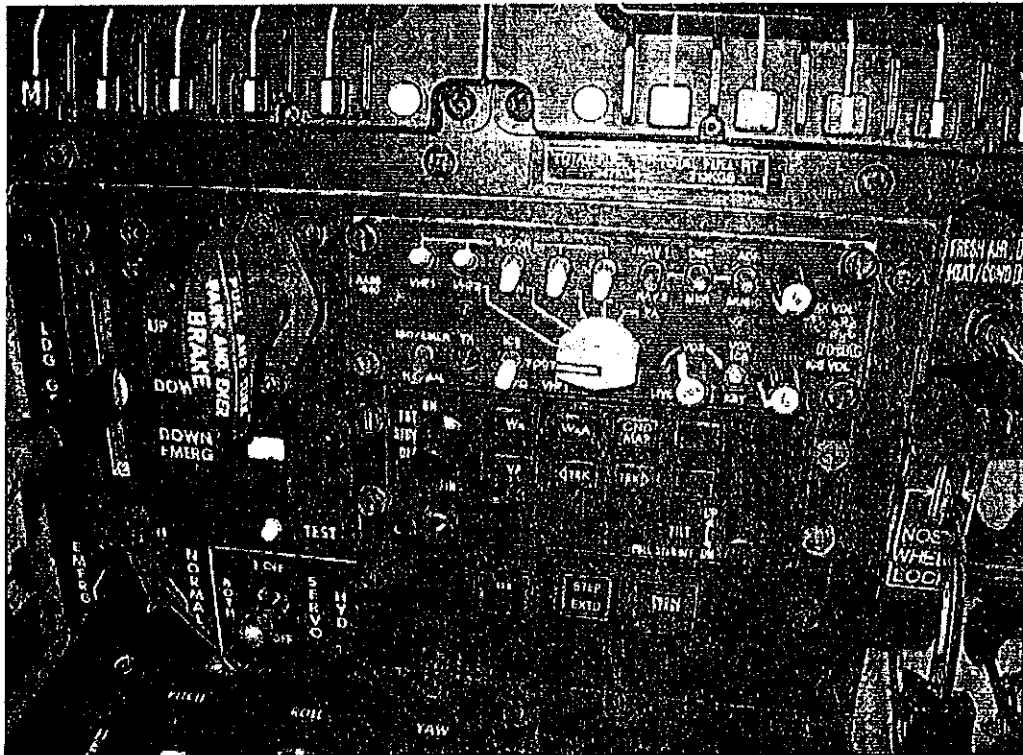
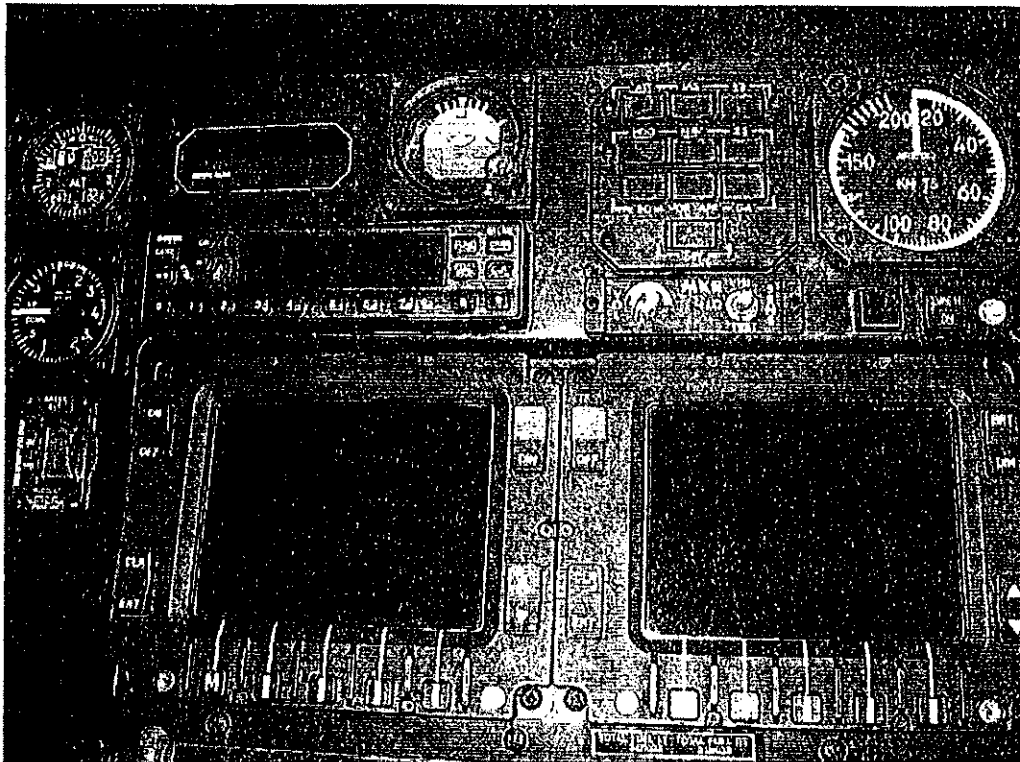




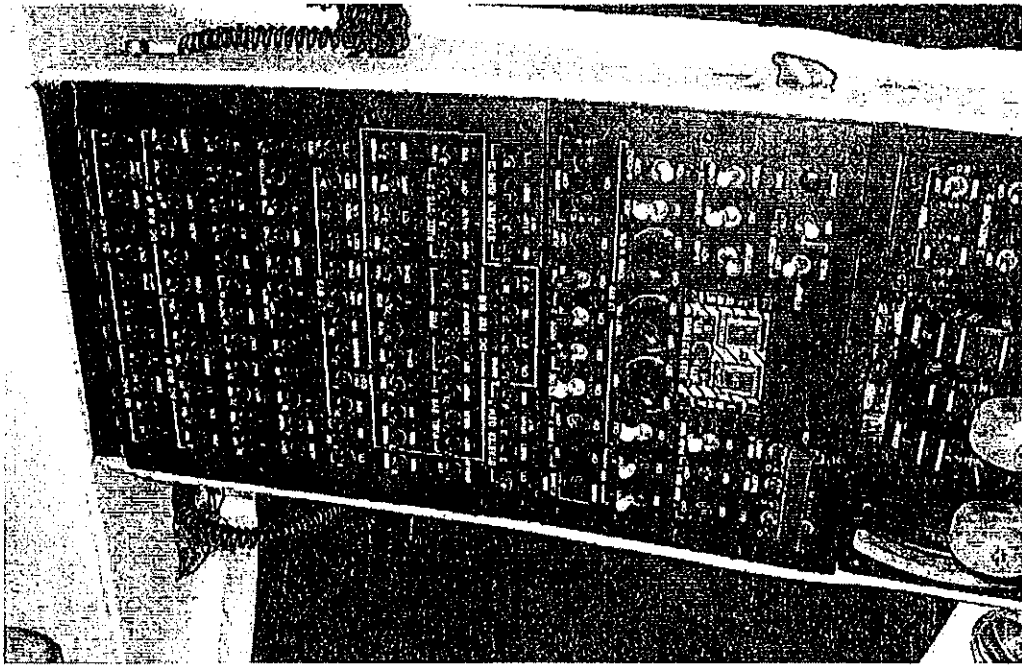
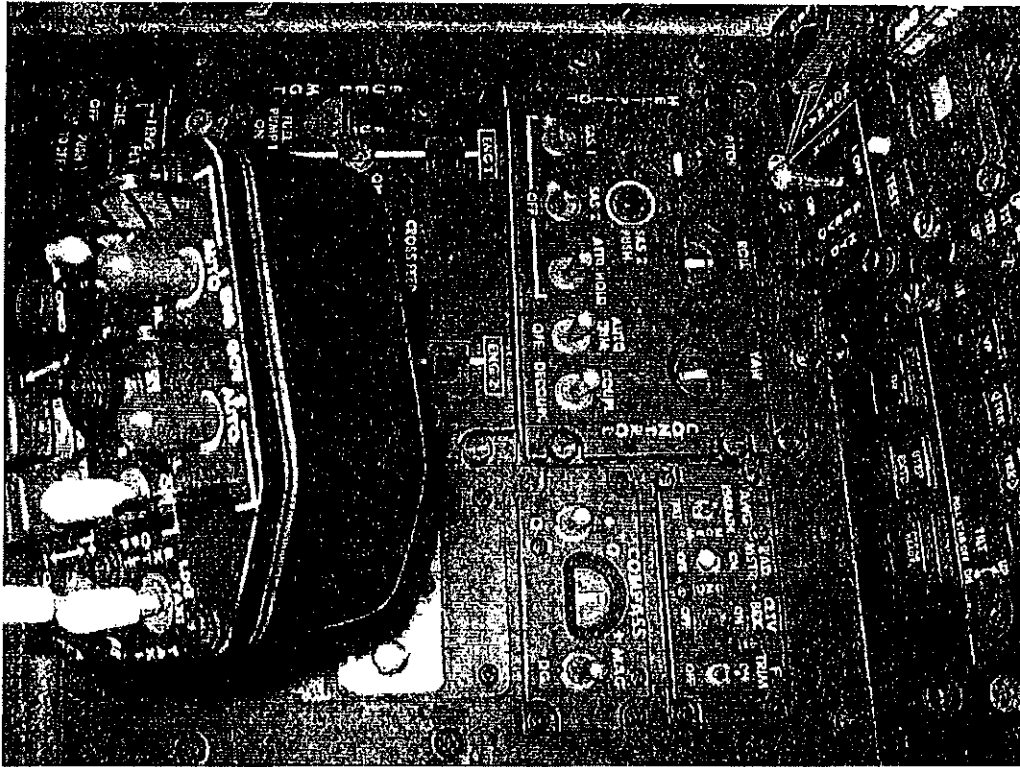


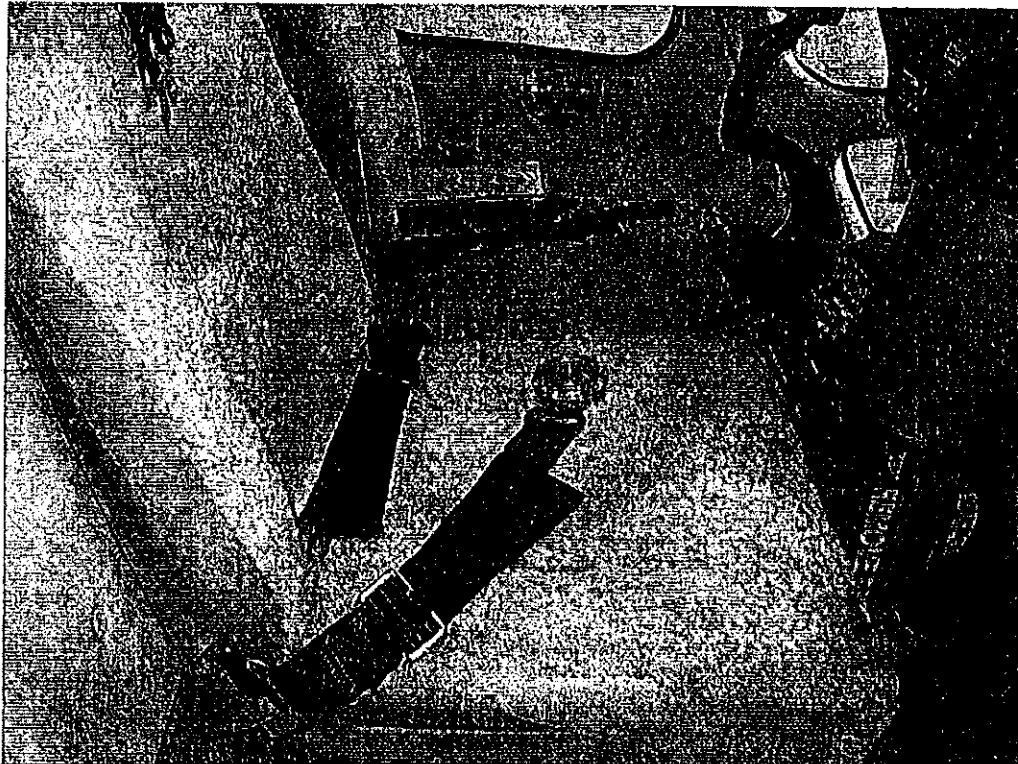


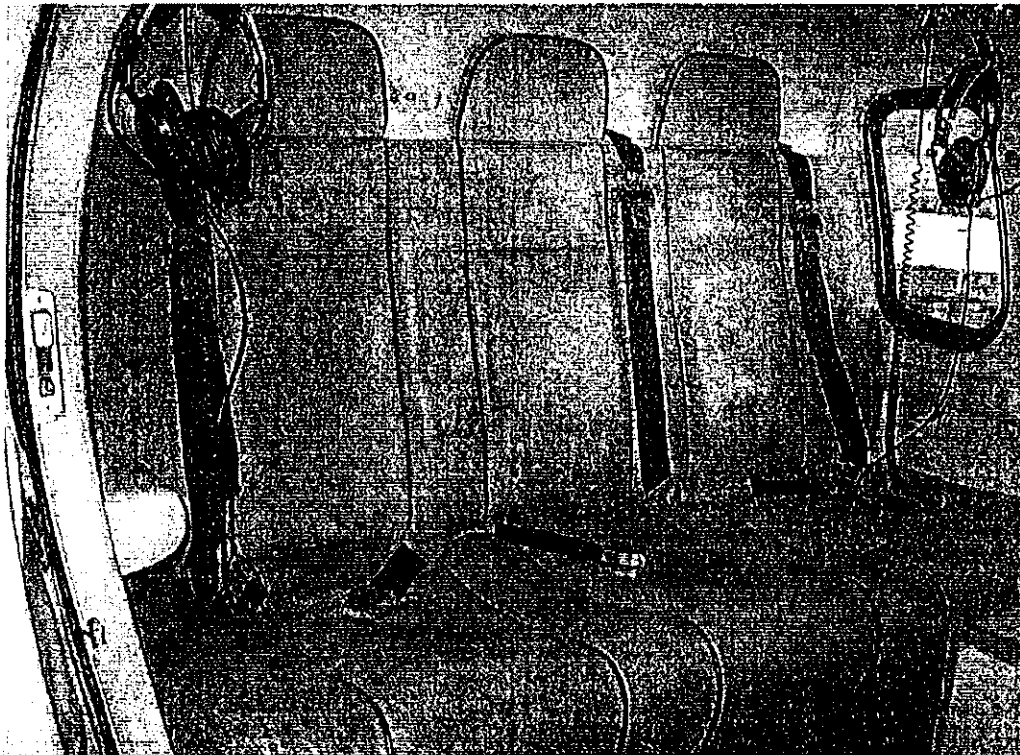
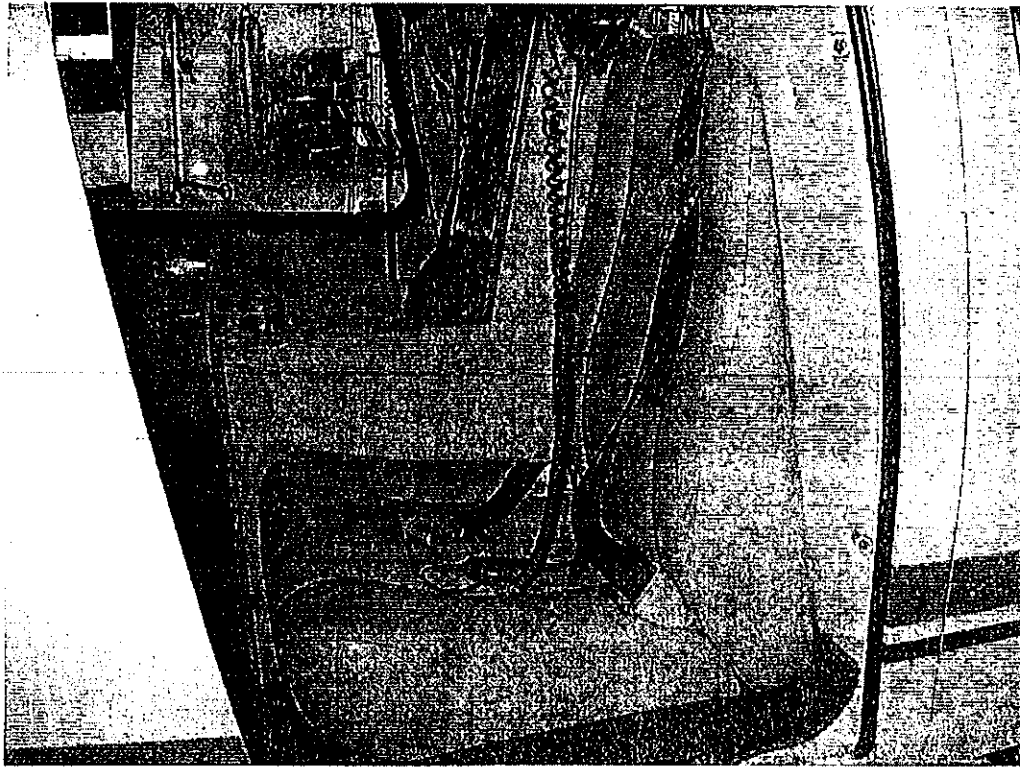
















Appraisal Completed By:

*William B Kellogg*

William B Kellogg  
Owner / Appraiser  
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Date of Report:

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INSPECTION & APPRAISAL REPORT  
FOR  
CESSNA CITATION EXCEL  
SERIAL NUMBER 560-5346

PREPARED FOR:  
FLORIDA POWER & LIGHT COMPANY  
FEBRUARY 3, 2011

STAFF 002709  
FPL RC-12

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## INSPECTION & APPRAISAL REPORT

CESSNA CITATION EXCEL, SERIAL NUMBER 560-5346

### ASSIGNMENT

Jet Perspectives ("JetPer") has been retained by Florida Power & Light Company (the "Client") to offer its opinion as to the Fair Market Value of one 2003 manufactured Cessna Citation Excel (the "Subject Aircraft") detailed below:

<i>Manufacturer</i>	<i>Cessna Aircraft Company</i>
<i>Model</i>	<i>Citation Excel (Model 560XL)</i>
<i>Serial Number</i>	560-5346
<i>Registration</i>	N346XL
<i>Date of Manufacture</i>	August 29, 2003
<i>Engine Model</i>	Two Pratt & Whitney PW545A
<i>Total Time (hours/cycles)<sup>1</sup></i>	2,529.5 / 1,568
<i>Configuration</i>	Eight Passenger Executive

1. Hours and cycles are as of January 14, 2011.

### APPRAISAL ASSUMPTIONS

In an appraisal supported by an inspection and records review, the subject aircraft is physically inspected and its maintenance records reviewed to determine its overall condition, maintenance status and records quality. However, before the inspection of the aircraft itself, JetPer first develops the aircraft's Fair Market Value based upon the following assumptions.

- Unless otherwise noted, the airframe, engine and other major components are in a mid-life, mid-time status.
- That it is typically equipped for a role as a corporate aircraft and that it does not have equipment or characteristics that would materially affect its value.
- Its historical and/or expected level of utilization for the aircraft is typical for its make and model.
- It is certificated and operated under the auspices of the Federal Aviation Administration or other major regulatory authority if not registered in the United States.
- The aircraft is clean, and maintained under the manufacturer's recommended maintenance program using factory authorized maintenance facilities.
- The aircraft has no damage history.
- All major modifications and/or repairs have been properly documented.



- The aircraft has no outstanding Airworthiness Directives or maintenance requirements.

JetPer then uses the condition and maintenance data obtained from the inspection of the aircraft to adjust for the variance from that assumed status. For instance, recent major airframe inspections or engine overhauls will add to the value of the aircraft.

In addition to the foregoing assumptions about the aircraft itself, JetPer also makes two further assumptions regarding any possible transaction involving the Subject Aircraft:

- That if sold, the aircraft will be sold as a single unit, not involved in a fleet sale which would tend to discount from the value shown.
- That the aircraft is not subject to an existing lease. For the purpose of this appraisal, JetPer does not consider the value of an attached lease stream or its tax consequences.

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#### VALUE DEFINITIONS

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For the purpose of this appraisal, JetPer uses the following definition of Fair Market Value as defined by the American Society of Appraisers:

- *Fair Market Value* is the amount expressed in money, as of a certain date, that may reasonably be expected for property in exchange between a willing buyer and a willing seller with equity to both, neither under any compulsion to buy or sell and both fully aware of all relevant facts.

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#### AIRCRAFT VALUE

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On January 15, 2011 JetPer inspected the Subject Aircraft and its records in order to gather independent information regarding its history, maintenance status, equipment, and any other information considered germane to this appraisal. As will be detailed in the following section, there are a number of issues which, in the opinion of JetPer, collectively have a material impact upon the value of the aircraft:

- *Utilization.* At the time of JetPer's inspection, the Subject Aircraft had 2,530 hours with 1,568 landings. Given its August 2003 date of manufacture, this equates to an average utilization of 343 hours per year with an average stage-length of 1 hour and 37 minutes duration. In comparison, among the 34 available Citation Excels with known airframe

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time, the average utilization is approximately 374 hours per year. Consequently, with its utilization approximately 8% less than this overall fleet average the value of the Subject Aircraft is modestly enhanced over the average available Excel.

- *Engines.* As with any other corporate aircraft, the most important consideration beyond the issue of utilization relates to the status of its engines. In the case of the Pratt & Whitney PW-545A engines which power the Excel, hot section inspections are required at 2,500 hours while the more comprehensive engine overhauls are due at 5,000 hours.

At the time of JetPer's inspection, the Subject Aircraft was equipped with loaner engines. At 2,509 hours total time on the airframe (and both engines) the original engines were removed and shipped to the Pratt & Whitney facility in Bridgeport, West Virginia for their required hot section inspections. Upon reinstallation, both suffered from low oil pressure problems and were sent back to Pratt & Whitney for repair. JetPer has been advised that the first of these engines will, hopefully, be repaired and reinstalled by the end of February 2011.

An important issue relating to the aircraft's overall value is that the engines are enrolled in the Pratt & Whitney ProAdvantage Plus engine program. Similar to the Honeywell MSP program, under the ProAdvantage program the operator pays a fee for each hour of engine operation, which in turn pays for all scheduled and unscheduled maintenance events.

Given that the majority of Excel aircraft are not enrolled in an engine program, enrollment in the ProAdvantage program, or another competing program offered by Jet Support Services, serves to enhance the overall value of the aircraft. In the case of the Subject Aircraft, based upon the current status of its engines and their percentage of life remaining before overhaul, JetPer would estimate that enrollment in the program enhances the value of the Subject Aircraft by at least \$400,000 compared to a similar aircraft without its engines enrolled in such a program.

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- *Maintenance.* The Subject Aircraft has been operated and maintained since new under FAR Part 91, that section of the Federal Aviation Regulations that pertain to privately owned aircraft. Since new the aircraft has been maintained under Cessna's recommended maintenance program, with all maintenance tracked via CESCO (Cessna Computerized Aircraft Maintenance Program).

Since October 2008 the Subject Aircraft has been maintained using the new MSG-3 (*Maintenance Steering Group*) guidelines. MSG-3 was designed to alleviate the often costly and redundant maintenance requirements due under the "typical" Chapter 5 maintenance requirements and was originally touted by Cessna to reduce maintenance costs by "up to 30%". Under that program, routine Phase 1 through Phase 4 airframe inspections, were required every 300 hours or 24 months, with the most comprehensive inspection, the Phase 5, required every 1,200 hours or 36 months.

Under the MSG-3 guidelines, many of the smaller tasks associated with each of these Phase inspections have been broken down and made part of required "Inspection Documents". This program will be discussed at length in the following section.

For some operators, particularly those with their own in-house maintenance such a maintenance regime is appealing. Conversely for those operators who rely upon outside maintenance to perform either routine and/or unscheduled maintenance events the need to do monthly tasks may be somewhat onerous. Consequently, in the opinion of JetPer enrollment in the MSG-3 program is neither an enhancement to nor a deduction from the value of the aircraft.

The logbooks seen by JetPer were considered to be in excellent overall condition, with all maintenance events, scheduled and unscheduled alike, properly and neatly recorded. It should be noted that as with other Citation aircraft, the logbooks of the Subject Aircraft consist primarily of MTRs (*Maintenance Transaction Reports*) arranged in chronological order from the time the aircraft was new. It appears that all of these MTRs were properly archived without any gaps in their sequencing.

As will also be discussed in the following section, JetPer was impressed with the maintenance the aircraft has received, with some maintenance

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tasks more strictly followed than required under the Cessna recommended maintenance program.

- *Cosmetic Condition & Configuration.* The cosmetic condition and interior configuration are important, albeit highly subjective, value considerations.

As can be seen from the photographs in Appendix III of this report, the Subject Aircraft is a very handsome, very clean, aircraft both inside and out and is devoid of any unique customization which would tend to detract from the aircraft's value.

Inside the aircraft is considered to be in excellent overall condition. It features an eight passenger interior, with a two-place divan opposite the main cabin door, a forward four-place club arrangement and two forward facing seats in the aft cabin. The interior was considered to be in immaculate condition with only minor wear noted.

Although the aircraft still has its original paint from 2003, last summer the aircraft was partially refurbished with its seats re-dyed and its wood surfaces touched-up throughout the cabin.

- *Avionics/Optional Equipment.* The Subject Aircraft is a typically equipped Citation Excel with a Honeywell Primus 1000 avionics suite with a single Universal Flight Management Systems and other avionics systems suitable for both domestic and international travel.

The cabin is also equipped with the typical complement of passenger amenities such as a passenger briefing system and galley with food storage and coffee.

A significant option on the Excel aircraft is the installation of an auxiliary power unit (APU). This is used to provide electricity and environmental controls when the engines are off and during an in-flight emergency can be used to provide electricity for an engine re-start. Among the 39 Excels currently available for sale, 11 aircraft do not have an APU installed. Given that the majority of the Excel fleet is equipped with an APU, installation does not enhance the value of an aircraft; it becomes a \$250,000 deduction from value if not installed.

As the Subject Aircraft has an APU installed there is no adjustment to its value.

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- *Miscellaneous Considerations.* In the world of corporate aviation, an aircraft's "pedigree" can affect its marketability and therefore its overall value in the marketplace. In the case of the Subject Aircraft, it has had only one owner since new. The records were found to be in very good condition with most MTRs accomplished in-house or, for more extensive maintenance events, done by Cessna maintenance facilities.

Among a fleet of 373 aircraft, the Subject Aircraft with serial number 560-0346 is the 346<sup>th</sup> aircraft, making it one of the youngest Excels in the fleet. In the opinion of JetPer this is a double-edged sword. On one hand, as one of the youngest aircraft it would be quite attractive in the marketplace despite being one of the more expensive aircraft.

Conversely, given the relative lack of these younger aircraft, its value is very much pulled downward by the availability of the older, higher time aircraft.

Another significant issue enhancing its overall appeal is the fact that the Subject Aircraft has had only one owner since new. It has been owned and operated by a company based in South Florida and consequently the constant heat and humidity at its home base may become an issue for some. However, based upon JetPer's inspection of the aircraft, any issues regarding possible corrosion are proactively addressed by the Client's in-house maintenance.

In addition to consideration of the technical status of the aircraft, this information must be weighed against the current market environment for Citation EXCEL aircraft and from a macro perspective, the corporate aircraft market as a whole. The most recent report from J.P Morgan - Global Equity Research, entitled *Aerospace and Defense - Business Jet Monthly - January 2010 (January 8, 2010)*, notes a number of broad issues affecting the marketplace for light jets. According to this report:

- *"Used jet inventory, measured by 'aircraft for sale as % of the active fleet' decreased 40 bps to 12.4% in December, declining 170 bps from the peak in July. All light business jet models saw declining inventories except Citation CJ3 (+80 bps) and CJI/CJI+ (+10 bps). The decrease in inventories was primarily driven by Premier I/IA, Citation Excel/XLS (-80 bps), CJ2/CJ2+ (-60 bps) and Learjet 40/45 (-50 bps), while Citation V/Ultra/Encore/Encore + (-30 bps) and CJ 3 (-10 bps) also contributed."*

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- *"Light jet average asking price decreased 1.1% to \$4.3 million in December and was down 21.0% y/y, marking the 21<sup>st</sup> sequential decline in the last 22 months and the 11<sup>th</sup> straight y/y double-digit decrease. The price decline was primarily driven by different Citation models - CJ2/CJ2+ (1.4%), and V/Ultra/Encore/Encore+ (-0.7%), while Learjet 40/45 prices also decreased 0.8%. Premier I/II (+5.7%) and Beechjet 400/Hawker 400 (+2.5%) witnessed price increases, while Citation CJ3 remained flat."*
- *"Mixed: Learjet 40/45, Citation Excel/CLS, V/Ultra/Encore/Encore+ and CJ2/CJ2+ saw decreased inventories and lower prices, while CJ3 had fleet prices but lower inventories."*

As will be detailed later in this report, among the 371 Excels in service worldwide, 39 aircraft, representing roughly 10.5% of the fleet is available for sale. However, given that 71 of these aircraft are operated by fractional programs (9 with CitationAir and 62 with NetJets), these 39 aircraft actually represent 13% of the typical "corporate" fleet, a soft market environment with the supply of available aircraft exceeding demand. Asking prices for these available aircraft range from \$2.65 million to \$5.995 million with an overall average of approximately \$4.5 million.

The opinion of JetPer relative to the Fair Market Value of the Subject Aircraft is therefore based upon the current status of the Subject Aircraft taken in the context of the prevailing market environment. *In that regard, Jet Perspectives is of the opinion that the Subject Aircraft, a 2003 manufactured Cessna Citation Excel, Serial Number 560-5346, has a Fair Market Value of \$4,900,000.*

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**AIRCRAFT INSPECTION SUMMARY**

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In support of the foregoing appraisal, the Subject Aircraft and its records were physically inspected on January 15, 2011 at the aviation facilities of Florida Power & Light Company located at West Palm Beach International Airport.

According to a United States Certificate of Aircraft Registration dated October 7, 2003, the Subject Aircraft is currently registered to:

Florida Power & Light Co  
700 Universe Blvd.  
Juno Beach, FL 33408-2657

A copy of this document, as well as a copy of the aircraft's August 29, 2003 issued U.S. Certificate of Airworthiness can be found in Appendix I of this report.

For the purpose of this appraisal, JetPer reviewed the single airframe logbook, APU logbook, and other miscellaneous documents. (As the original engines were out for maintenance, they were unavailable for review.)

The logbook for this aircraft is similar to that of other Citations, comprised of Maintenance Transaction Reports ("MTR"), which is an individual page for each scheduled or unscheduled maintenance event. For each event, a copy is placed in a binder, a copy stays with the maintenance facility and another copy is sent to Cessna for inclusion in the aircraft's maintenance database. MTRs are properly arranged in chronological order providing a logical sequence of maintenance events for the aircraft.

In the case of the Subject Aircraft, all MTR entries were considered to be typical entries made for both scheduled and unscheduled maintenance events. Over the life of the aircraft, all routine maintenance events, for both the airframe and engines, have been made on time and as required under the Cessna Citation maintenance program.

The first MTR for this aircraft was dated September 3, 2003 at which time the Subject Aircraft had 13.3 hours with 9 landings. Since new, the Subject Aircraft has been maintained under Cessna's continuous inspection program, as defined by Federal Aviation Regulation Part 91.409(f)(3).

To facilitate record keeping, the aircraft is maintained under CESCO, the Cessna Computerized maintenance program. The CESCO report tracks the status of every component, inspection, Airworthiness Directive and Customer bulletin issued on the aircraft

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and is provided on a monthly basis to the operator. As work is accomplished, routine or not, the information is sent to Cessna who in turn updates the computerized records and reissues the next monthly report. For the purpose of this appraisal, JetPer was provided with an *Aircraft Status Report* dated January 14, 2011, a copy of which is contained in Appendix II of this report.

For the first five years of service, the Subject Aircraft was maintained under the original Citation "Chapter 5" maintenance program. Under this program the most basic inspection, the "B", is required every 150 hours while the more extensive inspections are the Phase 1 through Phase 4 inspections, each of which is required every 300 hours or 24 months, and the Phase 5 inspection, required every 1,200 hours or 36 months. The inspection of specific aircraft components are called for in the Phase 7 through Phase 68 inspections.

However, in October 2008 at 1,823 hours total time, the Client elected to enroll the aircraft in Cessna's MSG-3 Continuous Airworthiness Program (Service Bulletin SB560XL-050-01). Under this program the Phase I through V inspections (which focused on the airframe and engines), have been replaced with a progressive type system by which the various elements of these inspections are performed on a monthly basis. The appeal of the MSG-3 program is that it reduces the redundancy of many of inspections and eliminates the need to take the aircraft out of service for the traditional Phase Inspections.

Each inspection is referred to as an "Inspection Document" with each inspection based upon either hourly, calendar or cyclical limitations. Inspection Document #1, for instance, is required every 600 hours or 12 months whichever comes first; the most extensive airframe inspection, Inspection Document #49, is due every 120 months and then every 60 months thereafter.

A review of the MTRs and the *Aircraft Status Report* appears to indicate that the Subject Aircraft is current under the Cessna Continuous Inspection program with no overdue or deferred items noted.

A major issue relating to the value of the Subject Aircraft, as is with any other aircraft, relates to the status of the engines. In the case of the Subject Aircraft, the Pratt & Whitney PW545A engine which powers the Excel has an overhaul limit of 5,000 hours; the hot-section inspection is due at 2,500 hours.

At the time of JetPer's inspection, the Subject Aircraft was equipped with two replacement "loaner" engines. At 2,509 hours on the airframe (and both engines), both engines were removed from the aircraft and shipped to Pratt & Whitney's Bridgeport, West Virginia facility for their required hot section inspections. Upon completion of that work, both engines were reinstalled on the aircraft and it was found that both suffered from problems

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with low oil pressure. As a result, both engines were shipped back to Pratt & Whitney for repair. JetPer was advised that one of these engines *may* be reinstalled by the end of February; the other engine sometime in March.

It is important to note that both engines are enrolled in the Pratt & Whitney ProAdvantage Plus engine program. Under this program, an operator pays a fee for each hour of engine operation which in turn covers both scheduled and unscheduled engine maintenance events. In the case of the recent hot section inspections and subsequent repairs, the costs will be borne by Pratt & Whitney. When the engines are due their 5,000-hour overhaul, assuming continued enrollment in the program, the cost of this work will also be paid by Pratt & Whitney.

The auxiliary power unit is a Honeywell RE-100 designed to provide electrical power and heating and cooling while on the ground and is certified for in-flight operation if necessary. This model of APU is maintained on an "on-condition" basis, being repaired or overhauled only when necessary. It is enrolled in Citation's AuxAdvantage Plus program which, based on a monthly fee, provides coverage for both scheduled and unscheduled maintenance events. As of the date of JetPer's inspection, the APU had 953.9 hours with 1,679 cycles.

As a matter of routine, JetPer examines any Form 337s which have been issued. An FAA Form 337 is required for the "repair, modification or alteration" of an aircraft, its engines or propellers. As the Subject Aircraft is equipped exactly as it was delivered, without any additional equipment or modifications, and as the aircraft has suffered no damage, there have been no Form 337s issued.

A logbook entry, dated July 14, 2010 when the aircraft had 2,356 hours, indicates that the Subject Aircraft underwent a lightning strike inspection. In the opinion of JetPer this is not an extraordinary event, but rather one that is called for when the aircraft is struck by lightning. As there was no damage sustained by the aircraft, this event is considered by JetPer to be inconsequential to the value of the aircraft.

Cosmetically, the Subject Aircraft is considered to be in excellent condition. (See Appendix III for photographs.)

On the outside, the aircraft is painted in Matterhorn White with Cypress Blue, Platinum and Insignia Blue stripes. Although seen by JetPer under the lights of the hangar, the aircraft was clearly in excellent overall condition with a high gloss finish over all of its surfaces. Typical minor paint chipping was noted, most notably around the windscreen and inspection plates, but these imperfections appear to have been properly touched-up. All of the cabin windows were considered to be in excellent overall condition free of condensation or glazing.

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The interior of the Subject Aircraft is configured for eight passengers. Across from the main cabin door is a two-place divan. In the forward cabin is a four-place club arrangement with two forward facing seats in the aft cabin. An enclosed lavatory with vanity and toilet are in the far aft section of the cabin.

In August 2010, the Subject Aircraft underwent a number of scheduled maintenance events at West Star Aviation. During that work, the interior of the aircraft was partially refurbished with the passenger seats re-dyed and the woodwork, throughout the cabin, touched up. As a result of this recent refurbishment, JetPer is of the opinion that the interior of the aircraft was in excellent condition, particularly given that it is now 6½ years old.

JetPer was very impressed with the Client's maintenance policies. Recognizing, for instance, that the environment of their South Florida base can have harmful affects upon aircraft, the "typical" maintenance has been modified to make proactive procedures.

For instance, both engines routinely undergo "de-salinization" washes designed to remove harmful salts and other pollutants than can decrease engine life. The rubber de-icing "boots" on the horizontal stabilizer are routinely treated and inspected every 30 days to ensure that they work when called upon and to avoid the surprise of costly corrosion often found underneath of them. For instance the logbooks contain a letter from Cessna, dated February 16, 2010, based upon the discovery of corrosion on the leading edge of the right-hand horizontal stabilizer. Cessna's letter recommended the proper way to treat the corrosion and this was accomplished by the Client's maintenance personnel.

In addition, under the Cessna MSG-3 program, batteries are to be inspected on a regular basis.....the Client not only inspects them when required, but "deep cycles" them as well to ensure that they have maximum electrical capacity.

In summary, the Subject Aircraft is an extremely well maintained Citation Excel with excellent maintenance documentation, overseen by professional, dedicated and conscientious maintenance personnel.

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**AIRCRAFT SPECIFICATIONS & EQUIPMENT**

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The following is a brief description of the Subject Aircraft including its avionics, equipment; hours and cycles based upon its January 14, 2011 inspection:

*Total Time Airframe:* 2,529.5 hours  
*Total Landings:* 1,568

*Engines: (enrolled in Pro Advantage)*

	<i>Left</i>	<i>Right</i>
<i>Manufacturer:</i>	Pratt & Whitney	Pratt & Whitney
<i>Model:</i>	PW545A	PW545A
<i>Serial No.:</i>	PCE-DD0217	PCE-DD0216
<i>Total Time:</i>	2,509.3	2,509.3
<i>Total Cycles:</i>	1,562	1,562
<i>Hours Since Hot Section:</i>	0	0
<i>Hours 'til Overhaul:</i>	2,500	2,500

*Auxiliary Power Unit:*

<i>Model:</i>	Honeywell RE-100 (XL)
<i>Serial Number:</i>	P-408
<i>Time Since New:</i>	953.9 hours
<i>FISI Interval:</i>	On Condition

*Avionics:*

Honeywell Primus 1000 Avionics Suite	Universal UNS-1 Flight Mgmt. System
Honeywell AA-300 Radio Altimeter	Honeywell Primus 800 Radar
Dual Honeywell RNZ-850 Navs	Dual Honeywell RM-850 Radio Tuning Units
Dual Honeywell DF-850 ADPs	Dual Honeywell TR-850 Comms
Dual Honeywell RCZ-833 Transponders	Dual Honeywell DM-850 DMFs
Honeywell Mark V EGPWS	King KHF-950 HF w/Selcal
Honeywell TCAS II w/Change 7	

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*Additional Equipment:*

RVSM Certified  
APU Hobbs Meter in Cockpit  
Cockpit Voice Recorder  
Pulse Light System  
Ni-Cad Batteries  
Cockpit Speaker Mute Switch  
Two 110-Volt Electrical Outlets &  
Fax/Data Port

Artex 406 ELT with ELT Nav Interface  
Avionics Dispatch Ground Power  
Switch  
Cockpit Speak Audio Inhibit Switch  
Audio Checklist – Cabin Briefer  
Electronic Engine Chip Detector  
B&D Cabin Information Display

*Cosmetics: (See Appendix III for photographs)*

*Interior:* Original eight passenger cabin, with refurbishment by West Star Aviation in August 2010. Two-place divan opposite cabin door, four-place club in the mid-cabin and two forward facing seats in the aft cabin. All seats upholstered in beige leather. Multi-colored geometric lower sidewall. Off-white upper side-walls and head liner. All hard-wood surfaces are done in an unknown reddish-brown wood. Considered to be in excellent overall condition.

*Exterior:* Aircraft painted in August 2003 by Cessna. Overall Matterhorn White with Cypress Blue, Platinum and Insignia Blue stripes. Considered to be in excellent condition.

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## CITATION EXCEL BACKGROUND AND MARKET OVERVIEW

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The Citation Excel attempted to address a shortcoming for the traditional light jet, namely the lack of a stand-up cabin. That changed when Cessna unveiled a new addition to its prolific Citation line, the Citation Excel. First announced at the National Business Aviation Association's 1994 convention, it flew its initial flight in February 1996 and was certified in April 1998 with first customer deliveries occurring in July of that year.

In the Excel, Cessna brought together the high end of its light jet line with a fuselage rooted in the company's midsize aircraft. The fuselage is virtually the same length as that of the Citation VII, and its cross-section is exactly the same as the top-of-the-line Citation X. An under fuselage wing carry-through configuration allows the cabin's dropped aisle to extend all the way aft, opening into a spacious lavatory behind which is a clothes closet suitable for hanging suits.

The rest of the airframe has much in common with the Citation Ultra including the high performance straight wing featuring swept wing roots and the cruciform tail. One feature not retained from the Ultra is its stiff landing gear, replaced by the much more forgiving trailing link gear. In the cockpit, the Excel is practically identical to the Ultra, equipped with the same Honeywell Primus 1000 avionics suite.

To deliver Ultra performance with the added weight imposed by the larger fuselage, the Excel is powered by two Pratt & Whitney PW 545A turbofan engines that deliver 3,640 pounds of thrust each. The power gain represents an increase of 595 pounds per engine over the Pratt & Whitney JT15D-5D that power the Ultra.

The Excel and XLS, each with a cabin volume of 461 cubic feet, sit astride the traditional market definitions of light and medium size corporate aircraft. Its cabin volume is large for the typical light jet and small compared to medium aircraft. Similarly, the aircraft has the excellent runway performance of smaller aircraft, yet its range/payload capabilities are similar to that of larger, more expensive aircraft.

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The first Excels, delivered in 1998, had an average equipped price of approximately \$7.6 million, representing the heavy discounting typically offered for new production aircraft. The following year, the average delivered price jumped to \$8.3 million, while for those aircraft delivered in 2000 and 2001 the average prices were almost \$8.6 million and \$9.3 million respectively.

In 2004, after building 373 aircraft, manufacture of the Excel was discontinued and replaced by the current production XLS. The XLS is powered by the Pratt & Whitney PW545B engines that provide an increase of almost 5% of thrust compared to the original PW545A engines on the Excel. In addition, the standard equipment list of the XLS incorporates over \$600,000 in equipment that was optional on the Excel. The nine place interior includes a six-place center club seating configuration, with a two place belted couch and aft left hand belted (optional) toilet.

Relative to the market for pre-owned Excels, JetPer is aware of 39 aircraft available for sale, representing roughly 10.5% of the 371 Excels in service worldwide. However, when the 71 fractionally operated aircraft are removed from these fleet statistics, these 39 aircraft represent 13% of the fleet, an even softer market environment with the supply of available aircraft exceeding demand.

Built in 2003, the Subject Aircraft is one on the younger Citation Excels. Consequently, JetPer has focused its research efforts and market inquiries only upon those aircraft which are 2002 or younger. In that regard, 11 of these youngest aircraft are known to be available for sale. Interestingly, during the last three years of production (2002 -- 2004) 150 aircraft were manufactured, consequently these 11 aircraft represent 7.3% of the fleet, a level of availability consistent with a "balanced" market environment.

The table on the following page presents an overview of the 11 2002-2004 built Citation Excels that are known to be currently available for sale. It needs to be acknowledged that this list of available aircraft and the subsequent review of transactions represent a broad over-simplification of the Excel marketplace. Each available aircraft and each aircraft sold, represents a unique history, unique maintenance status, equipment, modifications and innumerable other factors. In valuing the Subject Aircraft, JPI is attempting to define the market extremes and to appropriately place the Subject Aircraft within these market precedents.

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<i>Cessna Citation Excel (2002 – 2004 Models) Availability Summary</i>					
<i>Serial No.</i>	<i>Yr. of Mfg.</i>	<i>Owner</i>	<i>Total Time</i>	<i>APU</i>	<i>Asking Price (millions of USD)</i>
5228	2002	Eurojet Aviation (England)	2,800	N	6.995
5229	2002	Cessna Preowned Citations	6,537	N	4.950
5233	2002	Childish Creations	1,625	Y	5.295
5235	2002	Netjets Transportes (Portugal)	6,088	Y	Make Offer
5242	2002	Granard Ltd. (England)	2,716	Y	3.995 <sup>1</sup>
5266	2002	Queensway Aviation Ltd. (England)	2,150	Y	7.100
5288	2002	Interjet Hellenic Aviation (Greece)	3,496	Y	4.795
5325	2003	Atlanta Jet Inc.	1,290	Y	5.195
5368	2004	Poonawalla Group (India)	2,000	Y	5.000 <sup>2</sup>
5370	2004	McDonough Capital	1,099	Y	5.995
5371	2004	Global Aviação Executiva (Brazil)	1,581	Y	Make Offer

1. The low asking price reflects damage history.
2. Unconfirmed price.

An obvious observation is that among these 11 aircraft, seven of them are registered outside of the United States. Among these, the respective owners of serial number 5228 and 5866 have both overpriced their aircraft, each hoping to sell their aircraft within the U.K.

Among some of the available U.S. registered aircraft, the pilot of serial number 5233 advises that despite the \$5.295 million asking price, they have received offers in the \$4.5 to \$4.55 million range. Due to the aircraft's relatively low airframe time, the owner is hoping for around \$4.75 million.

Similarly, Cessna Finance who recently repossessed serial number 5325 is hoping to achieve a price in the \$4.8 million range. Given that this is the only available 2003 built aircraft, this number becomes an important data-point in establishing the value of the Subject Aircraft.

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However, it is important to note that this aircraft has more landings than hours (1,290 hours and 1,309 landings) and its engines are not enrolled in an engine program.

In addition to the availability of these aircraft, JetPer is aware of a number of other Excel transactions which have occurred in the 2<sup>nd</sup> half of this year involving late model (2002 and younger aircraft) and U.S. based customers:

- *Serial Number 5277.* Sold in September, this was a 2002 built aircraft with 4,043 hours total time, sold from King Aviation to Soda Corners II LLC. JetPer has learned that this aircraft sold for \$4.5 million.
- *Serial Number 5297.* Sold in December, this is the most recent sale of a late model Excel. It was a 2002 built aircraft with approximately 2,620 hours total time and sold from AGP Enterprises LLC to a company in Canada. The aircraft had an APU but was not enrolled in an engine program. JetPer has learned that this aircraft sold for approximately \$4.5 million.
- *Serial Number 5336.* Sold in June, this was a 2003 built aircraft with almost 2,300 hours, and like the Subject Aircraft had APU and was enrolled in an engine program. The aircraft sold from Jim & Mike Leasing LLC to Cardinal Capital Partners. The broker advises that the aircraft sold for \$5.2 million.
- *Serial Number 5357.* This sale involves the youngest Excels to have sold over the past six months. This was a 2004 built aircraft with only 776 hours total time and APU but was not enrolled in an engine program. The aircraft sold in October from Management West LLC to CNH LLC. The selling broker, who had set an asking price of \$4.95 million, advises that the aircraft sold within a month for around \$4.7 million. JetPer is of the opinion, that based upon the sale of 5336 and the availability of the older serial number 5325, the sale of this aircraft at roughly \$4.7 million would have been an excellent purchase, but its selling price is not necessarily reflective of the market.

Besides these three "retail" sales, JetPer is also aware of one aircraft that was traded to Bombardier and then resold to England (serial number 5265); another aircraft sold by Cessna to a customer in Chile (serial number 5278); and serial number 5280, an aircraft with roughly 7,500 hours total time, formerly operated as a NetJet fractional aircraft. Due to the unique situation which surrounds each of these aircraft (i.e., international exchange rates and

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very high time), JetPer is of the opinion that these sales have no meaningful bearing on establishing the value of the Subject Aircraft.

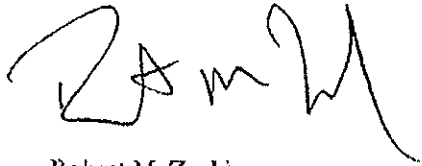
In the opinion of JetPer, the real dynamic in this market can be found in reviewing the Excel transactions. Given the problems affecting the overall economic environment, potential customers for these aircraft seem to be favoring the oldest, least expensive aircraft. During the last six months of 2010, only two 2003 and 2004 built aircraft traded. Conversely, among 1998 and 1999 built aircraft, aircraft which represent the first two years of production, there have been eight retail transactions. Given that the values of these aircraft are approximately \$3 to \$3.5 million, there is a difference of roughly \$1 to \$1.5 million between the oldest and youngest Excels and it is this difference in pricing which has no doubt stimulated market interest in the older aircraft.

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## COVENANTS

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Jet Perspectives has no present or contemplated future interest in the subject property or any other interest which might tend to prevent making a fair and unbiased appraisal. This report has been prepared for the exclusive use of the Client; JetPer will not provide it to any other party without the express consent of Client. JetPer does not assume responsibility or legal liability for any actions taken, or not taken, by Client or other parties concerning the equipment. By accepting this report, all parties agree that JetPer shall bear no such responsibility or legal liability including liability for special or consequential damages. JetPer hereby certifies that, to the best of its knowledge and belief, the statements of fact contained in this report are true and correct, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation and the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers.



Robert M. Zuskin  
President  
Jet Perspectives  
February 3, 2011

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Florida Power & Light Company  
February 3, 2011

INSPECTION & APPRAISAL REPORT  
FOR  
CESSNA CITATION XLS  
SERIAL NUMBER 560-5603

PREPARED FOR:  
FLORIDA POWER & LIGHT COMPANY  
FEBRUARY 1, 2011

STAFF 002729  
FPL RC-12

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## INSPECTION & APPRAISAL REPORT

CESSNA CITATION XLS, SERIAL NUMBER 560-5603

### ASSIGNMENT

Jet Perspectives ("JetPer") has been retained by Florida Power & Light Company (the "Client") to offer its opinion as to the Fair Market Value of one 2005 manufactured Cessna Citation XLS (the "Subject Aircraft") detailed below:

<i>Manufacturer</i>	<i>Cessna Aircraft Company</i>
<i>Model</i>	<i>Citation XLS (Model 560XL)</i>
<i>Serial Number</i>	560-5603
<i>Registration</i>	N868XL
<i>Date of Manufacture</i>	December 12, 2005
<i>Engine Model</i>	Two Pratt & Whitney PW545B
<i>Total Time (hours/cycles)<sup>1</sup></i>	1,721.1 / 936
<i>Configuration</i>	Nine Passenger Executive

1. Hours and cycles are as of January 14, 2011.

### APPRAISAL ASSUMPTIONS

In an appraisal supported by an inspection and records review, the subject aircraft is physically inspected and its maintenance records reviewed to determine its overall condition, maintenance status and records quality. However, before the inspection of the aircraft itself, JetPer first develops the aircraft's Fair Market Value based upon the following assumptions.

- Unless otherwise noted, the airframe, engine and other major components are in a mid-life, mid-time status.
- That it is typically equipped for a role as a corporate aircraft and that it does not have equipment or characteristics that would materially affect its value.
- Its historical and/or expected level of utilization for the aircraft is typical for its make and model.
- It is certificated and operated under the auspices of the Federal Aviation Administration or other major regulatory authority if not registered in the United States.
- The aircraft is clean, and maintained under the manufacturer's recommended maintenance program using factory authorized maintenance facilities.
- The aircraft has no damage history.
- All major modifications and/or repairs have been properly documented.

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- The aircraft has no outstanding Airworthiness Directives or maintenance requirements.

JetPer then uses the condition and maintenance data obtained from the inspection of the aircraft to adjust for the variance from that assumed status. For instance, recent major airframe inspections or engine overhauls will add to the value of the aircraft.

In addition to the foregoing assumptions about the aircraft itself, JetPer also makes two further assumptions regarding any possible transaction involving the Subject Aircraft:

- That if sold, the aircraft will be sold as a single unit, not involved in a fleet sale which would tend to discount from the value shown.
- That the aircraft is not subject to an existing lease. For the purpose of this appraisal, JetPer does not consider the value of an attached lease stream or its tax consequences.

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**VALUE DEFINITIONS**

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For the purpose of this appraisal, JetPer uses the following definition of Fair Market Value as defined by the American Society of Appraisers:

- *Fair Market Value* is the amount expressed in money, as of a certain date, that may reasonably be expected for property in exchange between a willing buyer and a willing seller with equity to both, neither under any compulsion to buy or sell and both fully aware of all relevant facts.

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**AIRCRAFT VALUE**

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On January 15, 2011 JetPer inspected the Subject Aircraft and its records in order to gather independent information regarding its history, maintenance status, equipment, and any other information considered germane to this appraisal. As will be detailed in the following section, there are a number of issues which, in the opinion of JetPer, collectively have a material impact upon the value of the aircraft:

- *Utilization.* At the time of JetPer's inspection, the Subject Aircraft had 1,721 hours with 936 landings. Given its December 2005 date of manufacture, this equates to an average utilization of 345 hours per year with an average stage-length of 1 hour and 50 minutes duration. In comparison, among the 20 available Citation XLSs the average utilization

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is approximately 380 hours per year. Consequently, with its utilization approximately 9% less than this overall fleet average the value of the Subject Aircraft is somewhat enhanced over the average available XLS.

- *Engines.* As with any other corporate aircraft, the most important consideration beyond the issue of utilization relates to the status of its engines. In the case of the Pratt & Whitney PW-545B engines which power the XLS, Hot Section Inspections are required at 2,500 hours while the more comprehensive engine overhauls are due at 5,000 hours.

Relative to the Subject Aircraft, the hours and cycles of the left-hand engine are matched with to the airframe. In July 2010 the right engine was removed for repairs (due to temperature issues) and was reinstalled in October. During that time, the aircraft (and left engine) had accumulated an additional 81.7 hours and 46 cycles, the current difference in hours and cycles between the two engines.

An important issue relating to the aircraft's overall value is that the engines are enrolled in the Pratt & Whitney ProAdvantage Plus engine program. Similar to the Honeywell MSP program, under the ProAdvantage program the operator pays a fee for each hour of engine operation, which in turn pays for all scheduled and unscheduled maintenance events.

Given that the majority of XLS aircraft are not enrolled in an engine program, enrollment in the ProAdvantage program, or another competing program offered by Jet Support Services, serves to enhance the overall value of the aircraft. In the case of the Subject Aircraft, based upon the current status of its engines and their percentage of life remaining before overhaul, JetPer would estimate that enrollment in the program enhances the value of the Subject Aircraft by at least \$400,000 compared to a similar aircraft without its engines enrolled in such a program.

- *Maintenance.* The Subject Aircraft has been operated and maintained since new under FAR Part 91, that section of the Federal Aviation Regulations that pertain to privately owned aircraft. Since new the aircraft has been maintained under Cessna's recommended maintenance program, with all maintenance tracked via CESCO (Cessna Computerized Aircraft Maintenance Program).

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Since October 2008 the Subject Aircraft has been maintained using the new MSG-3 (Maintenance Steering Group) guidelines. MSG-3 was designed to alleviate the often costly and redundant maintenance requirements due under the "typical" Chapter 5 maintenance requirements and was originally touted by Cessna to reduce maintenance costs by "up to 30%". Under that program, routine Phase 1 through Phase 4 airframe inspections, were required every 300 hours or 24 months, with the most comprehensive inspection, the Phase 5, required every 1,200 hours or 36 months.

Under the MSG-3 guidelines, many of the smaller tasks associated with each of these Phase inspections have been broken down and made part of required "Inspection Documents". This program will be discussed at length in the following section.

For some operators, particularly those with their own in-house maintenance such a maintenance regime is appealing. Conversely for those operators who rely upon outside maintenance to perform either routine and/or unscheduled maintenance events the need to do monthly tasks may be somewhat onerous. Consequently, in the opinion of JetPer enrollment in the MSG-3 program is neither an enhancement to nor detraction from the value of the aircraft.

The logbooks seen by JetPer were considered to be in excellent overall condition, with all maintenance events properly and neatly recorded. It should be noted that as with other Citation aircraft, the logbooks of the Subject Aircraft consist primarily of MTRs (Maintenance Transaction Reports) arranged in chronological order from the time the aircraft was new. It appears that all of these MTRs were properly archived without any gaps in their sequencing.

As will also be discussed in the following section, JetPer was impressed with the maintenance the aircraft has received, with some maintenance tasks more strictly followed than required under the Cessna recommended maintenance program.

- *Cosmetic Condition & Configuration.* The cosmetic condition and interior configuration are important, albeit highly subjective, value considerations.

As can be seen from the photographs in Appendix III of this report, the Subject Aircraft is a very handsome, very clean, aircraft both inside and

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out and is devoid of any unique customization which would tend to detract from the aircraft's value.

An unusual aspect of the Subject Aircraft is that as a new aircraft in early 2006, its paint was contracted to an outside contractor, Duncan Aviation in Lincoln, Nebraska. According to the Client's maintenance personnel, at the time of its impending delivery, Cessna did not have the ability to paint the aircraft without incurring delivery delays. As a result, this aircraft, as well as several other aircraft, were painted by facilities other than Cessna.

It should be noted that Duncan Aviation is considered one of the best refurbishment facilities in the United States. Despite the fact that the paint on the Subject Aircraft is almost five years old and despite the fact that it was seen under the lights of the hangar, it was apparent that the paint was in excellent overall condition with good coverage and high gloss.

Inside the aircraft is also considered to be in excellent overall condition. It features a nine passenger interior, with a two-place divan opposite the main cabin door, a forward four-place club arrangement, two forward facing seats in the aft cabin and a single side-facing, belted "potty" seat in the aft lavatory. The interior was considered to be in immaculate condition with only minor wear noted.

- *Avionics/Optional Equipment.* The Subject Aircraft is a typically equipped Citation XLS with a Honeywell Primus 1000 avionics suite featuring dual Universal Flight Management Systems and other avionics systems suitable for both domestic and international travel.

The cabin is also equipped with the typical complement of passenger amenities such as a passenger briefing system and galley with food storage and coffee.

- *Miscellaneous Considerations.* In the world of corporate aviation, an aircraft's "pedigree" can affect its marketability and therefore its overall value in the marketplace. In the case of the Subject Aircraft, it has had only one owner since new. The records were found to be in very good condition with most MTRs accomplished in-house or, for more extensive maintenance events, done by Cessna maintenance facilities.

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Of some concern however is an event that occurred early in the life of the aircraft, which would be considered "damage history", an event which will no doubt affect the aircraft's value. In November 2006, with only 303 hours total time and 176 landings, while undergoing routine maintenance the tail cone of the Subject Aircraft was punctured by a jack stand. As a result of the damage, the aircraft required some repairs engineered specifically for this aircraft.

It is important to recognize that the value of a corporate aircraft is a function not only of basic market forces (e.g. supply and demand) but also of other extraneous factors. These include such items as an aircraft's age, demographics and caliber of owners, aircraft location, maintenance practices, completeness and level of documentation, and whether or not the aircraft has suffered any damage, major or minor. Collectively, these items create an aircraft's "pedigree" which can have a material impact on its value and marketability.

In the opinion of JetPer, damage history of an aircraft, excluding total loss, can reduce its value from 0% to 50% below what would otherwise be its Fair Market Value. The level of discount depends on the extent of damage, the type of incident, the time since the damage was repaired, the expertise of the repair facility, the thoroughness of engineering documents and the nature of the aircraft market at the time the aircraft is offered for sale. These issues can be weighed by a prospective purchaser and applied judgmentally on a case by case basis.

In attempting to determine the impact of damage upon an aircraft's value, in the opinion of JetPer, it is important to distinguish between damage which is inflicted because of an operational incident (i.e., gear up landing, striking a fixed object, overrunning a runway) and passive incidents in which damage is inflicted *upon* the aircraft.

The Subject Aircraft was damaged in such a passive incident and consequently the damage appears to have been confined to specific, easily repairable, areas. It was repaired by Cessna in Wichita and the paperwork seen by JetPer reflects the fact that this was not simply a case of replacing a damaged component with a factory new component. Instead, due to damage to the stringers in the tailcone, "doubblers" were installed to add additional strength and support.

Although this incident and subsequent repairs have left no residual impact upon the utility of the aircraft nor are there any unusual or unique maintenance issues, due to this history of damage and repair a finicky and demanding marketplace *will likely* penalize the value of this aircraft compared to other similar aircraft.

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Another consideration is the lack of an FAA Form 337. This document, required to be in the permanent aircraft records, is issued for the "repair, alteration or modification" of an aircraft, engines or propellers. In some circumstances, when a damaged component is replaced with a new component, the issuance of a Form 337 can be avoided and the stigma of the incident becomes somewhat alleviated. However, despite the customized engineering which was required to repair the Subject Aircraft, Cessna and the Client have relied upon obscure language contained in the Federal Aviation Regulations to avoid the issuance of this form.

Section 43 of the Federal Aviation Regulations focuses upon the "Maintenance, Preventative Maintenance Rebuilding and Alteration" of aircraft. *Appendix B to Part 43 - Recording of Major Repairs and Major Alterations* notes:

- (a) Except as provided in paragraphs (b), (c), and (d) of this appendix, each person performing a major repair or major alteration shall --
  - (1) Execute FAA Form 337 at least in duplicate;
  - (2) Give a signed copy of that form to the aircraft owner; and
  - (3) Forward a copy of that form to the FAA Aircraft Registration Branch in Oklahoma City, Oklahoma, within 48 hours after the aircraft, airframe, aircraft engine, propeller, or appliance is approved for return to service.
- (b) For major repairs made in accordance with a manual or specifications acceptable to the Administrator, a certified repair station may, in place of the requirement of paragraph (a) --
  - (1) Use the customer's work order upon which the repair is recorded;
  - (2) Give the aircraft owner a signed copy of the work order and retain a duplicate copy for at least two years from the date of approval for return to service of the aircraft, airframe, aircraft engine, propeller, or appliance;
  - (3) Give the aircraft owner a maintenance release signed by an authorized representative of the repair station and incorporating the following information.....

It is the language of section (b) above which has allowed the Client to avoid the issuance of a Form 337. In the opinion of JetPer, this strategy may be a double-edged sword. The Client was trying to avoid the issuance of a Form 337 for a repair which formally stigmatizes the aircraft as one that has been damaged and required special engineering to return to service. Although the lack of a Form 337 does avoid this stigma, a potential customer in the future may not appreciate the nuances of the FAA regulations and argue that the lack of a Form 337 is simply an attempt to "gloss over" repairs. Regardless, an experienced examiner will understand that the aircraft was involved in an incident and despite the lack of a Form 337, that the aircraft has suffered damage. A copy of *Appendix B to Part 43* is included in Appendix I of this report.

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It must be stressed that paperwork seen by JetPer was the result of discussions between Cessna and the Client and are no doubt legal under the regulations. What is at issue however, is how the damage has affected the value of the aircraft.

In the opinion of JetPer, the answer to that question is based upon the nature of the market which currently exists. For instance, if the XLS market were very bullish with only a few available aircraft and strong demand, such an incident would likely have little or no impact upon the value of the aircraft. Conversely, in a soft market environment with too many aircraft chasing too few customers, such an incident can have a significant affect upon an aircraft's value. As will be detailed later in this report, with roughly 6% of the XLS fleet available for sale, the XLS market is relatively balanced and therefore the value impact is not as great as it could be. Nevertheless, based upon the scope of damage and its repairs, the *potential* issues regarding the paperwork and the broader market issues, JetPer is of the opinion that the damage to the Subject Aircraft reduces its value by 2% below what would have otherwise been its Fair Market Value.

In addition to consideration of the technical status of the aircraft, this information must be weighed against the current market environment for Citation XLS aircraft and from a macro perspective, the corporate aircraft market as a whole. The most recent report from J.P Morgan - Global Equity Research, entitled *Aerospace and Defense - Business Jet Monthly - January 2010 (January 8, 2010)*, notes a number of broad issues affecting the marketplace for light jets. According to this report:

- *"Used jet inventory, measured by 'aircraft for sale as % of the active fleet' decreased 40 bps to 12.4% in December; declining 170 bps from the peak in July. All light business jet models saw declining inventories except Citation CJ3 (+80 bps) and CJI/CJI+ (+10 bps). The decrease in inventories was primarily driven by Premier I/IA, Citation Excel/XLS (-80 bps), CJ2/CJ2+ (-60 bps) and Learjet 40/45 (-50 bps), while Citation V/Ultra/Encore/Encore+ (-30 bps) and CJ 3 (-10 bps) also contributed."*
- *"Light jet average asking price decreased 1.1% to \$4.3 million in December and was down 21.0% y/y, marking the 21<sup>st</sup> sequential decline in the last 22 months and the 11<sup>th</sup> straight y/y double-digit decrease. The price decline was primarily driven by different Citation models - CJ2/CJ2+ (1.4%), and V/Ultra/Encore/Encore+ (-0.7%), while Learjet 40/45 prices also decreased 0.8%, Premier I/IA (+5.7%) and Beechjet 400/Hawker 400 (+2.5%) witnessed price increases, while Citation CJ3 remained flat."*

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- *"Mixed: Learjet 40/45, Citation Excel/CLS, V/Ultra/Encore/Encore+ and CJ2/CJ2+ saw decreased inventories and lower prices, while CJ3 had fleet prices but lower inventories."*

As will be detailed later in this report, among the 331 XLS aircraft in service worldwide, only 20 aircraft, representing roughly 6% of the fleet is available for sale. However, it must be noted that 96 of these aircraft are in service as fractionally owned aircraft and therefore the fleet of XLSs in service as "typical" corporate aircraft is actually 235 aircraft. Consequently, these 20 available aircraft represent approximately 8.5% of the fleet, indicative of a somewhat "softer" market environment. Asking prices for these available aircraft range from \$6.5 million to \$9.5 million with an overall average of approximately \$7.7 million.

The opinion of JetPer relative to the Fair Market Value of the Subject Aircraft is therefore based upon the current status of the Subject Aircraft taken in the context of the prevailing market environment. *In that regard, Jet Perspectives is of the opinion that the Subject Aircraft, a 2006 manufactured Cessna Citation XLS, Serial Number 560-5603, has a Fair Market Value of \$6,900,000.*

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## AIRCRAFT INSPECTION SUMMARY

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In support of the foregoing appraisal, the Subject Aircraft and its records were physically inspected on January 15, 2011 at the Florida Power & Light aviation facilities located at West Palm Beach International Airport.

According to a United States Certificate of Aircraft Registration dated January 20, 2006, the Subject Aircraft is currently registered to:

Florida Power & Light Company  
700 Universe Blvd.  
Juno Beach, FL 33408-2657

A copy of this document, as well as a copy of the aircraft's December 12, 2005 issued U.S. Certificate of Airworthiness can be found in Appendix I of this report.

For the purpose of this appraisal, JetPer reviewed the single airframe logbook, two engine logbooks, APU logbook, and other miscellaneous documents.

The logbook for this aircraft is similar to that of other Citations, comprised of Maintenance Transaction Reports ("MTR"), which is an individual page for each scheduled or unscheduled maintenance event. For each event, a copy is placed in a binder, a copy stays with the maintenance facility and another copy is sent to Cessna for inclusion in the aircraft's maintenance database. In the logbook seen by JetPer, MTRs are properly arranged in chronological order providing a logical sequence of maintenance events for the aircraft.

In the case of the Subject Aircraft, all MTR entries were considered to be typical entries made for both scheduled and unscheduled maintenance events. Over the life of the aircraft, all routine maintenance events, for both the airframe and engines, have been made on time and as required under the Cessna Citation maintenance program.

The first MTR for this aircraft was dated December 8, 2005 at which time the Subject Aircraft had 6.6 hours with 5 landings. Four days later, the aircraft received its U.S. Certificate of Airworthiness, considered its official "date of manufacture".

It appears that the Client took possession of the aircraft on January 20, 2006 with the issuance of the current U.S. Certificate of Registration. At that time the aircraft had 14.7 hours with 13 landings. The first entry made by the Client is dated March 1, 2006 when the aircraft had 19.2 hours and 17 landings.

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An unusual aspect of the Subject Aircraft is that is one of only a few factory delivered aircraft which were painted at a facility other than Cessna's. According to the Client's maintenance personnel, in early 2006 due to a surge in manufacturing Cessna suffered a bottleneck of aircraft trying to get through their paint facilities. Rather than suffer a delivery delay the Subject Aircraft was flown to Duncan Aviation in Lincoln, Nebraska for paint. As noted earlier in this report, Duncan is considered one of the preeminent facilities in the United States and therefore the paint of third-party facility is of no consequence to the value of the aircraft.

The Subject Aircraft has been maintained under Cessna's continuous inspection program, as defined by Federal Aviation Regulation Part 91.409(f)(3).

To facilitate record keeping, the aircraft is maintained under CESSCOM, the Cessna Computerized maintenance program. The CESSCOM report tracks the status of every component, inspection, Airworthiness Directive and Customer bulletin issued on the aircraft and is provided on a monthly basis to the operator. As work is accomplished, routine or not, the information is sent to Cessna who in turn updates the computerized records and reissues the next monthly report. For the purpose of this appraisal, JetPer was provided with an *Aircraft Status Report* dated January 14, 2011, a copy of which is contained in Appendix II of this report.

Under the original Citation "Chapter 5" maintenance program, the most basic inspection, the "B", is required every 150 hours. The more extensive inspections are the Phase 1 through Phase 4 inspections, each of which is required every 300 hours or 24 months, and the Phase 5 inspection, required every 1,200 hours or 36 months. The inspection of specific aircraft components are called for in the Phase 7 through Phase 68 inspections.

However, in October 2008 at 984 hours total time, the Client elected to enroll the aircraft in Cessna's MSG-3 Continuous Airworthiness Program (Service Bulletin SB560XL-050-01). Under this program the Phase I through V inspections (which focused on the airframe and engines), have been replaced with a progressive type system by which the various elements of these inspections are performed on a monthly basis. The appeal of the MSG-3 program is that it reduces the redundancy of many of inspections and eliminates the need to take the aircraft out of service for the traditional Phase Inspections.

Each inspection is referred to as an "Inspection Document" with each inspection based upon either hourly, calendar or cyclical limitations. Inspection Document #1, for instance, is required every 600 hours or 12 months whichever comes first; the most extensive airframe inspection, Inspection Document #49, is due every 120 months and then every 60 months thereafter.

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A review of the MTRs and the *Aircraft Status Report* appears to indicate that the Subject Aircraft is current under the Cessna Continuous Inspection program with no overdue or deferred items noted.

Given the broad scope of these many inspection documents, JetPer has included an overview of the program in Appendix I of this report.

As discussed earlier in this report, an MTR dated November 10, 2006 (when the Subject Aircraft had 303.2 hours and 176 landings) notes that the tailcone was damaged by a jack stand. According to maintenance personnel, while performing a test of the thrust reverser system, the aircraft had to be raised off the ground. It was during this test that the aircraft fell off the jack under the tailcone.

As a result of the damage incurred, a ferry permit was issued to fly the aircraft from its base in West Palm Beach to the Orlando Service Center in Orlando, Florida. Once there it was determined that the damage was more extensive and the aircraft was subsequently flown to the Cessna factory for repairs.

The engineering documents seen by JetPer described in detail the parts which were affected and went on to detail the required remedies. As a result of the work, the MTR which summarizes the work done:

1. Replaced R/H tailcone skin due to excessive force from tailstand, new skin installed IAW [In Accordance With] Cessna Engineering Drawing, .....
2. Replaced lower aft canted bulkhead, stringer 17 (p/n 661202650) and upper doubler IAW.....
3. Removed and replaced L & R engines to accomplish.....

Upon inspection of the affected area, the exterior of the aircraft showed no signs of having been repaired. However, inside the tailcone, the doublers mounted to the damaged stringers were obvious.

A major issue relating to the value of the Subject Aircraft, as is with any other aircraft, relates to the status of the engines. In the case of the Subject Aircraft, the Pratt & Whitney PW545B engine which powers the XLS has an overhaul limit of 5,000 hours; the hot-section inspection is due at 2,500 hours. The left engine of the Subject Aircraft has not had any maintenance issues and therefore its hours and cycles are equal to that of the aircraft.

The right engine of the aircraft was removed on July 20, 2010, at 1,553.35 hours, due to abnormally high temperatures and sent out for repairs. It was repaired by Pratt & Whitney's

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Bridgeport, West Virginia and was ultimately reinstalled on the aircraft on October 24, 2010. In total, the right engine was off the Subject Aircraft for 81.7 hours and 46 cycles.

It is important to note that both engines are enrolled in the Pratt & Whitney ProAdvantage Plus engine program. Under this program, an operator pays a fee for each hour of engine operation which in turn covers both scheduled and unscheduled engine maintenance events. In the case of the recent repairs to the right engine, the associated costs were borne by Pratt & Whitney. When the engines are due their 2,500-hour hot section inspections, assuming continued enrollment in the program, the cost of this work will also be paid by Pratt & Whitney.

The auxiliary power unit is a Honeywell RE-100 designed to provide electrical power and heating and cooling while on the ground and is certified for in-flight operation if necessary. This model of APU is maintained on an "on-condition" basis, being repaired or overhauled only when necessary. It is enrolled in Citation's AuxAdvantage Plus program which, based on a monthly fee, provides coverage for both scheduled and unscheduled maintenance events. As of the date of JetPer's inspection, the APU had 640.7 hours with 1,107 cycles.

As a matter of routine, JetPer examines any Form 337s which have been issued. An FAA Form 337 is required for the "repair, modification or alteration" of an aircraft, its engines or propellers. As the Subject Aircraft equipped exactly as it was delivered without any additional equipment or modifications, no Form 337s have been issued.

Cosmetically, the Subject Aircraft is considered to be in excellent condition. (See Appendix III for photographs.)

On the outside, the aircraft is painted in Snow White with Silverwoods Blue and Medium Gray stripes. Although seen by JetPer under the lights of the hangar, the aircraft was clearly in excellent overall condition with a high gloss finish over all of its surfaces. Typical minor paint chipping was noted, most notably around the windscreen and inspection plates, but these imperfections appear to have been properly touched-up. All of the cabin windows were considered to be in excellent overall condition free of condensation or glazing.

The interior of the Subject Aircraft is configured for nine passengers. Across from the main cabin door is a two-place divan. In the forward cabin is a four-place club arrangement with two forward facing seats in the aft cabin. The side-facing "potty" seat in the aft lavatory is a legal belted seat allowing for a ninth passenger, if necessary.

In the opinion of JetPer the interior of the aircraft was in immaculate "like-new" condition.

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Florida Power & Light Company  
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# JET PERSPECTIVES

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It must be noted that JetPer was very impressed with the Client's maintenance policies. Recognizing, for instance, that the environment of their South Florida base can have harmful effects upon aircraft, the "typical" maintenance has been modified to make proactive procedures.

For instance, both engines routinely undergo "de-salinization" washes designed to remove harmful salts and other pollutants that can decrease engine life. The rubber de-icing "boots" on the horizontal stabilizer are routinely treated and inspected every 30 days to ensure that they work when called upon and to avoid the surprise of costly corrosion often found underneath of them. In addition, under the Cessna MSG-3 program, batteries are to be inspected on a regular basis.....the Client not only inspects them when required, but "deep cycles" them as well to ensure that they have maximum electrical capacity.

In summary, the Subject Aircraft is an extremely well maintained Citation XLS with excellent maintenance documentation, overseen by professional and dedicated maintenance personnel. It is spotlessly clean inside and out, without any unusual customization.

In the opinion of JetPer the November 2006 damage history is an incident that will stigmatize the aircraft and its value. Although there is no question that the repairs were properly engineered and there are no residual operational restrictions or maintenance issues, such an incident will no doubt taint the pedigree of the aircraft and *may* become an issue when the aircraft is sold in the future.

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February 1, 2011

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## AIRCRAFT SPECIFICATIONS & EQUIPMENT

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The following is a brief description of the Subject Aircraft including its avionics, equipment; hours and cycles based upon its January 14, 2011 inspection:

Total Time Airframe: 1,721.1 hours  
Total Landings: 936

Engines: (enrolled in ProAdvantage)

	<i>Left</i>	<i>Right</i>
Manufacturer:	Pratt & Whitney	Pratt & Whitney
Model:	PW545B	PW545B
Serial No.:	PCE-DD0217	PCE-DD0216
Total Time:	1,721.1 hours	1,639.4 hours
Total Cycles:	936	890
Hot Section Due at:	2,500 hours	2,500 hour
Hours 'til Hot Section:	778.9 hours	860.6 hours

Auxiliary Power Unit:

Model: Honeywell RE-100 (XT)  
Serial Number: P-559  
Time Since New: 640.7 hours  
HSI Interval: On Condition

Avionics:

Honeywell Primus Avionics Suite	Dual Universal UNS-1RSP Flight Management Systems
Honeywell Primus 800 Color Radar	Honeywell AA-300 Radio Altimeter
Dual Honeywell RM-850 Radio Tuning Unit	Single Honeywell HV-850 Nav
Single Honeywell DF-850 ADF	Dual Honeywell DM-850 DMRs
Dual Honeywell XS-852B Transponders	King KHF-1050 w/Selcal
Dual Honeywell TR-850 Comms	Allied Signal Mk V EGPWS
L3 TCAS 2000 Systems	Garmin MX20 Stormscope
Inflight AV300 Weather Data System	

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*Additional Equipment:*

Heads-Up-Tech CMS-400 Electronic Checklist	Aircell ST-3100 Telephone System
Universal UL-701 Two-Way Data Link	Certified for RVSM
Cabin Briefing System	Electronic Engine Chip Detection System
Flight Data Recorder	Cockpit Speaker Mute Switch
Cockpit Voice Recorder	APU Hobbs Meter in Cockpit
Pulse Light System (Interfaced with TCAS)	Avionics Dispatch Ground Power Switch
ArVisor 15001 Passenger Briefing System	Two 110-Volt Electrical Outlets
Cabin Fax/Data Port	

*Cosmetics: (See Appendix III for photographs)*

*Interior:* Original nine passenger cabin. Two-place divan opposite cabin door, four-place club in the mid-cabin and two forward facing seats in the aft cabin. All seats upholstered in beige leather. Multi-colored geometric lower sidewall. Off-white upper side-walls and head liner. All hard-wood surfaces done in African mahogany. Considered to be in excellent overall condition.

*Exterior:* Painted in February 2006 by Duncan Aviation. Overall Snow White with Silverwoods Blue and Medium Gray stripes. Considered to be in excellent overall condition.

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February 1, 2011

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## CITATION XLS BACKGROUND AND MARKET OVERVIEW

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The Citation XLS and its predecessor, the Citation Excel (XL), attempted to address a shortcoming for the traditional light jet, namely the lack of a stand-up cabin. That changed when Cessna unveiled a new addition to its prolific Citation line, the Citation Excel. First announced at the National Business Aviation Association's 1994 convention, it flew its initial flight in February 1996 and was certified in April 1998 with first customer deliveries

occurring in July of that year.

In the Excel, Cessna brought together the high end of its light jet line with a fuselage rooted in the company's midsize aircraft. The fuselage is virtually the same length as that of the Citation VII, and has cross-section is exactly the same as the top-of-the-line Citation X. An under fuselage wing carry-through configuration allows the cabin's dropped aisle to extend all the way aft, opening into a spacious lavatory behind which is a clothes closet suitable for hanging suits.

The rest of the airframe has much in common with the Citation Ultra including the high performance straight wing featuring swept wing roots and the cruciform tail. One feature not retained from the Ultra is its stiff landing gear, replaced by the much more forgiving trailing link gear. In the cockpit, the Excel is practically identical to the Ultra, equipped with the same Honeywell Primus 1000 avionics suite.

To deliver Ultra performance with the added weight imposed by the larger fuselage, the Excel is powered by two Pratt & Whitney PW 545A turbofan engines that deliver 3,640 pounds of thrust each. The power gain represents an increase of 595 pounds per engine over the Pratt & Whitney JT15D-5D that power the Ultra.

The Excel and XLS, each with a cabin volume of 461 cubic feet, sit astride the traditional market definitions of light and medium size corporate aircraft. Its cabin volume is large for the typical light jet and small compared to medium aircraft. Similarly, the aircraft has the excellent runway performance of smaller aircraft, yet its range/payload capabilities are similar to that of larger, more expensive aircraft.

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The first Excels, delivered in 1998, had an average equipped price of approximately \$7.6 million, representing the heavy discounting typically offered for new production aircraft. The following year, the average delivered price jumped to \$8.3 million, while for those aircraft delivered in 2000 and 2001 the average prices were almost \$8.6 million and \$9.3 million respectively.

In 2004, after building 373 aircraft, manufacture of the Excel was discontinued and replaced by the current production XLS. As of the date of this report, 331 XLSs are in service worldwide.

The XLS is powered by the Pratt & Whitney PW545B engines that provide an increase of almost 5% of thrust compared to the original PW545A engines on the Excel. In addition, the standard equipment list of the XLS incorporates over \$600,000 in equipment that was optional on the Excel. The nine place interior includes a six-place center club seating configuration, with a two place belted couch and aft left hand belted (optional) toilet.

In the seven years since its first introduction, the Citation XLS has met with strong market acceptance. As of the date of this report, 331 aircraft are in service world-wide. Among these aircraft, Netjets operates 81 aircraft (51 in the U.S., 30 in Europe) while Cessna's own fractional program, CitationAir, operates 15 aircraft. In the opinion of JetPer, almost 29% of the fleet in service as fractionally owned aircraft, strong testimony to the appealing characteristics of the aircraft.

However, this fleet concentration is also a double-edged sword. On one hand, many fractional owners have been introduced to the benefits of corporate aviation and specifically the qualities of the XLS. Conversely, should either of these two operators decide to sell off their XLS fleets, either immediately or over time, values for these aircraft will no doubt suffer.

Relative to the market for pre-owned aircraft, JetPer is aware of 20 available aircraft. As compared to the entire XLS fleet, these 20 aircraft represent a relatively balanced 6% of the market. However, when the fractionally owned aircraft are removed from the calculation these 20 aircraft represent about 9% of the fleet.

The table on the following page presents an overview of the 20 Citation XLSs known to be currently available for sale. It needs to be acknowledged that this list of available aircraft and the subsequent review of transactions represent a broad over-simplification of the XLS marketplace. Each available aircraft and each aircraft sold, represents a unique history, unique maintenance status, equipment, modifications and innumerable other factors. In valuing the Subject Aircraft, JPI is attempting to define the market extremes and to appropriately place the Subject Aircraft within these market precedents.

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<i>Cessna Citation XLS Availability Summary</i>				
<i>Serial No.</i>	<i>Yr. of Mfg.</i>	<i>Owner</i>	<i>Total Time</i>	<i>Asking Price (millions of USD)</i>
5510	2004	Entergy Services Inc.	2,068	6.500
5515	2004	Entergy Services Inc.	1,993	6.500
5525	2004	Credomatic Air Services LLC	1,286	7.800
5533	2004	Platinum Air LLC	1,646	6.500
5534	2004	NRE Jet LLC	3,120	7.250
5583	2005	Passaro Azul Taxi Aereo Ltda. (Brazil)	1,442	8.000
5608	2005	K2 Smart Jets (Greece)	1,050	8.200
5625	2006	Cessna Preowned Citation	2,173	6.500
5631	2006	Interjet Hellenic Aviation (Greece)	1,456	7.500
5645	2006	Steiner Flim Aviation Inc.	1,154	7.600
5668	2006	JetAlliance Flugbetriebs GmbH (Austria)	1,741	8.000
5695	2007	Hypo-Bank Burgenland (Austria)	1,900	8.950
5723	2007	Augusta Air (Germany)	1,550	7.200
5745	2007	Jet Netherlands B.V. (The Netherlands)	650	9.500
5753	2007	Jetnova de Aviacion (Spain)	1,200	Make Offer
5763	2008	Jet Pool Network Luftverkehrs (Austria)	1,000	Make Offer

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# JET PERSPECTIVES

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<i>Serial No.</i>	<i>Yr. of Mfg.</i>	<i>Owner</i>	<i>Total Time</i>	<i>Asking Price (millions of USD)</i>
5785	2008	Queensway Aviation Ltd. (England)	550	Make Offer
5788	2008	Stephanie Fell-Neumeyer (Germany)	925	8.575
5800	2008	Corporate Air LLC	791	Make Offer
5809	2008	Banc of America Leasing	464	8.900

Among these aircraft, in the opinion of JetPer several of these are very important in establishing the value of the Subject Aircraft:

- *Serial Number 5510.* JetPer has learned that offers have been tendered on this aircraft for \$5.7 million.
- *Serial Number 5515.* Although owned by the same company as serial number 5510, the owner of this aircraft has received an offer of \$6 million for this aircraft because it is "JAR-Ops" certified (certified for European registration), which for some potential customers is worth \$200,000 more than one not certified.
- *Serial Number 5533.* The broker of this aircraft has received an offer at \$5.8 million, however the owner is hoping to achieve a price in the low \$6 million range. It is important to note that this aircraft is one year older than the Subject Aircraft (\$300,000) and is not enrolled in an engine program (\$400,000). Therefore assuming that this aircraft were to sell for \$6.1 million, the interpolated value of the Subject Aircraft would be approximately \$700,000 more.
- *Serial Number 5645.* The broker of this JAR-Ops certified aircraft is hoping to achieve a value "north of \$7 million". It is not enrolled in an engine program.

A review of the available aircraft reveals that only nine of these aircraft are on U.S. registry. Interestingly, two of the U.S. registered aircraft are based overseas...serial number 5525, registered to Credomatic Air Services, is based in Costa Rica while serial number 5645, registered to Steiner Film Aviation, is based in Germany. Therefore, among the 20 available aircraft, only seven are actually registered *and* based in the United States. For those

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customers who wish to avoid the complications of an aircraft importation, the available market for U.S. registered aircraft is becoming increasingly thin.

Since the second half of 2010 there have been a number of relevant XLS transactions:

- *Serial Number 5514.* This is an aircraft which became available due to the sudden death of the owner. The owner, Departures, LLC, had been a very prominent Harley Davidson dealer and as a result, the aircraft had a very customized and unique paint scheme with the Harley Davidson logo prominently appearing both on the paint and throughout the cabin. With only roughly 1,300 hours total time, it was relatively low time for a 2004 built aircraft and was enrolled in the Pratt & Whitney engine program. The dealer advises that they purchased the aircraft for \$5.8 million and resold the aircraft for a price that was booked in the low \$6 million range. At issue is the value of the Citation Encore that was traded in, which tends to obscure the value somewhat. The dealer also noted that the new owner, Rodney C. Robertson, invested another \$200,000 having the aircraft repainted and new interior installed.
- *Serial Number 5560.* Sold in November 2010, this was a 2005 built aircraft with almost 1,700 hours total time, sold from Raymond Building Supply to Scotty Baldwin & Associates. JetPer has learned that this aircraft sold for a price of \$6.5 million, reflecting its lack of an engine program.
- *Serial Number 5576.* With almost 2,400 hours total time, this was a relatively high time 2005 built aircraft. It sold in June from Perfect Aviation in Portugal to Terry Enterprises in Dallas, Texas. The aircraft was enrolled in an engine program. The aircraft had been marketed with an asking price of \$7.5 million, however due to its relatively high utilization was able to sell for only \$6.6 million.
- *Serial Number 5607.* This was also sold in June, from Wells Fargo Bank (as Trustee) to a company in Belo Horizonte, Brazil. Market sources advise that the aircraft sold for \$6.5 million due to the lack of an engine program. The aircraft had roughly 1,800 hours when sold.
- *Serial Number 5641.* This was an aircraft which sold in December from Gefa Leasing GmbH to another company in Germany. JetPer has been advised that this 1,500 hour aircraft did not have an engine program and as a result was only able to achieve \$6.5 million.

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- *Serial Number 5687.* This was a 2007 model with almost 1,500 hours total time, sold in July from Ruddick Corp. to Pruitt Tran Inc., in a like-kind exchange. JetPer has learned that this aircraft sold for \$7.2 million reflecting the lack of an engine program and need for interior refurbishment.
- *Serial Number 5718.* Sold in July, this is the youngest XLS sold so far this year in the United States. The aircraft had only 680 hours total time and sold from M.E.U. Holdings WI LLC to Centurytel Service Group, Inc. The broker involved advises that the aircraft sold for \$8.1 million, a selling price that exceeded their expectations.

In the opinion of JetPer the most relevant data points in establishing the value of the Subject Aircraft relate to the anticipated selling prices of serial numbers 5533 and 5645 and the recent sales of serial numbers 5576 and 5607. Relative to the latter, it has been suggested that the retrospective enrollment cost would have been around \$500,000 and in theory had it been enrolled in a program *should* have sold for around \$7 million.

Although there has been tremendous upheaval in the corporate aircraft markets over the past two years, it can be noted that much of the remaining market activity is focused upon younger, high technology, state-of-the-art aircraft. In the opinion of JetPer, the XLS is an excellent blend of technology, performance and economy of operation and consequently it would not be surprising if values remained constant or perhaps escalated somewhat over the near term.

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February 1, 2011

# JET PERSPECTIVES

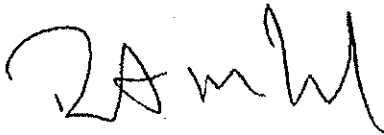
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## COVENANTS

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Jet Perspectives has no present or contemplated future interest in the subject property or any other interest which might tend to prevent making a fair and unbiased appraisal. This report has been prepared for the exclusive use of the Client; JetPer will not provide it to any other party without the express consent of Client. JetPer does not assume responsibility or legal liability for any actions taken, or not taken, by Client or other parties concerning the equipment. By accepting this report, all parties agree that JetPer shall bear no such responsibility or legal liability including liability for special or consequential damages. JetPer hereby certifies that, to the best of its knowledge and belief, the statements of fact contained in this report are true and correct, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation and the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers.



Robert M. Zuskin  
President  
Jet Perspectives  
February 1, 2011

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Florida Power & Light Company  
February 1, 2011



**AVIATION MANAGEMENT CONSULTING, INC.**

3645 Foxborough Lane, Suite 1011  
Rockford, IL 61114-7062  
Office: 815-633-1684

May 5, 2010

Florida Power & Light Company  
3800 Southern Blvd, Hangar 1625C  
West Palm Beach, FL 33406

Attn: Mr. Glenn P. Aurelius, Sr. Manager Corporate Aviation

Subject: Falcon 2000LX, Serial Number 217 Transaction Review and Analysis

**Transaction Milestones**

1. Purchase Agreement Number 2007-07-08131-DFJ for a new Falcon 2000LX was signed on October 8, 2007
2. Price without optional equipment was: \$28,696,000  
Optional Equipment: \$ 2,070,200  
TOTAL \$30,766,200 pg 2
3. Scheduled delivery date was December 30, 2010
4. Delivery date was rescheduled to February 2011

Evaluation for the current Florida Power and Light contract for Falcon 2000LX, S/N 217

1. Replacement cost new for a 2010/2011 delivery of a Falcon 2000LX is \$883,800 more than the FP&L contract price.
2. No new Falcon 2000LX aircraft on the worldwide market. Only a 2008/2009 previously owned aircraft
3. The current FP&L contract provides a new Falcon 2000LX with your required specifications.
4. The current FP&L contract for Falcon 2000LX, s/n 217 has sellers furnished aircraft, engine and APU warranties.
5. The current FP&L contract includes standard initial training courses for six (6) pilots, approximately \$44,000 per crewmember (\$264,000 value) and six (6) maintenance technicians, approximately \$23,000 per maintenance technician (\$138,000 value) at Flight Safety International.
6. The current FP&L contract has a ten percent (10%) default clause (\$3,165,000)

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7. The Falcon 2000LX has approximately 4,000 nm range, more than the current Falcon 2000 models.
8. The Falcon 2000 Series has the highest resale (Residual Value) in its class.
9. The current FP&L contract has real dollar value! If the Falcon 2000LX is still needed for the FP&L operation, I recommend retaining the agreement.

### **AMC\VALUE\$ - Trends and Market Valuation Analysis of Aircraft Values**

#### **Current Market Data:**

Over the last two (2) years, an average of three (3) Falcon 2000LX's were remarketed. Currently there are two (2) pre-owned Falcon 2000LX's on the worldwide market. These two (2) Falcon 2000LX's represent two percent (2%) of the 91 Falcon 2000LX's manufactured. The Falcon 2000LX's typically remains on the market for an average of 20 days.

It is generally accepted that a correlation exists between the strength of the resale market and the time it takes to sell an aircraft. While most will agree that this is true, the "time on market" is also partially a function of price. Still, in a "normal market," it usually takes approximately six to eight months to effectively market a properly priced, well-equipped and maintained aircraft.

AMC\VALUE\$' appraisal of this FALCON 2000LX indicates that our conclusions are consistent with the data we reviewed. Florida Power and Light Company and AMSTAT 2010 (AMSTAT Corporation) provided this data.

#### **Current Market Value**

After review of the specifications of the Falcon 200LX, Serial Number 217, Registration Number TBD in conjunction with a study of the current and historical market for FALCON 2000LX aircraft, and consideration of its "highest and best use," Aviation Management Consulting, Inc. places the subject aircraft at a **Current Market Value of: \$31,650,000 USD**

These values indicate constant 2010 dollars and have no inflation factors.

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**MARKET COMPARISON VALUATION APPROACH:**

The **Market Comparison Approach** estimates value by comparison with aircraft sold in the current market, with adjustments made for all differences, which affect value, such as differences in characteristics of value and in time. Each aircraft sold is compared to the aircraft to be appraised, and an amount is added to or subtracted from the price achieved for every difference, with the sum yielding an indication of value. The Market Comparison Approach is most reliable with manufactured products, when the items sold are identical to the one being appraised.

The only adjustments needed would be for any intangible differences such as warranty and service, for any change in value since the sale was made and for any differences between the circumstances of the sale and the circumstances of the appraisal.

The "market" is not a coherent organism with a strong will and one mind but is a great many individuals acting on their own preferences according to their own criteria. Through their actions, trends become discernible; the probability of these trends continuing will vary with their consistency and the number of actions (sales) realized over time.

**COST COMPARISON VALUATION APPROACH:**

The **Cost Approach** is one of the three recognized approaches used in appraisal analysis. This approach is based on the proposition that the informed purchaser would pay no more for a property than the cost of producing a substitute property with the same utility as the subject property. It considers that the maximum value of a property to a knowledgeable buyer would be the amount currently required to construct or purchase a new asset of equal utility. When the subject asset is not new, the current cost new for the subject must be adjusted for all forms of depreciation and obsolescence as of the date of the appraisal. This approach has its theoretical basis in the Principle of Substitution, which states, "The value of a thing tends to be determined by the cost of acquiring an equally desirable substitute."

This appraisal sets forth our findings and professional conclusions based upon an investigation of conditions affecting Current Market Value, (market comparison approach) and is subject to the Statement of Assumptions/Limiting Conditions, Valuation Methodology Terms & Definitions, which will assist in avoiding erroneous interpretation of this appraisal. Additionally, it is important to understand the AMC\VALUE\$ Valuation Methodology used for this appraisal.

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AMC\VALUE\$ has no control over asset depreciation. These factors could be one or more of the following;

- Technical Obsolescence
- Functional Obsolescence
- Economic Obsolescence
- Physical Deterioration

Definitions for these terms appear in Terms and Conditions (on file at Aviation Management Consulting, Inc)

Unless otherwise stated, the value given in this appraisal report represents my professional opinion of value as of this 5<sup>th</sup> day of May 2010 and is null and void and may not be relied upon for any purpose, 30 days after this date.

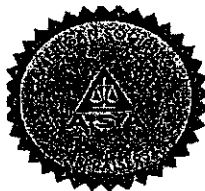


Kenneth M. Dufour, ASA  
Accredited Senior Appraiser  
Machinery and Technical Specialties (Aircraft)  
American Society of Appraisers



Leo V. Heidemann, ASA  
Accredited Senior Appraiser  
Machinery and Technical Specialties (Aircraft)  
American Society of Appraisers

President/CEO  
AMC\VALUE\$  
AVIATION MANAGEMENT CONSULTING, INC.



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**CURRENT MARKET VALUE STATEMENT/UNIFORM  
STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE  
CERTIFICATION**

**CURRENT MARKET VALUE (CMV):**

**BASED ON THE ENCLOSED VALUATION, OUR APPRAISED CURRENT  
MARKET VALUE OF THIS FALCON 2000LX, S/N 217 is: \$31,650,000 USD**

**UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE  
CERTIFICATION (USPAP 2010):**

I certify that, to the best of knowledge and belief:

- The facts and data reported contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, impartial, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the aircraft property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have no bias with respect to the aircraft that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the *Uniform Standards of Professional Appraisal Practice (2010)*.
- Kenneth M. Dufour, ASA (41652) is an accredited senior appraiser of the American Society of Appraisers in the Machinery and Technical specialties (Aircraft). The society (ASA) has a mandatory education/recertification program for designation (senior and accredited members). I am in compliance with that program.
- The undersigned did not make a personal inspection of the aircraft that is the subject of this report.

***"The Wright Appraisers"***

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**CURRENT MARKET VALUE STATEMENT/UNIFORM  
STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE  
CERTIFICATION (Cont'd)**

- Leo V. Heidemann, ASA (66377) is an accredited senior appraiser of the American Society of Appraisers in the Machinery and Technical specialties (Aircraft). The society (ASA) has a mandatory education/recertification program for designation (senior and accredited members). I am in compliance with that program.

*The information herein has been prepared from many different sources and is believed to be correct. Aviation Management Consulting, Inc. (AMC\VALUE\$) does not warrant the accuracy of the source material.*

*Limitation of Liability: It is understood and agreed that in the event of any error or omission on the part of Aviation Management Consulting, Inc. (AMC\VALUE\$), any such liability is limited and may not in any event, exceed the amount paid to Aviation Management Consulting, Inc. (AMC\VALUE\$) for the services rendered. Aviation Management Consulting, Inc. (AMC\VALUE\$) reserves the right to recall all copies of this report to correct any omission or errors. This valuation is null and void and may not be relied upon for any purpose 30 days after the date of this appraisal. Further, Aviation Management Consulting, Inc. (AMC\VALUE\$) accepts no responsibility for usage of the form unless signed by an officer and appraiser of Aviation Management Consulting, Inc. and Aviation Management Consulting, Inc. corporate seal affixed.*

Unless otherwise stated, the value given in this appraisal report represents the professional opinion of value as of this 5<sup>th</sup> day of May 2010.

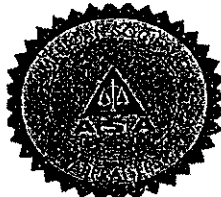


Kenneth M. Dufour, ASA  
Accredited Senior Appraiser  
Machinery and Technical Specialties (Aircraft)  
American Society of Appraisers



Leo V. Heidemann, ASA  
Accredited Senior Appraiser  
Machinery and Technical Specialties (Aircraft)  
American Society of Appraisers

President/CEO  
AMC\VALUE\$  
AVIATION MANAGEMENT CONSULTING, INC.



*"The Wright Appraisers"*

Aviation Management Consulting, Inc.  
Certified Appraisals-Uniform Standards of Professional Appraisal Practice  
3645 Foxborough Lane • Rockford, Illinois • USA 61114-7062  
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STAFF 002868  
FPL RC-12



**American Society of Appraisers**  
**Principle of Appraisal Practice and Code of Ethics**

In a Society which not only permits but also encourages the private ownership of productive property and one which also engages in large and multitudinous public works, there appears, on every hand, a necessity for the appraisal of property. In fact, property appraisals are used throughout the economic, governmental, legal and social activities of such a society.

As the vocation of property appraisal has developed during past decades from a business occupation into a professional, certain concepts have emerged and become clear. The word "property" is now given to physical things and also to the legal rights of ownership of tangible or intangible entities. Appraising is now considered to encompass three classes of operations, namely,

1. The estimation of the cost of producing or replacing physical property.
2. The forecasting of the monetary earning power of certain classes of property.
3. The valuation or determination of the worth of property.

The American Society of Appraisers occupies a unique position among professional appraisal societies in that it recognizes and is concerned with all classes of property: real, personal, tangible, and intangible, including real estate, machinery and equipment, buildings and other structures, furnishings, works of art, natural resources, public utilities, gems and jewelry, investment securities, and so forth. It is also unique in that it recognizes the threefold character of the appraisal function.

In recognizing the need for the highest professional competence among appraisers, the American Society of Appraisers actively supports recognized institutions of higher learning in their scholastic programs, which are designed to provide the necessary academic background to both appraiser aspirants and to the qualified professionals who desire to update and broaden their professional skills.

The necessity for a set of authoritative principles and a code of professional ethics, broad enough to cover all classes of property as well as the complexities of the various appraisal procedures, is a pressing one. Previous statements of principles have dealt almost exclusively with real estate. Existing codes of ethics are, in large measure, couched in such general moralistic terms that they are impractical for specific application.

Violation of any provision or rule of the Code should not give rise to a civil cause of action and should not create any presumption or evidence that a legal duty has been breached nor should it create any special relationship between the appraiser or any other person. This Code is designed to provide guidance to appraisers and to provide a structure for regulating conduct of members of the ASA through disciplinary actions. Violations of the Code are not designed or intended to be the basis of any civil liability. (January 1990)

To meet the need for a comprehensive set of guideposts and for a specific code of ethics, the Society has prepared and presents herewith The Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers.

American Society of Appraisers  
Authorized June 30, 1968  
Revised December 1995

**Uniform Standards of Professional Appraisal Practice (USPAP)**  
**Appraisal Standards Board of The Appraisal Foundation**

The Appraisal Standards Board (ASB) of The Appraisal Foundation develops, publishes, interprets and amends the *Uniform Standards of Professional Appraisal Practice* (USPAP) on behalf of appraisers and users of appraisal services. Because state and federal regulatory agencies and others will use USPAP, the ASB has adopted a publication policy to ensure that everyone is informed of interpretations of or amendments to USPAP in a regular and timely manner.

**Origin and History of USPAP**

The Appraisal Foundation bases these Standards on the original Uniform Standards of Professional Appraisal Practice developed in 1986-87 by the Ad Hoc Committee on Uniform Standards and copyrighted in 1987. Prior to the establishment of the ASB in 1989, USPAP had been adopted by major appraisal organizations in North America and had become recognized as the generally accepted standards of appraisal practice.

At its organizational meeting on January 30, 1989, the ASB unanimously approved and adopted the original USPAP as the initial appraisal standards promulgated by the ASB. USPAP may be altered, amended, interpreted, supplemented, or repealed by the ASB after exposure to the appraisal profession, users of appraisal services, and the public in accordance with established rules of procedure.

The purpose of these Standards is to establish requirements for professional appraisal practice, which includes appraisal, appraisal review, and consulting, as defined. The intent of these Standards is to promote and maintain a high level of public trust in professional appraisal practice.

These Standards are for appraisers and users of appraisal services. To maintain a high level of professional practice, appraisers observe these Standards. However, these Standards do not in themselves establish which individuals or assignments must comply; neither The Appraisal Foundation nor its Appraisal Standards Board is a government entity with the power to make, judge, or enforce law. Individuals comply with these Standards either by choice or by requirement placed upon them, or upon the service they provide, by law, regulation, or agreement with the client or intended users to comply.

It is essential that professional appraisers develop and communicate their analyses, opinions, and conclusions to intended users of their services in a manner that is meaningful and not misleading. This *Uniform Standards of Professional Appraisal Practice* (USPAP) reflects the current standards of the appraisal profession.

The importance of the role of the appraiser places ethical obligations on those who serve in this capacity. These Standards include explanatory Comments and begin with an ETHICS RULE setting forth the requirements for integrity, impartiality, objectivity, independent judgment, and ethical conduct. In addition, these Standards include a COMPETENCY RULE that places an immediate responsibility on the appraiser prior to acceptance of an assignment as well as during the performance of an assignment. DEFINITIONS applicable to these Standards are also included. The Standards contain binding requirements.

AVIATION MANAGEMENT  
CONSULTING, INC.



"The Wright Appraisers"

## Curriculum Vitae Kenneth M. Dufour

### AMCIVALUES

### "THE AEROSPACE VALUATION AUTHORITY"

#### OVER 40 YEARS OF AVIATION EXPERIENCE

Kenneth M. Dufour brings a unique combination of flying, hands-on aviation experience, and academic involvement to his consulting practice. For his excellence in Business Development, Customer Growth, Sales Achievement, and Customer Support throughout his career.

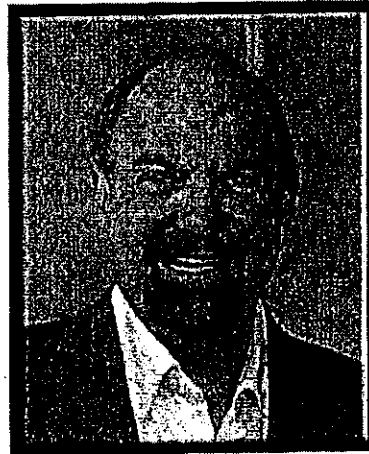
Mr. Dufour's aviation career spans over 30 years of aviation involvement. He has held positions of increasing responsibility; including Regional Marketing Manager, Area Manager, Regional Vice-President, for Gulfstream Aerospace; Honeywell, BF Goodrich Aerospace, Allied-Signal, and Lilton Aero Products.

He has been involved in several business expansions; corporate re-engineering programs and has a leadership record of exceptional performance results. His contribution to these programs has been in the development and program management of key corporate initiatives (including Market Analysis and Forecast, New Product Introduction, Product-Line Expansion, Budgeting, Staffing, and Business Development Programs). He has been recognized

His portfolio includes a wealth of avionics experiences and knowledge on various Flight Deck Systems in numerous aircraft including Corporate, Air Transport, Regional Airline, and Military Applications.

Avionics experiences include Conceptual and Systems Design, Flight Operations, FAA Certification, and marketing/business development of these systems. These systems include Inertial, Omega, GPS Long-range Navigation System, Reactive and Forward Looking Windshear, TCAS I & II, CNI, ACARS, Satcom, as well as Flight Management Systems.

Mr. Dufour provides aircraft appraisal, valuations, audit, inspection services for different segments within the aviation community, performs duties as an arbitrator and forensic appraiser. These services include current and future value



assessments for different aircraft as well as expert testimony in reference to aircraft values. He is an Author of Aerospace Technical/Valuation Reports, a course developer, as well as a Consultant, Adjunct Professor, and Guest Lector for Embry-Riddle Aeronautical University\*.

#### AMERICAN SOCIETY OF APPRAISERS ACCREDITED SENIOR APPRAISER



Mr. Dufour belongs to the American Society of Appraisers where he holds the designation of ASA\*\*\*\* (Accredited Senior Appraiser), an aviation course developer and instructor, and a member of the International MTS Committee. Additionally, he is a member of the Business Aviation Subcommittee under the Transportation Research Board.\*\* He is a past (2003-2005) member of the Board of Directors of the National Aircraft Finance Association.

Mr. Dufour earned a Bachelor of Professional Aeronautics and Master of Aviation Management Degree from Embry-Riddle Aeronautical University\* in Daytona Beach, Florida. He is a licensed Airline Transport Pilot and a Certified Flight Instructor for Single-Engine, Multi-Engine, and Instruments. Ken is a Co-Chairman Trustee of Embry-Riddle Aeronautical University, on the Board of Directors for Aviation & Space Technology Academy at ERAU, and a member trustee of the Association of Governing Boards of Universities and Colleges.

Mr. Dufour currently is an aerospace consultant for the Gerson Lehman Industrial Council and Vista Research (division of Standard & Poor's) and the Round Table Group, where he provides consulting on Aerospace/Aviation topics. Mr. Dufour has been a full-time, independent aircraft and aerospace asset appraiser and portfolio manager for the last ten years with over 30 years of aviation industry experience.

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In 1991 Mr. Dufour established Aviation Management Consulting, Inc. in Rockford, Illinois to furnish management, marketing/business development, valuation services, and technical needs for the aerospace marketplace.

\*Embry-Riddle, the world's largest, fully accredited university specializing in aviation and aerospace, offers more than 30 degree programs in its colleges of Arts and Sciences, Aviation, Business, and Engineering and meets the needs of students and industry through its educational, training, research, and consulting activities. Embry-Riddle educates more than 40,000 students annually through the master level at residential campuses in Prescott, Arizona and Daytona Beach, Florida, through the Worldwide Campus at more than 130 teaching centers in the United States and Europe, and worldwide through distance learning. Mr. Dufour is the Chairman of Student Affairs Committee, a member of the Executive Committee, Flight Safety and Institutional Advancement Committees. He has been a Embry-Riddle Aeronautical University Board of Trustee member for over 10 years.

\*\* The Transportation Research Board (TRB) is a unit of the National Research Council, a private, nonprofit institution that is the principal operating agency of the National Academy of Sciences and the National Academy of Engineering. The Board's mission is to promote innovation and progress in transportation by stimulating and conducting research, facilitating the dissemination of information, and encouraging the implementation of research results.

TRB fulfills this mission through the work of its standing technical committees and task forces addressing all modes and aspects of transportation; publication and dissemination of reports and peer-reviewed technical papers on research findings; administration of two contract research programs; conduct of special studies on transportation policy issues at the request of the U.S. Congress and government agencies.

\*\*\* The National Aircraft Finance Association (NAFA) was established to promote the general welfare of those persons and organizations who provide financing/leasing for the purchase of aircraft or who make loans secured by aircraft; to improve such industry's service to the public; to cooperate with government officials in furthering the national welfare; and to carry out other activities recognized as lawful and beneficial for such type of organization.

\*\*\*\* The American Society of Appraisers is an organization of appraisal professionals and others interested in the appraisal profession. International in structure, it is self-supporting and independent. The oldest and only major appraisal organization representing all of the disciplines of appraisal specialists, the society originated in 1936 and incorporated in 1952. ASA's headquarters is in the metropolitan Washington, D.C., area.

The society is dedicated to the benefit of the appraisal profession. It is one of eight major appraisal societies that, in 1987, founded the Appraisal Foundation, a national nonprofit organization created to establish uniform criteria for professional appraisers. Since 1989 The Appraisal Foundation has been recognized by the U.S. Congress as the source for the development and promulgation of appraisal standards and qualifications.

Mr. Dufour has been officially recognized by ASA (2002-2003) for his exemplary service, dedication, and untiring efforts in the development, coordination, and implementation of the Technical Management Professional Valuation Specialty degree program at Embry-Riddle Aeronautical University and the aviation specific MTS courses for the American Society of Appraisers.

In August 2008, Mr. Dufour received the Jerry F. Larkins Award from the ASA recognizing his exceptional volunteer service and leadership on the part of an ASA member.

*Kenneth M. Dufour, Accredited Senior Appraiser  
Property Economics Professional*

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CURRICULUM VITAE

LEO V. HEIDEMANN, ASA

822 Woodlane Avenue  
Rockford, IL 61107

Cell: 815.519.7311



Accredited Senior Appraiser  
American Society of Appraisers

**PROFILE**

Dedicated aircraft appraiser with over 30 years of an accomplished aviation background, as a results oriented after-market specialist and managing customers needs.

**EDUCATION**

Parks College of St. Louis University\*\*, B.S. Aviation Maintenance Management

Technical Skills

FAA Licensed Airframe and Power Plant Mechanic

**PROFESSIONAL EXPERIENCE**

Since October 2001, Mr. Heidemann has been a full time appraiser and consultant with Aviation Management Consulting, Inc., His duties include aircraft appraisal valuations (current and future value assessments), audit, consulting and inspection services.

During his tenure in the aviation industry he has held increasingly demanding positions. These include Business Repairs Manager, Customer Service Supervisor and Customer Support Representative with Envirovac, Inc., Vacuum Waste Systems, creating and implementing a stand-alone repair business, forecasting sales and development of a state of the art repair-tracking database.

He has further experience as a Product Support Engineer, Advanced Technology Group, with Sundstrand Corporation. He contributed to monitoring in-service product performance, analysis and technical support for manufacturing and customer support departments.

INSPECTION & APPRAISAL REPORT  
FOR  
FALCON 2000  
SERIAL NUMBER 83

PREPARED FOR:  
FLORIDA POWER & LIGHT COMPANY  
FEBRUARY 1, 2011

STAFF 002754  
FPL RC-12

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# JET PERSPECTIVES

*Appraisers to the Corporate Aviation Industry*

## INSPECTION & APPRAISAL REPORT

FALCON 2000, SERIAL NUMBER 83

### ASSIGNMENT

Jet Perspectives ("JetPer") has been retained by Florida Power & Light Company (the "Client") to offer its opinion as to the Fair Market Value of one 1999 manufactured Falcon 2000 (the "Subject Aircraft") detailed below:

<i>Manufacturer</i>	<i>Dassault Falcon Jet</i>
<i>Model</i>	<i>Falcon 2000</i>
<i>Serial Number</i>	83
<i>Registration</i>	N1128B
<i>Date of Manufacture</i>	February 1999
<i>Engine Model</i>	2 X GE/Honeywell CFE738-1-1B
<i>Total Time (hours/cycles)</i>	4,214.2 / 2,606
<i>Configuration</i>	10 Passenger Executive

1. As of January 15, 2011.

### APPRAISAL ASSUMPTIONS

In an appraisal supported by an inspection and records review, the subject aircraft is physically inspected and its maintenance records reviewed to determine its overall condition, maintenance status and records quality. However, before the inspection of the aircraft itself, JetPer first develops the aircraft's Fair Market Value based upon the following assumptions.

- Unless otherwise noted, the airframe, engine and other major components are in a mid-life, mid-time status.
- That it is typically equipped for a role as a corporate aircraft and that it does not have equipment or characteristics that would materially affect its value.
- Its historical and/or expected level of utilization for the aircraft is typical for its make and model.
- It is certificated and operated under the auspices of the Federal Aviation Administration or other major regulatory authority if not registered in the United States.
- The aircraft is clean, and maintained under the manufacturer's recommended maintenance program using factory authorized maintenance facilities.
- The aircraft has no damage history.

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# JET PERSPECTIVES

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- All major modifications and/or repairs have been properly documented.
- The aircraft has no outstanding Airworthiness Directives or maintenance requirements.
- Its' two General Electric/Honeywell CFE738-1-1B engines are enrolled in the G.E. CSP engine maintenance program, or in another competing engine maintenance program offered by Jet Support Services, Inc.

JetPer then uses the condition and maintenance data obtained from the inspection of the aircraft to adjust for the variance from that assumed status. For instance, recent major airframe inspections or engine overhauls will add to the value of the aircraft.

In addition to the foregoing assumptions about the aircraft itself, JetPer also makes two further assumptions regarding any possible transaction involving the Subject Aircraft:

- That if sold, the aircraft will be sold as a single unit, not involved in a fleet sale which would tend to discount from the value shown.
- That the aircraft is not subject to an existing lease. For the purpose of this appraisal, JetPer does not consider the value of an attached lease stream or its tax consequences.

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## VALUE DEFINITIONS

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For the purpose of this appraisal, JetPer uses the following definition of Fair Market Value as defined by the American Society of Appraisers ("ASA"):

- *Fair Market Value* is the amount expressed in money, as of a certain date, that may reasonably be expected for property in exchange between a willing buyer and a willing seller with equity to both, neither under any compulsion to buy or sell and both fully aware of all relevant facts.

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Florida Power & Light Company  
February 1, 2011

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## AIRCRAFT VALUE

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On January 15, 2011 JetPer inspected the Subject Aircraft and its records in order to gather independent information regarding its history, maintenance status, equipment, and any other information considered germane to this appraisal. As will be detailed in the following section, there are a number of issues which, in the opinion of JetPer, collectively have a material impact upon the value of the aircraft:

- *Utilization.* The Subject Aircraft received its United States Certificate of Airworthiness on February 22, 1999 and at the time of JetPer's inspection had 4,214 hours with 2,606 landings. This equates to an average utilization of approximately 354 hours per year with an average stage-length of 1 hour and 37 minutes duration. In comparison, among the 23 available Falcon 2000s with known airframe times, the average utilization is approximately 357 hours per year, consequently in the opinion of JetPer the historical utilization of the Subject Aircraft has no material affect upon its overall value.
- *Engines.* As with any aircraft, one of the most significant issues affecting value relates to the status of its engines. Like the majority of the Falcon 2000 fleet, the two engines of the Subject Aircraft are enrolled in the General Electric CSP program, a program in which an operator pays a fee for each hour of engine operation, which in turn pays for all scheduled and unscheduled engine maintenance events.

The CPE738 engines which power the Subject Aircraft require a Hot Section Inspection at 2,500 hours total time, followed by a more comprehensive Core Zone Inspection ("CZI") at 5,000 hours total time.

In the case of the Subject Aircraft, the engines have split times with 4,007.2 and 4,142 hours respectively on the left and right engines respectively.

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Florida Power & Light Company  
February 1, 2011

# JET PERSPECTIVES

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The left engine underwent a pre-mature CZI in August 2010 at 3,906.4 hours total time and as a result, will not require another CZI until it reached 8,904 hours total time.

Similarly, the right engine underwent its 2,500 hour mid-life inspection early, at 2,104 hours, and as a result will require either another mid-life inspection at 4,604 hours (2,104 + 2,500) or more likely, will end up with a pre-mature CZI at that time.

Regardless, assuming continued enrollment in the CSP program, there is no cost for this upcoming work and consequently there is no affect upon the overall value of the aircraft.

Given that the majority of the Falcon 2000 fleet is enrolled in an engine program, enrollment is considered an inherent element of value. Conversely, if the aircraft were not enrolled in a program, the estimated retroactive enrollment costs would have to be considered and then deducted from value.

- *Maintenance.* The Subject Aircraft has been maintained under the Falcon recommended maintenance program since new, maintained under Falcon's own Optimized Continuous Inspection Program (OCIP).

OCIP is a progressive type maintenance program designed primarily for low or high utilization operators and used to avoid the downtime of Falcon's typical "A" and "B" inspection sequences. Under this program, routine maintenance events are grouped into monthly "block" inspections, reducing the down time and expense normally required. However, the downside of the program is that there is a greater need for routine monthly maintenance requirements. OCIP eliminates the need for the routine "A" and "B" inspections and reduces the scope of work required at the "C" inspection.

At the time of JetPer's inspection, the aircraft had just completed its "#139 Block Inspection" which had been due by the end of

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Florida Power & Light Company  
February 1, 2011

# JET PERSPECTIVES

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January 2011. The #140 Block Inspection will be required by the end of February 2011, the #141 by the end of March and so on.

It is important to note that should the aircraft be sold to an operator with more typical utilization (400-500 hours per year), or one who would prefer the "traditional" maintenance program, it would be necessary to perform a "B" inspection (normally done every 1,500 hours) in order to revert back to the traditional Chapter 5 maintenance program. JetPer would estimate a cost of approximately \$50,000 to perform this work.

Under the Dassault recommended maintenance program, the most extensive regularly scheduled inspection is the "C" inspection required every 72 months. In the case of the Subject Aircraft, the last "C" inspection, the "C" (the first "C" inspection), was accomplished in April 2005; consequently, the next "C" inspection, the "2C inspection" will be due again by the end of April 2011.

Another significant maintenance event will be the need to accomplish the overhaul of the aircraft's landing gear. Required every 12 years, it is due by the end of April 2011.

The operator of the aircraft also intends accomplish a significant mandatory Service Bulletin. Dassault Aviation Service Bulletin F2000-358, the so-called "Dry Bay Mod", is a modification of the wing designed to prevent fuel spillage in the event an aircraft has a "runway excursion". The cost to perform this work is partially covered by Dassault's own primary structural warranty, however operators report that the final cost to them is roughly \$100,000 to accomplish this SB by itself, not in conjunction with any other work.

Given that the Subject Aircraft is therefore scheduled to undergo its "2C" inspection, gear overhaul and Dry Bay Mod, the operator has budgeted \$800,000 for this work.

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Florida Power & Light Company  
February 1, 2011

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- *Equipment.* The Subject Aircraft is a typically well equipped Falcon 2000 capable of satisfying a broad range of domestic and international missions. The Subject Aircraft is equipped with a Collins ProLine IV avionics suite. Of note is installation of dual Flight Management Systems, dual IRS long-range navigational systems, cockpit voice and flight data recorders, satellite AFIS, and a Socata 406 MHz ELT.
- *Cosmetics.* For many prospective purchasers of long-range internationally capable aircraft, the most obvious and subjective issue relates to the cosmetics. The condition and configuration of an aircraft's interior is a statement reflecting the style and taste of the owner and the utility of the aircraft. For many customers it is the cosmetic condition of the paint and interior which are the deciding factors.

The Subject Aircraft was last painted in April 2007 and is considered to be in excellent overall condition with only typical minor chipping noted.

The interior features a typical configuration for 10 passengers with a forward galley, an aft lavatory, a forward four-place club arrangement, an aft four-place conference/dining table and two individual seats in a club arrangement.

The aircraft is also equipped with many desirable passenger amenities including a passenger entertainment system and an Airshow passenger briefing system.

JetPer was impressed with the overall cleanliness and condition of the aircraft's interior. For instance, JetPer was advised that the vinyl carpet runner, which normally protects the carpet when down for maintenance, is almost always used. ....even with passengers on board. As a result the carpet in the aircraft is in "like-new" condition.

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Florida Power & Light Company  
February 1, 2011

# JET PERSPECTIVES

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- *Other Issues.* Market values of corporate aircraft are a function not only of basic market forces (e.g. supply and demand), but also of other extraneous factors including such items as an aircraft's age, number and type of owners, level of utilization, aircraft location, maintenance practices, completeness and level of documentation, and whether or not the aircraft has suffered any damage, major or minor. Collectively, these items create an aircraft's "pedigree", which have a material impact on an aircraft's appeal and ultimately its value.

In the case of the Subject Aircraft, to its credit it has had only one owner since new. Conversely, it has been owned and operated by a company based in South Florida and consequently the constant heat and humidity at its home base may be an issue for some.

In order to opine to the value of this aircraft, its status must be weighed against the prevailing marketplace which currently exists, both from a macro and a micro level. Relative to the former, UBS Investment Research's *Business Jet Monthly – December 2010* provides an excellent broad perspective of the market. In summary:

- *Index moves up, market still down.* Our November Business Jet Market Index came in at 42, higher from our prior survey at 38, although still well below 50 for the fourth straight time, indicating that market conditions continue to deteriorate. While our index indicates continued deterioration, our straight up measure of absolute business conditions came in at 3.8, 5% higher from October, indicating modest improvement.
- *Used inventories continue gradual rise.* Available for sale business jet inventories increased by 20 bps in November, the fourth straight monthly increase following a steady decline over the prior 14 months. While available inventories are 11% below the peak from last May, they have moved 3% higher from the July trough. The recent increase has been driven by young available aircraft inventories (0-10 years old), which are 7% higher from the July trough despite a 1% decline this month. Available new delivery position inventories declined by 10% in November and are roughly 47% below peak levels.

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Florida Power & Light Company  
February 1, 2011

# JET PERSPECTIVES

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- *Cycles weaker in October. We estimate business jet cycles (takeoffs & landings) were 6% higher from the prior year in October, slower growth compared to 12% in September on a 5% seasonally-adjusted sequential decline. Cycles are 13% higher year-to-date, while we see mid to high single-digit growth in November/December on tougher comps.*

More specific to the Falcon 2000 market and as will be detailed later in this report, among the 231 Falcon 2000s aircraft in worldwide service, twenty-six aircraft are known to be available for sale. This represents roughly 11.3% of the fleet, a level of availability considered to represent a soft market environment with an oversupply of aircraft and chasing too few customers. Asking prices for these available aircraft range from \$6.7 million to \$15.95 million with an overall average of approximately \$11.25 million.

Therefore, given the current technical status of the Subject Aircraft, measured against the prevailing market for Falcon 2000 aircraft and the broader market environment as a whole, Jet Perspectives is of the opinion that the Subject Aircraft, a 1999 manufactured Falcon 2000, serial number 83, has a Fair Market Value of \$9,000,000 million.

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Florida Power & Light Company  
February 1, 2011

# JET PERSPECTIVES

*Appraisers to the Corporate Aviation Industry*

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## AIRCRAFT INSPECTION SUMMARY

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In support of the foregoing appraisal, the Subject Aircraft and its records were physically inspected on January 15, 2011 at the Florida Power & Light aviation facilities located at West Palm Beach International Airport.

According to a United States Certificate of Aircraft Registration dated July 9, 1999, the Subject Aircraft is currently registered to:

Florida Power & Light Co.  
PO Box 14000  
Juno Beach, FL 33408-0420

A copy of this document, as well as a copy of the aircraft's July 2, 1999 issued U.S. Certificate of Airworthiness can be found in Appendix I of this report.

For the purpose of this appraisal, JetPer inspected the two airframe logbooks, two engine logbooks, an APU logbook, CAMP maintenance report and various other documents.

The logbooks indicate that the Subject Aircraft flew for the first time on February 5, 1999. On February 22, 1999 the aircraft was issued its original U.S. certificate of Airworthiness and with its new, and current, U.S. registration N1128B, was flown to the United States two days later. Like all other Falcon aircraft intended for sale in North America, it was flown to Falcon's Little Rock, Arkansas facility for its final outfitting. It remained there until July 2, 1999, when with 23.2 hours total time and 8 landings, the aircraft was released to its first and only owner, Florida Power and Light Company.

The first logbook entry from the new owner appears in an entry dated September 24, 1999 when the aircraft had 115.9 hours total time. It should be noted that at that time, up until March 2006, all of the in-house maintenance entries were handwritten entries and although these entries appear to have been very complete, the entries suffer from poor handwriting which detracts from the overall quality of the paperwork. It was not until March 2006, when the aircraft's maintenance was overseen by an apparently new technician who abandoned handwritten notes in favor of very legibly typed "sticky" tags affixed to each of the logbook pages.

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Florida Power & Light Company  
February 1, 2011



# JET PERSPECTIVES

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Part of any logbook review is to determine if an aircraft has suffered any damage, minor or major. In the case of the Subject Aircraft only one such incident has occurred.

In a logbook entry dated January 21, 2002 when the aircraft had 1,190.4 hours and 937 landings, the tailcone of the Subject Aircraft was evidently struck by the wingtip of another aircraft which was being towed. According to the logbook entry (a copy of which is included in Appendix I):

*Inspected tailcone after ground towing incident. Covered hole with speed tape in accordance with Dassault Falcon Jet Letter Ref: DFJ-853-4381 dated January 18, 2002. This aircraft has been inspected and is determined to be safe for one flight from TEB [Teterboro, NJ] to ILG [the Falcon maintenance facility in Wilmington, DE].*

Subsequent logbook entries indicate that the ½ X 6 inch crack was repaired and then several weeks later it was ultimately replaced with a new tailcone. In the opinion of JetPer, although this does constitute "damage", as a passive incident involving an easily replaceable component, this incident does not have any material affect upon the value of the aircraft.

The Subject Aircraft is currently maintained under FAR Part 91.409(f)(3), that section of the Federal Aviation Regulations which pertains to the maintenance of an aircraft under the manufacturers recommended maintenance program. Since new, the Subject Aircraft has been maintained under the Falcon recommended maintenance program. However, the owner of the Subject Aircraft has elected to enroll the aircraft into Falcon's Optimized Continuous Inspection Program. OCIP is a progressive type maintenance program designed primarily for low or high utilization operators used to avoid the downtime of Falcon's typical "A", "B", "C" inspection sequences. Under this program, routine maintenance events are grouped into monthly "block" inspections, reducing the time and expense normally required. However, the downside of the program is that there is a greater need for routine monthly maintenance requirements.

At the time of JetPer's inspection, the aircraft had just completed its "#139 Block Inspection". The #140 Block Inspection will be due by the end of February 2011, the #141 by the end of March and so on.

It is important to note that under the monthly OCIP block inspections, the "A" inspections (which are required ever 300 hours to 6 months) and the "B" inspections (required every 1,500 hours) are merged into the monthly block inspections. The comprehensive "C"

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inspection, due every 72 months, is still required. In the case of the Subject Aircraft it was last accomplished in April 2006 and consequently will be due again by the end of April 2011. At that time the aircraft will also require overhaul of the landing gear.

Another important maintenance issue involves a significant modification. Dassault has issued a Mandatory Service Bulletin, F2000-358, entitled *Wing Tank Modification*, often referred to as the "Dry Bay Mod". According to the language of the Service Bulletin:

*An analysis of rare high-speed runway excursions has revealed that, in case of a main landing gear leg failure due to overloads, the subsequent wing damage may cause a potential fuel spill.*

*The purpose of this Service Bulletin is to prevent such a fuel spill in the event of such an exceptional occurrence by installing a sealed boundary between ribs No. 4 and 5 in front of the rear wing spar.*

According to this service bulletin, compliance will require approximately 300 man-hours to access the wing, another 300 man-hours to perform the modification and another 40 man-hours for paint touch-up. Assuming roughly \$100 per man-hour, plus roughly \$45,000 for the necessary part, brings the estimated cost of this required work to over \$100,000 to accomplish.

Based on the unknown issues regarding the upcoming "2C" inspection, the cost of the landing gear overhaul and the need to accomplish this Service Bulletin, JetPer has been advised that \$800,000 has been set aside.

In order to facilitate record keeping, maintenance tracking is done by industry leader CAMP (Computerized Aircraft Maintenance Program) Systems in Ronkonkoma, New York. Under CAMP, all required maintenance tasks and life-limited airframe and engine components are tracked. Every month, the operator notifies CAMP of all the maintenance work performed and CAMP in turn updates the operator as to pending maintenance tasks. JetPer was provided with the most recent CAMP *Status Report*, dated January 14, 2011, which offers an overview as to the status of every inspection and life-limited component installed on the aircraft. A copy of this report is located in Appendix II.

A review of this CAMP report indicates that the Subject Aircraft appears to be up-to-date under the manufacturer's recommended maintenance program with no deferrals noted.

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In reviewing an aircraft's maintenance records, another important document is the F.A.A. Form 337, issued for the "repair, alteration or modification" of an aircraft, its engines or propellers. In the case of the Subject Aircraft, 13 Form 337 have been issued, 11 of which were issued as a result of the original modifications installed by Falcon in July 1999. Two other 337s were issued as a result of upgrades to the aircraft's avionics and communication systems. No Form 337s seen by JetPer were issued as a result of damage to the aircraft.

The Auxiliary Power Unit is a Honeywell GTCP-36-150(F2M) with 1,817 hours total time. Under the factory recommended service schedule, this model of APU is required to have a "Hot Section" inspection every 4,500 hours of operation. In the case of the Subject Aircraft, due to performance issues it received its Hot Section inspection at 1,672 hours. Most importantly, the APU is enrolled in the Honeywell MSP program for APUs and consequently there was no charge for this work.

An important value consideration for the Subject Aircraft is the fact that its engines are enrolled in the Honeywell / General Electric CSP (Customer Service Plan) program. This program, for which an operator pays an hourly fee, covers both scheduled and unscheduled engine maintenance and includes both catastrophic coverage and engine upgrades.

The value of CSP rests in the fact that the program is transferable among operators, with the equity increasing with continued usage. Given that the majority of the Falcon 2000 fleet is enrolled in either CSP, or a competing program offered by Jet Support Services, enrollment in an engine program is considered an important and inherent element of value. Enrollment adds nothing to the value of the aircraft however were it not enrolled in a program its value would be reduced by the estimated retroactive cost of enrollment. Such an expense can be considerable.

The two engines have been maintained under the factory recommended maintenance program since new. In the case of the CFE738 engine, at 2,500 hours the engine is required to undergo an MPI (Major Periodic Inspection akin to a "Hot Section" Inspection); at 5,000 hours total time, the most significant inspection, the CZI (Core Zone Inspection which can be roughly compared to an overhaul) is required.

In the case of the left engine, due to technical issues, the engine received its first MPI prematurely at 1,908.5 hours and then received its CZI at 3,906.4. Given its current hours of 4,007, the next significant engine maintenance event will not occur for 2,399 hours.

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The right engine also had a premature MPI at 2,014 hours and consequently its next significant event will be the need for its CZI at 4,514 hours. Based upon its current hours of 4,142 hours, this will be required in 370 hours or roughly one more year of service at the current level of utilization.

Assuming continued enrollment in the CSP engine program, there will be no charge for this upcoming work, nor does its impending requirement affect the overall value of the aircraft.

A very important, albeit highly subjective, issue relating to the value of any corporate aircraft relates to its overall cosmetic condition and interior configuration. (Photographs of the aircraft are in Appendix III of this report.)

In the case of the Subject Aircraft it was last painted April 2007 and although seen by JetPer under the lights of the hangar, was clearly in excellent overall condition with a high gloss finish over all of its surfaces. Typical minor paint chipping was noted, most notably around the windscreen and inspection plates, but these imperfections appear to have been properly touched-up. All of the cabin windows were considered to be in excellent overall condition free of condensation or glazing.

The interior was also considered to be in excellent condition. The cabin is configured for ten passengers with forward four-place club arrangement and a four-place conference/dining table in the aft cabin, directly across from a two place club on the starboard side. Like most other Falcon 2000 aircraft, a full services galley is in the forward entryway, while the lavatory is located in the aft cabin.

Although unspecified in the paperwork seen by JetPer, the hardwood surfaces throughout the cabin appear to be a reddish-brown wood (cherry or mahogany) with strong grain pattern. This laminate is used throughout the cabin including the entryway, galley, drinktrails, cabin divider and aft lavatory. The wood appeared to be well maintained with a high gloss and free of nicks and imperfections.

All of the seats are upholstered in a beige leather. The carpet is also beige and because the vinyl cover is used constantly, even with passengers onboard, is in excellent condition.

In summary, the Subject Aircraft offers a number of positives and negatives.

Since new, it has had only one owner, other than the manufacturer. The aircraft was considered by JetPer to be in excellent overall cosmetic condition having been repainted in

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2007. It is considered very handsome inside and out, devoid of any unusual customization which would tend to detract from its value.

It is, and has been, maintained by professional and competent maintenance personnel who take great pride in their work and their overall familiarity with the aircraft. With the exception of poorly handwritten maintenance entries notes during its first seven years of service, the maintenance documentation is considered to be in excellent overall condition.

The engines appear to have had some maintenance issues and although JetPer would prefer to see airframe hours equal to engine hours, but as both are enrolled in the G.E. CSP program, any concerns regarding their maintenance should not be an issue.

From a maintenance perspective, the aircraft is up-to-date. However, in the spring of 2011 the "2C" inspection, gear overhaul and Dry Bay Modification will become due. Once complete, there will be no significant maintenance events in the near future.

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## AIRCRAFT SPECIFICATIONS & EQUIPMENT

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The following is a brief description of the Subject Aircraft including its avionics, equipment, hours and cycles based upon its January 15, 2011 inspection:

Total Time Airframe: 4,214.2 hours  
Total Landings: 2,606 cycles

Engines (Enrolled in CSP)	Left	Right
Manufacturers:	General Electric	General Electric
Model:	CFE738-1-1B	CFE738-1-1B
Serial Number:	P105315	P105293
Total Time:	4,007.2	4,142
Total Cycles:	2,495	2,559
MPI at:	3,906.4	2,014.4
Hours Since MPI:	100.8	2,127.6
CZI Due at:	8,906.4	4,514.4
Hours to CZI:	4,899.2	372.4

### APU (enrolled in MSP)

Model: Garrett GTCP36-150(F2M)  
Serial Number: P-190  
Total Time: 1,817 hours  
HSI Interval: 4,500 hours  
HSI Done at: 1,672 hours  
Hours Since HSI: 145 hours

### Avionics:

Dual Collins Flight Mgmt. Systems  
Collins TWR-850 Radar  
Dual Collins VHF-442C Comms  
Dual Collins ADF-462 ADFs  
Dual Collins HF-9034 HFs w/Selcal  
Dual Collins GPS-4000 GPS Sensors  
Allied Signal AFIS w/VHF Data Link

Dual Honeywell LaseRef IRS Systems  
Dual Collins ALT-55B Radio Altimeters  
Dual Collins VIR-432 Navs  
Dual Collins DME-442 DMEs  
Allied Signal Mk V EGPWS w/Wind Shear  
Collins TCAS 94 TCAS w/Change 7  
Allied Signal SATAFIS

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*Additional Equipment:*

Allied Signal Cockpit Voice Recorder  
Socata 406 MHz ELT  
Two 14-inch LCD Monitors  
Coffee Maker  
Rosen 5.6-inch Co-Pilot Viewing Monitor  
Sharp FO-375 Fax Machine  
Recognition Lights

Allied Signal Flight Data Recorder  
Airshow Genesys Passenger Briefing Sys.  
Audio International CD & DVD Players  
High Temp Oven  
Sony Headsets  
Pulse Light System

*Cosmetics:* (See Appendix III for photographs)

*Exterior:* Last painted April 2007 Duncan Aviation. Overall Snow White with Silverwood Blue and Medium Gray stripes. Considered to be in excellent condition.

*Interior:* Forward galley, aft lav configuration with cabin arranged for ten passengers. Four-place club in the forward cabin, while the aft cabin has a four-place conference/dining arrangement on the port side across from a two-place club. All seats are upholstered in beige leather. Hardwood surfaces including the galley, bulkhead, tables and drink rails are done in a reddish brown "maple" wood. Although the interior is original to the aircraft, it is considered to be in excellent overall condition.

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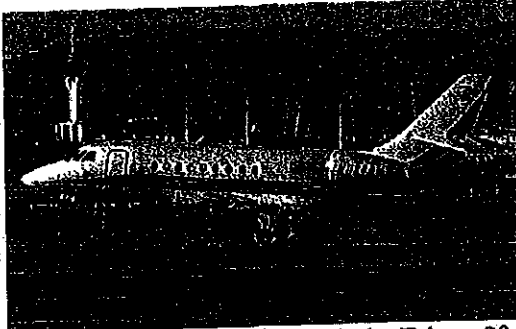
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## FALCON 2000 BACKGROUND AND MARKET OVERVIEW

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Designed as an intermediate offering between the mid-sized Falcon 50 (700 cubic feet in the passenger cabin) and the larger intercontinental Falcon 900 series (1,267 cubic feet), Dassault's Falcon 2000 (1,024 cubic feet) was designed to transport 8 passengers up to 3,000 nautical miles. The genesis of the model, as well as the success of Dassault as a manufacturer of quality corporate aircraft, begins in the mid 1960s

with Dassault's original model, the Falcon 20.

From 1966, Dassault had been manufacturing the Falcon 20, a medium jet capable of transporting eight passengers up to 1,500 nautical miles. The Falcon 20 had undergone a host of improvements throughout its production history, but still was unable to compete with Gulfstream for a piece of the intercontinental aircraft market.

In response to this valued market niche, which found Gulfstream as the sole vendor, in 1980 Dassault offered the Falcon 50 as an eight passenger intercontinental aircraft. Although its fuselage and cabin were roughly equivalent to that of the Falcon 20 (both have 700 square feet of cabin volume) the aircraft was designed as a three engine aircraft and consequently referred to as a "Baby 727". The aircraft was capable of distances of up to 3,000 nautical miles, which made New York to Los Angeles and New York to Paris easily attainable. The key to the success of the Falcon 50 was its Garrett TFE731-3 turbofan engines, which offered excellent performance, fuel economy, and Stage III noise compliance as compared to the 1960s technology of the General Electric CF700 turbojet engines, the mainstay of the Falcon 20s.

Upon its first deliveries in 1979, the Falcon 50 quickly ate into Gulfstream's market dominance. Although the Falcon 50 was not as spacious as the Gulfstream III, nor as expensive (approximately \$7.4 million for a 1980 Falcon 50 versus \$8.9 for a Gulfstream III), it did offer better operating economics, was considered less ostentatious, and its third engine, for some, was an important selling point.

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By the time Gulfstream had ceased production of their G-III in favor of the G-IV in 1987, Gulfstream had sold approximately 200 G-IIIs; Dassault had sold 182 Falcon 50s. The Falcon 50 continues its production, today in the form of the improved Falcon 50EX, currently having sold over 300 aircraft.

Perhaps the biggest shortcoming of the Falcon 50 was its lack of cabin space and passenger amenities. In May 1983, two months after Gulfstream's announced G-IV program, Dassault announced its own plan to build a stretched version of the Falcon 50, the Falcon 900.

The Falcon 900 was originally powered by the Garrett TFE731-5-1 series engine. With the introduction of the TFE731-5BR engines in 1991, Dassault was able to offer the aircraft as the Falcon 900B with serial number 103 as the first production aircraft. This improved engine version offers a 5.5% increase in engine thrust, improving the runway and climb performance of the aircraft, which in turn increases the range of the aircraft by approximately 200 nautical miles.

With the Falcon 50, Dassault had a competitive narrow body transcontinental airplane. With the Falcon 900, it had an outstanding widebody intercontinental aircraft. What was missing from the product line was a widebody transcontinental airplane. The company filled the gap with the Falcon 2000, another cleverly conceived derivative design.

The 2000 designation suggests a link to the earlier Falcon 20 series, but this is only a marketing move prompted by the fact that the 2000 is a twin-engined aircraft. It is in fact a derivative of the Falcon 900B, with two engines instead of three, a slightly shorter cabin, and a lower price.

Unlike Dassault's two other Garrett TFE731 powered aircraft, the Falcon 50 and 900, the Falcon 2000 uses a new powerplant, the CFE738 turbofan engine. Manufactured jointly between Honeywell (nee Garrett) and General Electric, the 5,918-pound thrust engines provide the necessary fuel efficiency to make 3,000 nautical mile trips possible. This power also means that the aircraft can carry a full load out of "hot and high" airports such as Aspen or Toluca, Mexico. Taking off at its maximum take-off weight of 35,800 pounds, the aircraft can climb directly to 41,000 feet in only 24 minutes. With seats full, the Falcon 2000 has an NBAA IFR range of 2,975 nautical miles; with tanks full, the aircraft is capable of 3,130 nautical miles.

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The Falcon 2000, serial number 001, flew for the first time in March 1993. Ultimately, the aircraft received its JAA certification in December 1994, followed by FAA certification in February 1995. The first aircraft to be delivered was serial number 002, delivered to Peccor Group, a South African company.

As of the date of this report, 231 aircraft are in service worldwide. Among the most notable corporate operators have been companies such as IBM, U.S.F. & G., Warner Lambert, A.T. & T, Sony and International Paper.

Production of the Falcon 2000 ceased in 2004 in favor of the Falcon 2000EX.

The genesis of the Falcon 2000EX can be traced to the October 2000 NBAA Convention, when Dassault announced a variant of their successful Falcon 2000, the Falcon 2000EX. Using the same fuselage as the Falcon 2000, the 2000EX is equipped with Pratt & Whitney PW308C engines, and with a 37% increase in fuel capacity has a 3,828 nautical mile NBAA IFR range. FAA certification was received on March 25, 2003 with deliveries beginning shortly thereafter.

With the same fuselage/wing combination, the performance differences between the original Falcon 2000 and current production 2000EX are based primarily on the different engines.

The following table offers an overview of the major differences between the two aircraft:

<i>Comparison of the Falcon 2000 &amp; Falcon 2000EX</i>		
	<i>Falcon 2000</i>	<i>Falcon 2000EX</i>
<i>Maximum Take-Off Weight, lbs.</i>	35,800	41,300
<i>Balanced Field Length, ft.</i>	5,440	5,375
<i>Max. Range w/ seats full @ 0.80 Mach + NBAA Reserves, nm</i>	2,975	3,828
<i>Max. Range w/ tanks full @ 0.80 Mach + NBAA Reserves, nm</i>	3,130	3,999
<i>Max. Payload w/ tanks full, lbs.</i>	5,910	5,700
<i>Max. Cruise Speed, kts</i>	475	482
<i>Rate of Climb, ft/min</i>	3,730	3,730

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As a result of the improvements achieved with the PW 308C engines, the Falcon 2000EX has been Dassault's most popular aircraft, accounting for almost 50% of Falcon's worldwide deliveries. Aircraft which are being delivered today are priced at approximately \$29 million.

As of the date of this report, approximately 231 Falcon 2000 are in service worldwide. In their efforts to sell new aircraft, the challenge for Falcon is to compete with the market for preowned aircraft. As noted earlier, at least 26 Falcon 2000s are available for sale with known asking prices ranging from \$9.5 to a \$15.95 million with an overall average of \$11.15 million. These 26 aircraft represent slightly more than 11% of the fleet, a percentage indicative of a relatively soft market environment.

Below is a list of those 26 available aircraft. It needs to be acknowledged that this list and the previous review of transactions represent a broad over-simplification of the Falcon 2000 marketplace. Each available aircraft and each aircraft sold, represents a unique history, unique maintenance status, equipment, modifications and innumerable other factors. In valuing the Subject Aircraft, JetPer is attempting to define the market extremes and to appropriately place the Subject Aircraft within these market precedents.

<i>Falcon 2000 Availability Summary</i>					
<i>Serial No.</i>	<i>Yr. of Mfg.</i>	<i>Owner</i>	<i>Total Time</i>	<i>Engine Prog.</i>	<i>Asking Price (millions of USD)</i>
1'	1993	Dassault Aviation (France)			Make Offer
5	1995	R.J. Reynolds	7,000	N	6.700
6	1996	Aero Rio Taxi Aereo Ltda. (Brazil)		N	Make Offer
7	1995	R.J. Reynolds	6,777	N	Make Offer
14	1996	Medianews Services Inc.	4,709	N	11.900
17'	1996	Thayer Services LLC	6,699	Y	Make Offer
25	1996	Wells Fargo Bank - Trustee	6,701	EMS	8.400
43	1997	Wells Fargo Bank - Trustee	3,340	Y	10.750
61	1998	Gestair S.A. (Spain)	6,639	Y	Make Offer
63	1998	Helsing		EMS	Make Offer
73	1999	Wells Fargo Bank - Trustee	4,476	Y	9.900

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<i>Serial No.</i>	<i>Yr. of Mfg.</i>	<i>Owner</i>	<i>Total Time</i>	<i>Engine Prog.</i>	<i>Asking Price (millions of USD)</i>
88	1999	Chartright Air Inc. (Canada)	4,306	N	Make Offer
92	1999	Millard Refrigerated Services	3,020	Y	10.895
94 <sup>1</sup>	1999	Kredel International Ltd. (Tortola)	2,818	Y	10.895
103	2000	Dassault Aviation	4,064	N	Make Offer
111	2000	Sioux Corp. (Bermuda)	2,261	Y	10.950
134	2001	CIT Aerospace	4,516	Y	11.500
135	2001	Relational Investors LLC	4,032	EMS	11.950
143	2001	Entergy Services Inc.	3,854	Y	13.000
144	2001	W.R.B.C. Transportation	3,613	Y	Make Offer
149	2001	Owner Unknown (Mexico)	2,135	Y	Make Offer
150	2001	Bsch Leasing S.A. (Spain)	3,480	N	Make Offer
184	2002	N71AX Inc. - Trustee (England)	1,813	Y	Make Offer
216	2004	Baca Hydra Leasing Gmbh (Austria)	2,348	Y	Make Offer
224	2005	Dow Chemical Co.	3,013	N	15.950
227	2005	Ikaros A.V.V. (Ukraine)	2,321	N	Make Offer

1. Deal pending.

As noted above serial numbers 1 and 17 are both under contract. Relative to the former, given that it is a prototype aircraft, based in Europe and sold by the manufacturer, its selling price is probably immaterial to establishing the value of other aircraft.

Relative to the latter, serial number 17, the broker advises that a deal is pending at a price of approximately \$7.5 million.

Another aircraft with a pending sale is serial number 94, an aircraft registered in the Isle of Mann and based in Tortola, British Virgin Islands. The broker of this aircraft confirms that there is a deal pending to this aircraft at a price of \$10 million. It is important to recognize

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however that this aircraft has only 2,818 hours total time, one year old paint and since it is younger than the Subject Aircraft, the need for "C" inspection and gear overhaul are less pressing.

In addition to reviewing those aircraft which are currently available for sale, it is important to examine those aircraft which have recently sold. For the purpose of this assignment, JetPer has reviewed those Falcon 2000 sales which have occurred during the second half of 2010 and this month:

- *Serial Number 11.* Sold aircraft was sold in November from Skylands Aviation to a company in St. Louis and then put on lease to Sobel Company in Florida. This was a 1995 built aircraft with almost 5,800 hours total time. JetPer has learned that this aircraft traded for approximately \$7.75 million.
- *Serial Number 15.* Owned by I.B.M. Corporation, this was a very high time (over 8,700 hour) 1995 built aircraft sold in December to Capital Holdings. JetPer has learned that this aircraft sold for around \$7.25 million, a price reflective of its very high time status.
- *Serial Number 51.* This was a 1997 built aircraft with almost 5,000 hours total time, which sold in September from Mark Maclani Inc. to Greenbrier Capital LLC. Market sources advise that this aircraft sold for \$8.65 million.
- *Serial Number 52.* This was a complicated transaction with the seller, Center Oil Company, selling the aircraft in a like-kind exchange to Quest Trading in Brazil. This was a 1997 built aircraft with almost 7,000 hours total time. The seller took in Hawker 800XP in on trade, however the value of the sale was placed at \$8.4 million.
- *Serial Number 71.* Sold in August, this was an a 1999 built aircraft with almost 4,800 hours total time, selling from CIT Equipment Finance to NovaJet in Canada. The broker advises that this aircraft sold for \$9.15 million.

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- *Serial Number 72.* Also sold in August, this was a similar aircraft, with almost 4,800 hours total time, which sold from Devon Energy to J.C.B. Leasing. JetPer has learned that this aircraft sold for \$8.7 million.
- *Serial Number 74.* Also owned by Devon Energy and also selling in August, to Anthony Marano Company, this aircraft only had 3,700 hours total time and sold for \$8.5 million. However, it is known that the buyer paid for the required "C" inspection, which brought his total cost to approximately \$8.75 million.
- *Serial Number 80.* This is an aircraft which Gulfstream had agreed to market in consideration of the owner's purchase of a new aircraft. Although Gulfstream had been asking \$11.25 million for this aircraft, JetPer has learned that it ultimately sold for around \$10.25 million. The price included new paint ( $\pm$  \$100,000), "C" inspection ( $\pm$  \$250,000), gear overhaul ( $\pm$  \$250,000) and the "dry bay mod" ( $\pm$  \$100,000). Assuming that this aircraft sells for roughly \$10.25 million, its inherent value without all of this necessary maintenance, would be \$9.5 million. It is important to recognize that this value does not reflect the roughly 2,500 hour difference between serial number 80 and your serial number 83.
- *Serial Number 82.* This is the most recent transaction involving the youngest Falcon 2000 to have traded in the U.S. in the 2<sup>nd</sup> half of 2010. Sold in November, this was a 1999 built aircraft, owned by Shell Oil, with approximately 6,200 hours total time. The buyer of the aircraft, Najafi Companies, is reported to have paid \$8.7 million for the aircraft.

In addition to these sales, there have been several other Falcon 2000 transactions involving younger aircraft (serial number 103, 166, 191 197 and 223). However all of these sales involved European registered aircraft and because of the currency issues and perceived market differences, these sales are not considered germane to establishing the value of the Subject Aircraft.

The opinion of JetPer as to the value of the Subject Aircraft is based largely upon the recent sale of serial number 80, which has an adjusted value of roughly \$9.5 million, before airframe

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hours are considered. In addition, JetPer has also considered the consummated sales of serial numbers 72, 74 and 82, all of which sold for around \$8.7 million.

Most of the brokers and dealers with whom JetPer spoke lament the lack of any sustained demand for the Falcon 2000. For those aircraft which are coming up on their 6<sup>th</sup> or 12<sup>th</sup> year of service, at issue is the need for the comprehensive "C" inspection, and the few customers out there hope to avoid the costly unknowns of this inspection.

In addition, it must be pointed out that at its current range of prices the Falcon 2000 now competes squarely with the Gulfstream IV and IVS/P and breed of aircraft that offers a much bigger cabin and roughly 1,000 miles greater range. For those who do not require such a large aircraft, due to factory discounting it is also possible to acquire much younger state-of-the-art aircraft such as the Hawker, Gulfstream 150 or Citation XLS+.

Based upon mixed economic news, JetPer is of the opinion that in the short term values for the Falcon 2000 will either settle or perhaps continue to drop somewhat. Given the oversupply of preowned aircraft and lackadaisical demand, there is little likelihood that the value of these aircraft will revert to 2008 levels.

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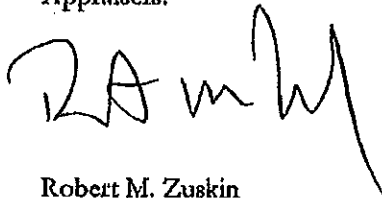
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**COVENANTS**

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Jet Perspectives has no present or contemplated future interest in the subject property or any other interest which might tend to prevent making a fair and unbiased appraisal. This report has been prepared for the exclusive use of the Client; JetPer will not provide it to any other party without the express consent of Client. JetPer does not assume responsibility or legal liability for any actions taken, or not taken, by Client or other parties concerning the equipment. By accepting this report, all parties agree that JetPer shall bear no such responsibility or legal liability including liability for special or consequential damages. JetPer hereby certifies that, to the best of its knowledge and belief, the statements of fact contained in this report are true and correct, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation and the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers.



Robert M. Zuskin  
President  
Jet Perspectives  
February 1, 2011

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February 1, 2011



# Aviation Asset Management Inc

Equipment Asset Management and Financial Appraisal Services

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## An Appraisal of the Spare Parts & GSE Inventory Owned By *Florida Power & Light Company*

As of November 11, 2010



Prepared For  
Florida Power & Light Company



Prepared By  
Aviation Asset Management Inc

November 12, 2010

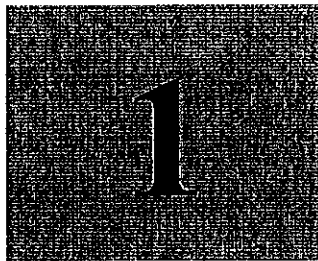


STAFF 002781  
FPL RC-12

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# SECTION



# Aviation Asset Management Inc

Equipment Asset Management and Financial Appraisal Services

Accredited Senior Appraisers

Daniel H. Rausch, ASA

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American Society of Appraisers

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November 12, 2010

Mr. Glenn Aurelius  
Sr. Manager, Corporate Aviation  
Florida Power & Light Company  
3800 Southern Blvd., Hangar 1625C  
West Palm Beach, Florida 33406

Dear Mr. Aurelius:

In response to a request by Florida Power & Light Company, (FPL) Aviation Asset Management Inc. (AAMI) is pleased to provide a desktop appraisal report and our opinion of the Current Fair Market Value (CFMV) of the aircraft parts, ground support equipment (GSE), and tooling inventory owned by FPL. This inventory is located at the West Palm Beach Airport, Hangar 1625C, West Palm Beach, Florida. This appraisal encompasses the aircraft parts and GSE that are located in the above FPL facility.

This appraisal is based on information provided by FPL to Aviation Asset Management Inc as of November 11, 2010. AAMI has taken as true all representations made by FPL, particularly with respect to ownership and condition, and has not conducted any independent investigation or otherwise sought to verify the accuracy of the information provided. No consideration has been given to any liens or encumbrances which may be held against the assets appraised. No investigation of legal fee or title to the property has been made and the claim to the property is assumed to be valid. No additional values or appraisals have been made regarding such intangibles as patents, rights to manufacture, trademarks, goodwill,



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customer lists, etc. No inspection of the inventory was made for this appraisal. Thus, the quantities and costs are based upon data provided by FPL.

The determination of an inventory value is dependent upon overall market conditions and related spare parts requirements that are projected over a determined period of time. Market values are based on the knowledge of asking, offered and actual transactions taking place in the aviation marketplace.

The values given by Aviation Asset Management Inc. are valid only as of November 11, 2010. Subsequent to that date there may be changes in the status or condition of the subject inventory that could affect AAMI's stated value of this inventory.

This appraisal has been developed and is being submitted in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP), as promulgated by the Appraisal Standards Board and enforced by the American Society of Appraisers.

Aviation Asset Management Inc. is not a manufacturer or engaged in the sale or distribution of the inventory that comprises this appraisal. AAMI makes no representations or warranties, expressed or implied, with respect to the merchantability or fitness for particular purpose of the parts. AAMI shall not be liable to FPL.

This appraisal represents the opinion of AAMI, as an independent and disinterested party to the transaction as well as the known parties thereto. It is not given for or as an inducement for, any financial transaction; and, further is prepared for the exclusive use of Florida Power & Light Company, and shall not be provided to other parties without their express written consent.

*Daniel H. Rausch*

Daniel H, Rausch, ASA  
President

Sincerely,  
Aviation Asset Management Inc

*Gary A. Webster*

Gary A. Webster, ASA  
Vice President

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## Report Options

There are three traditional appraisal report options used in presenting appraisal data:

1. A Self-Contained Appraisal Report.
2. Summary Appraisal Report.
3. Restricted Use Appraisal Report.

The essential difference among the three report options is in the content and level of information provided. This is a Desktop Summary Appraisal Report, which contains sufficient information to explain the appraisal process. The purpose of this appraisal is to determine the Current Fair Market Value (CFMV) of the company's parts, tooling, and GSE inventories. The use of this appraisal is for support of their internal accounting. The user and our client is FPL. All data gathered in support of our opinions of value and used in the compilation of this appraisal is available in our workfile for your inspection for a period of five years.

## Approaches To Value

There are three recognized approaches utilized to determine value which may be used in appraising, described briefly as follows:

**COST APPROACH:** This approach begins with the determination of the current cost to reproduce the asset (Reproduction Cost New) or replace the utility (Replacement Cost New) of the subject property as of the valuation date. From the more appropriate of these two costs all forms of depreciation, physical deterioration, functional and economic obsolescence are deducted resulting in a value estimate by the *Cost Approach*.

**INCOME APPROACH:** In this approach, the future income stream associated with the inventory is first estimated. From this potential income, all expenses involved in the Maintenance or overhaul of the machine is deducted yielding net income which is the money an investor could expect to receive from the inventory. This data is then processed into value either by means of a capitalization rate embodying consideration of capital cost, remaining economic life and degree of risk involved, or by means of a discounted cash flow analysis over an appropriate economic life.

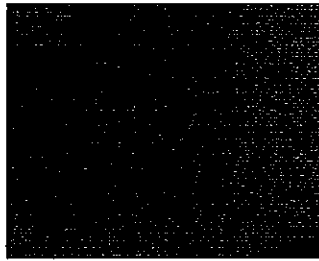
The *Income Approach* is typically not used to value aerospace parts and ground support equipment. It is very difficult to separate and allocate the portion of the operating income attributable to specific machines. Consequently it is not used in this analysis.

**SALES COMPARISON APPROACH:** In this approach, sales of comparables are analyzed. If detailed information is available, the individual sales are adjusted for various aspects of similarity to the inventory which affect value. The resultant adjusted sales prices are correlated and a value estimate for the inventory is derived from them. This approach values each item separately and takes into account the condition of each machine.

The *Sales Comparison Approach* and the *Cost Approach* were both applied in establishing estimated values for the FPL inventories. The *Cost Approach* was used when adequate comparable market data was unavailable.

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# SECTION



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**FPL RC-12**



## **EXECUTIVE SUMMARY**

### **Florida Power & Light Company**

As of November 11, 2010

It is the opinion of Aviation Asset Management Inc. that the Current Fair Market Value (CFMV) of the subject FPL inventory is as follows:

Inventory Type	Lines	Quantity	CFMV
Parts	123	123	\$298,901
GSE	71	88	\$294,669
Tooling	76	76	\$ 31,975
<i>Totals</i>	270	287	\$625,545

*Please note: throughout this report, CFMV is shown in green*

For the purpose of this appraisal, all parts are assumed to have the required documentation for origin, condition, and traceability.

AAMI followed traditional industry standards for this inventory evaluation and appraisal. The following parameters and assumptions were utilized:

The inventory has a known condition, a known quantity and valid part numbers.

- It is cataloged and stored properly and safely in a controlled environment.
- It is under an approved system, which will verify airworthiness and traceability.
- The inventory type complements current market requirements.

In calculating the following values, AAMI used manufacturer's price catalogs, current industry transactions, historical transactions and market sampling to arrive at our valuation. In addition, we used historical data from FPL and the marketplace.

## FPL Owned GSE Inventory

As of November 11, 2010

Description	Model	Vendor	Qty	CFMV
Golf Cart	Model 6	Yamaha	2	\$ 9,500
Fork Lift	8FGU18	Toyota	1	22,500
GPU	JET-EX II P	Hobart	1	2,925
DC Power Cart	6T28-400CL	Hobart	1	7,400
DC Power Cart	Model V	Ohmite	1	4,900
Scissor Lift	SJIII-3219	SkyJack	1	4,500
Tug/Tractor	B9200 HST-D	Kubota	1	16,500
Tire Cage	TC36	Alberth Aviation	1	6,100
Flammable Locker	28380-IL	Haz Stor	3	4,500
Floor Cleaner	5700	Tennant	1	6,700
Power Sweeper	140	Tennant	1	2,250
Air Compressor	242-5N	Ingersoll-Rand	1	1,200
Engine Wash Unit	203876	Fire Ball	1	780
Portable Air Conditioner	PA5548AKA4	International Comfort Product Corp	1	1,500
Portable Fans	Water	Way Cool Fans	2	2,000
Oxygen Service Cart	20-4500-7000	Tronair	1	3,000
Lavatory Service Cart	10-4036-0010	Tronair	1	3,325
Fluid Bowser	06-4035-0500	Tronair	1	1,253
Fluid Bowser	06-5004-3600	Tronair	1	1,253
Fluid Bowser	06-5009-6800	Tronair	1	1,253
Mule Hydraulic	56100EB3C	Tronair	1	24,000
Mule Hydraulic (heli)	CJN0129-002	Hyspsco	1	2,705
Mule Skydrol	05-7008-3400	Tronair	1	14,790
Jack Stands	04-6029-5111	Tronair	2	3,800
Tow Bar	01-0594-0000	Tronair	1	1,140

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Description	Model	Vendor	Qty	CFMV
Tow Bar	01-1211-0010	Tronair	1	1,140
Tow Bar	01-1043-0000	Tronair	1	1,140
Engine Compressor Washer	08-4048-1011	Tronair	1	3,050
Bead Breaker	14-6801-0120	Tronair	1	3,493
Aircraft Jack	02-7856-0110	Tronair	1	4,500
Aircraft Jack	02-7815-0110	Tronair	2	9,000
Aircraft Jack	02-1040-0100	Tronair	3	6,000
Aircraft Jack	02-0511-0132	Tronair	3	6,000
Tail Stand	K-3864	Tronair	1	3,900
Tail Stand	03A5826-0000	Tronair	1	3,900
Sheetmetal Shear	T-52	Tennsmith	1	3,750
Sheetmetal Break	U-4812	Tennsmith	1	3,750
Band Saw	4YG30	Dayton	1	2,375
Drill Press	17"	Craftsman	1	525
Belt Sander	6"	Craftsman	1	300
Bench Grinder	8"	Black & Decker	1	225
GBS Computer	PWC67427	Pratt & Whitney	1	7,000
Borescope	ProXL	Everest	1	22,000
Squat Switch Test Box	6688002-1	Cessna	2	887
Camber Adjustment Tool	CJLMDL32-008	Cessna	1	2,500
N2 High Press Booster	18-4200-1000	Tronair	1	2,600
O2 High Press Booster	18-4202-1000	Tronair	1	3,050
PWC 206 Tooling Set	Various	Pratt & Whitney	1	4,500
50 Pin Breakout Box	PCT50900-50	Hart Aviation	1	2,250
Digital Turbine Temp	101-00901	Barfield	1	2,620
Megohmmeter	2471F	Barfield	1	1,500
Static Tester	101-00164	Barfield	1	5,000
Balancer	8500C	Chadwick	1	14,500

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Description	Model	Vendor	Qty	CFMV
DC Power Supply	1790	BK Precision	1	1,500
Pedestal Fans	30"	Global	5	1,000
Gray Storage Cabinets			6	600
Tan Storage Cabinets			6	600
Uniform Lockers			6	300
Portable Work Table's			2	100
Ladders	2'		4	25
Ladders	4'		2	40
Ladders	6'		4	60
Ladders	8'		2	80
Ladders	12'	Werner	1	90
Ice Machine		Hoshizaki	1	350
Luggage Carts			2	160
Parts Washer			1	150
Rubbermaid Carts	18"		3	150
Rubbermaid Carts	24"		3	210
Throw Matt Cart			1	25
Ceiling Fans - Installed	24 Ft	Big Ass Fans	2	18,000
<i>Totals</i>			116	\$294,669

## FPL Owned Parts Inventory By Condition

As of November 11, 2010

Condition	Lines	Qty	CFMV
INSPECTED	6	6	\$ 29,202
MODIFIED	2	2	4,800
NEW	88	88	128,863
NON REPAIRABLE (B.E.R.)	1	1	0
OVERHAULED	7	7	72,930
RECERTIFIED	1	1	13,313
REPAIRED	12	12	27,933
SERVICED	5	5	21,735
UNKNOWN	1	1	125
Totals	123	123	\$298,901

## FPL Owned Tooling Inventory

As of November 11, 2010

DESCRIPTION	MFR	RANGE	MODEL	S/N	CFMV
Torque Wrench	Mac Tools	5-75	TWF675	132	250.00
Torque Wrench	Snap-on Tool	5-75 ft lbs	QD2FR75	1002401937	265.00
Torque Wrench	Proto	10-200	6064-5	A	230.00
Torque Wrench	Snap-on Tool	150-1000	QD2R1000	1106702120	1,900.00
Torque Wrench	Snap-on Tool	40-200	QC1R200	1197600145	250.00
Torque Wrench	Snap-on Tool	0-90	TEC6FUJA	6456	310.00
Torque Wrench	Snap-on Tool	40-200	QD1R200	407302233	250.00
Torque Wrench	Snap-on Tool	1-3 inlb	Snap On	JG021	250.00
Torque Wrench	Snap-on Tool	1-40 inlb	QDRIVER4	JG020	200.00
Torque Wrench	Sturtevant/Richmont	30-150	CCM-F150	111	275.00
Torque Wrench	Proto	100-500	6017-1	133 OR AOP34	700.00
Torque Wrench	Mac Tools	30-200	TW4200A	960536142	300.00
Torque Wrench	Mac Tools	5-50	TW450A	960839213	250.00
Torque Wrench	RayTek		RayTek	JG011	200.00
Torque Wrench	Proto	300-1800	6068	WYB14666	980.00
Torque Wrench	Proto	10-50	J6060A	300202711	120.00
Torque Wrench	Proto	40-200	6062A	WXC40171	160.00
Torque Wrench	Proto	0-90	6169A	3726134	300.00

DESCRIPTION	MFR	RANGE	MODEL	S/N	CFMV
Torque Wrench	Proto	0-250	6177A	999800523	180.00
Digital Multimeter	Fluke Multimeter		87	55710518	250.00
Digital Multimeter	Fluke Multimeter		87	57210158	250.00
Digital Multimeter	Fluke Multimeter		77	57580553	260.00
Digital Multimeter	Falcon Flap Actuator	Dial Gage	AA-MJF320-21	72347249	250.00
Digital Multimeter	Fluke		88	58531773	280.00
Megommeter	Barfield Instrument		2471F	298	1,400.00
Digital Turbine Temp	Barfield Instrument		TT-1000A	1763	2,620.00
Pitot Static Tester	Barfield Instrument		1811D105	1215	1,400.00
Pressure Gage	Wika	0-6	53V 167	1122	900.00
Pressure Gage	Wika	0-60	19V 166	1121	900.00
Pressure Gage	Wika	0-250	Pressure Gage	56263SL	900.00
Pressure Gage	Wika	0-400	Pressure Gage	56263SL	900.00
Inside Micrometer	Starrett Tools	2-8	124	113	70.00
Inside Micrometer	Mitutoyo 5/16"	6 Piece	155-903	315-590	175.00
Depth Micrometer	Starrett Tools	0-150	445M	131	525.00
Outside Micrometer	Starrett Tools	0-1	436-1	125	125.00
Outside Micrometer	Starrett Tools	1-2	436-2	126	150.00
Outside Micrometer	Starrett Tools	2-3	436-3	127	180.00
Outside Micrometer	Starrett Tools	3-4	436-4	128	180.00
Outside Micrometer	Starrett Tools	4-5	436-5	129	200.00

DESCRIPTION	MFR	RANGE	MODEL	S/N	CFMV
Outside Micrometer	Starrett Tools	5-6	436-6	130	50.00
Dial Indicator	Tedlock	0-100	AI-921	73719	60.00
Dial Indicator	Central Tool		200	114	140.00
Dial Indicator	Starrett Tools		EDP50697	196A1Z	180.00
Dial Gage	Falcon Flap Actuator	Dial Gage	AA-MJF320-21	72347246	250.00
Multimeter	Fluke		Fluke 87III	JG010	375.00
Citation Wheel Alignment	Cessna	Kellstrom (protractor)	CJMDL32-008	131010	300.00
Aircraft Scale	Jaw Scales (aircraft scales)	45,000 LBS	M2000	4427	6,000.00
Caliper	Mitutoyo Corp	0-18		8400636	175.00
Digital Caliper	Mitutoyo Corp	0-6	CD-6"BS	107221	140.00
Digital Caliper	MAX-CAL	0-6		193943	140.00
Digital Protractor	Kell-Strom	0-45	DP-45	FPL100	150.00
Tensiometer	Pacific Scientific	0-150	T5-2002-101-00	21479	310.00
Tensiometer	Central Tools	0-6"	dial micrometer	N/A	150.00
Tensiometer	shock proof	0-6"	dial micrometer	N/A	150.00
Tensiometer	Ohaus	0-5000	LS5000	1126	250.00
Digital Scale	Ohaus	0-400	C501	13846	135.00
Digital Scale	Span	0-300	020353-T	N/A	220.00
Pressure Gage	U.S. Gage (dead wt)	0-100	104	B8307A	25.00



DESCRIPTION	MFR	RANGE	MODEL	S/N	CFMV
Pressure Gage	Appareil	0-2.5		1220	50.00
Pressure Gage	Chatillon	0-50	CATL120	1125	60.00
Pressure Gage	Chatillon	0-300	CATL120	1802	140.00
Pressure Gage	Eaton	0-1500		8875	180.00
Pull Scale	Pacific Scientific	0-100		2173	50.00
Pull Scale	Helios			41	50.00
Pressure Gage	Ashcroft	0-3000	Gage	A832	250.00
Pressure Gage	Span	0-3000	Gage	N/A	250.00
Tensiometer	Dabv	0-60	Gage	1222	80.00
Inside micrometer	Dabv	0-60	Gage	1223	80.00
Pressure Gage	TronAir	0-3000	14-6805-6010	N13135	100.00
Pressure Gage	Mac Tool	1-300 psi	Tpg97800	2108	200.00
Pressure Gage	Chatillon	200 lb.ft	DFS200	V00033	200.00
Pressure Gage	Hart Aviation		DA-50/900/2000-30	TELE2000	200.00
Pressure Gage	TronAir	0-300 psi	02-4159-t	N/A	200.00
Pressure Gage	Tronair	0-300 psi	02-4159-T	8626060202	200.00
Digital Force Gage	Aviron	Protactor		3602844	600.00
Telescopic Test	Aviron	Protactor			600.00
					\$31,975

*Aviation Asset Management Inc*  
**FPL Owned Parts Inventory**  
**By Part Number**

As of November 11, 2010

Part Number	Qty	Description	Serial Number	Condition	Model Usage	CFMV
106SG139		Starter	1428XL2	OFR	Agusta	\$5,000.00
109-0111-07-113	1	DAMPER BRACKET	4037	NEW	A109E	2,065.00
109-0111-07-113	1	DAMPER BRACKET	3542	NEW	A109E	2,065.00
109-0111-30-101	1	M/R DAMPER BOLT	60309	NEW	A109E	408.77
109-0111-30-101	1	M/R DAMPER BOLT	P3445	NEW	A109E	408.77
109-0130-60-109	1	LINK ASSY., T/R	MO.1110	NEW	A109E	1,000.00
109-0133-04-109	1	T/R STICK ASSY.	MO.2050	NEW	A109E	788.00
109-0500-15-1	1	WHEEL	799	REPAIRED	A109E	4,088.00
109-0500-15-1	1	WHEEL	3130	SERVICED	A109E	4,088.00
109-0500-16-3	1	WHEEL	2018	SERVICED	A109E	7,500.00
109-0500-16-3	1	WHEEL	3166	SERVICED	A109E	7,500.00
109-0613-63-103	1	SWITCH, FUEL PRESSURE	1100	NEW	A109E	705.62
109-8110-16-1	1	LINK, UPPER M/R SCISSOR	106	REPAIRED	A109E	1,263.00
12900-6	1	GENERATOR CONTROL UNIT	1351	NEW	FALCON 2000	12,790.00
135687	1	BATTERY	2864	SERVICED	FALCON 2000	2,015.50
15H0088PH	1	SWITCH, PRESSURE	1471	NEW	FALCON 2000	582.00
15H0091PH	1	SWITCH, PRESSURE	1131	NEW	FALCON 2000	582.00
160SG139Q-2-1	1	STARTER/GENERATOR ASSY.	2431XL2	OVERHAULED	A109E	17,888.00

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Part Number	Qty	Description	Serial Number	Condition	Model Usage	CFMV
16-455	1	SWITCH	3344	NEW	FALCON 2000	1,639.00
1C27-11	1	CARTRIDGE, FUEL BOOST PUMP	8AW155	NEW	A109E	1,893.00
241-560-1	1	P/C BOARD, APU	2003	NEW	FALCON 2000	1,666.00
273-1	1	DIMMER	3466	NEW	CITATION EXCEL 560XL/XLS/XLS+	66.50
2778-1	1	BATTERY	N00978	REPAIRED	A109E	500.00
2C35-3	1	PUMP, FUEL BOOST	S10BD248	NEW	A109E	3,126.00
30J1296CL58	1	METERING PLUG	7210	NEW	CITATION EXCEL 560XL/XLS/XLS+	400.00
30J1296CL76	1	METERING PLUG	CL76	NEW	CITATION EXCEL 560XL/XLS/XLS+	216.60
3-1418	1	WHEEL ASSY	5788	INSPECTED	CITATION EXCEL 560XL/XLS/XLS+	1,812.36
3-1418	1	WHEEL ASSY	6960	INSPECTED	CITATION EXCEL 560XL/XLS/XLS+	1,812.36
3-1571-3	1	MAIN WHEEL ASSY	3411	NEW	CITATION EXCEL 560XL/XLS/XLS+	2,878.00
3-1571-3	1	MAIN WHEEL ASSY	977	NEW	CITATION EXCEL 560XL/XLS/XLS+	2,878.00
3876001-6	1	SWITCH, APU LOW OIL PRESSURE	2748	NEW	FALCON 2000	1,131.00
39-28-21	1	STROBE LIGHT ASSY.	2442	REPAIRED	FALCON 2000	1,871.00
39-42-3	1	POWER SUPPLY ASSY.	1333	NEW	FALCON 2000	1,729.00
400-10B	1	SWITCH INERTIA	173	NEW	FALCON 2000	201.10
400-10B	1	SWITCH INERTIA	178	NEW	FALCON 2000	201.10
4076-10	1	BATTERY	96292	OVERHAULED	FALCON 2000	9,205.04

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Part Number	Qty	Description	Serial Number	Condition	Model Usage	CFMV
4078-14	1	BATTERY	118264	OVERHAULED	CITATION EXCEL 560XL/XLS/XLS+	8,799.00
4095T13P04	1	IGNITOR PLUG	UNJSK495	NEW	FALCON 2000, CFE738-1-1B	743.65
4095T13P04	1	IGNITOR PLUG	UNJSK494	NEW	CFE738-1-1B, FALCON 2000	743.65
4095T13P04	1	IGNITOR PLUG	UNJSK481	NEW	FALCON 2000, CFE738-1-1B	743.65
4095T13P04	1	IGNITOR PLUG	UNJMB614	NEW	CFE738-1-1B, FALCON 2000	743.65
431-1251-5	1	CAP	1403	NEW		1,200.00
500335-1	1	SPARK IGNITOR BOX	NNA10060045	NEW	CITATION EXCEL 560XL/XLS/XLS+, PW545B, PW545A	7,000.00
51525-001F	1	GCU	Y0123	NEW	CITATION EXCEL 560XL/XLS/XLS+	3,900.00
6525130-37	1	FLAP	714	NON REPAIRABLE/(B.E.R.)	CITATION EXCEL 560XL/XLS/XLS+	0.00
6618707-21	1	PCB	420	NEW	CITATION EXCEL 560XL/XLS/XLS+	3,800.00
6688002-1	1	MAIN GEAR SIM TEST BOX	6172009	NEW	CITATION EXCEL 560XL/XLS/XLS+	887.00
7003-200	1	BLOWER	924	NEW	CITATION EXCEL 560XL/XLS/XLS+	630.00
768344-1	1	XMITTER	271	NEW	FALCON 2000	1,961.00
785-896	1	SENSOR, TEMP DUCT	530	NEW	FALCON 2000	953.50
7G1052-1	1	SWITCH, PRESSURE	45	NEW	FALCON 2000	206.50
7G978-1	1	SWITCH	718	NEW	FALCON 2000	201.80

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Part Number	Qty	Description	Serial Number	Condition	Model Usage	CFMV
7G979	1	PRESSURE SWITCH	2406	NEW	FALCON 2000	201.80
8060-141	1	STARTER GENERATOR	1710	NEW	FALCON 2000	17,723.43
8060-160	2	STARTER/GENERATOR	1710	MODIFIED	FALCON 2000	9,600.00
8-405-04	1	SWITCH	B66153	NEW	CITATION EXCEL 560XL/XLS/XLS+	700.00
8G1199-4	1	SWITCH, PRESSURE, ANTHICE	170	NEW	FALCON 2000	304.81
8G1256-1	1	SWITCH, FUEL PRESSURE	2262	NEW	FALCON 2000	298.70
8G1340-3	1	SWITCH, PRESSURE SAFETY	1825	NEW	FALCON 2000	444.10
913FAUL-630-1-100	1	LIFERAFT	9UL-00106	OVERHAULED	FALCON 2000	2,800.00
913FAUL-FJ9-135	1	LIFE RAFT	9UL-00105	NEW	FALCON 2000	2,800.00
9912194-3	1	VALVE	3766	NEW	CITATION EXCEL 560XL/XLS/XLS+	715.00
9912487-8	1	HUB CAP	N/A	NEW	CITATION EXCEL 560XL/XLS/XLS+	600.00
9912499-31	1	STARTER GENERATOR APU	2254XL	OVERHAULED	CITATION EXCEL 560XL/XLS/XLS+	11,669.00
9912499-6	1	STARTER GENERATOR	3790XL	OVERHAULED	CITATION EXCEL 560XL/XLS/XLS+	11,669.00
9914519-2	1	SWITCH TEMP SENSOR	8BD522	NEW	CITATION EXCEL 560XL/XLS/XLS+	1,051.00
AI-ISK-1088	1	AUDIO INT. SWITCH KIT	3990364	NEW	FALCON 2000	6,563.10
AIRMAN 850	1	PILOTS HEADSET	896	NEW	A109E, CITATION EXCEL 560XL/XLS/XLS+, FALCON 2000, P&W 206C/207C,	500.00

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Part Number	Qty	Description	Serial Number	Condition	Model Usage	CFMV
AIRMAN 850	1	HEADSET	1	REPAIRED	HANGAR, GTCP36-150(F2M)	
AL2004	1	POWER SUPPLY	37495	NEW	FALCON 2000	800.00
AL2004	1	POWER SUPPLY	37501	NEW	FALCON 2000	695.30
AL750PS	1	POWER SUPPLY INDIRECT LIGHTING	23555	NEW	CITATION EXCEL 560XL/XLS/XLS+	1,309.00
BOSE AVIATION HDSET X	1	BOSE AVIATION HDSET	031976E40970042AE	INSPECTED	A109E	100.00
BOSE AVIATION HDSET X	1	BOSE AVIATION HDSET	031976E40970014AE	REPAIRED	A109E	100.00
BOSE AVIATION HDSET X	1	BOSE AVIATION HDSET	031976E40970029AE	REPAIRED	A109E	100.00
C20383000	1	NOSE WHEEL	272	INSPECTED	FALCON 2000	6,082.00
C20383000	1	NOSE WHEEL	271	INSPECTED	FALCON 2000	6,082.00
C20384200	1	MAIN WHEEL ASSY.	482	INSPECTED	FALCON 2000	13,313.00
C20384200	1	MAIN WHEEL ASSY.	484	RECERTIFIED	FALCON 2000	13,313.00
CH53442-4	1	IGNITION CABLE ASSY.	99017150	NEW	P&W 206C/207C	288.00
CH53442-4	1	IGNITION CABLE ASSY.	99017168	NEW	P&W 206C/207C	288.00
CH53442-4	1	IGNITION CABLE ASSY.	CL042616	NEW	P&W 206C/207C	288.00
CH53442-4	1	IGNITION CABLE ASSY.	CL042614	NEW	P&W 206C/207C	288.00
CJMDL32-010	1	EMERGENCY GEAR CONTROL TOOL	FPL10	NEW	CITATION EXCEL 560XL/XLS/XLS+	555.00
D22884000-1	1	PROXIMITY SENSOR	B1458	NEW	FALCON 2000	2,110.73
DMN48-1	1	ANTENNA	28639	REPAIRED	A109E	631.50
DMN48-1	1	ANTENNA	23309	SERVICED	A109E	631.50

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Part Number	Qty	Description	Serial Number	Condition	Model Usage	CFMV
DMN48-1	1	ANTENNA	28640	REPAIRED	A109E	631.50
FE1063	1	PC BOARD	354	NEW	FALCON 2000	1,767.00
FE422	1	P/C BOARD	3243	NEW	FALCON 2000	799.90
J47835	1	FASTENER	5262009	NEW	FALCON 2000	434.20
K615-0-0	1	SWITCH, INTERRUPTER	D000912043	NEW	FALCON 2000	358.40
LA11A2142	1	STEP LINEAR ACTUATOR	AA30937	OVERHAULED	A109E	10,900.00
LA11A2142	1	STEP LINEAR ACTUATOR	AA46108	NEW	A109E	10,900.00
LA11A2142	1	STEP LINEAR ACTUATOR	AA100208	REPAIRED	A109E	10,900.00
M08301IND03	1	UNIT	8057A079	NEW	FALCON 2000	582.00
M08301IND03	1	UNIT	8058A188	NEW	FALCON 2000	582.00
M15101-01	1	MAIN TIRE FALCON	9363L106	NEW	FALCON 2000	911.63
M15101-01	1	MAIN TIRE FALCON	9363L107	NEW	FALCON 2000	911.63
M15101-01	1	MAIN TIRE FALCON	6363L109	NEW	FALCON 2000	911.63
M15101-01	1	MAIN TIRE FALCON	9363L110	NEW	FALCON 2000	911.63
MP50B1	1	MOTOR	485	NEW	CITATION EXCEL 560XJ/XLS/XLS+	1,000.00
P01074-101	1	LIFE JACKET	337092	NEW		54.78
P01074-101	1	LIFE JACKET	336959	NEW		54.78
P01074-101	1	LIFE JACKET	337038	NEW		54.78
P01074-101	1	LIFE JACKET	337117	NEW		54.78
P01074-101	1	LIFE JACKET	336910	NEW		54.78
P01074-101	1	LIFE JACKET	337086	NEW		54.78

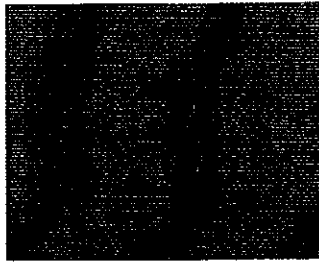
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Part Number	Qty	Description	Serial Number	Condition	Model Usage	CFMV
P01074-101	1	LIFE JACKET	336902	NEW		54.78
P01074-101	1	LIFE JACKET	337032	NEW		54.78
P01074-101	1	LIFE JACKET	336982	NEW		54.78
P01074-101	1	LIFE JACKET	337136	NEW		54.78
P0723E105PC	1	LIFE VEST	337606	NEW	FALCON 2000	76.50
P0723E105PC	1	LIFE VEST	337607	NEW	FALCON 2000	76.50
P0723E105PC	1	LIFE VEST	337605	NEW	FALCON 2000	76.50
PC-1006	1	O2 CHARGE ADAPTER KIT	5272009	NEW	FALCON 2000	210.00
PC-251	1	INVERTER, STATIC	13274	REPAIRED	A109E	1,923.00
PO1074-109	1	SURVIVAL KITS	337600	NEW	A109E	125.00
PO1074-109	1	SURVIVAL KITS	337604	NEW	A109E	125.00
R0102A109RB3	1	LIFE RAFT	TQ06063	NEW	CITATION EXCEL 560XLJ/XLS/XLS+	3,458.00
RDL-25	1	INERTIAL REEL/RETRACTABLE	83346	REPAIRED	HANGAR	125.00
RLD-25	1	INERTIAL REEL LIFE LINE	83346	UNKNOWN	HANGAR	125.00
SLF259	1	FAIRING REMOVAL TOOL	90	NEW	FALCON 2000	2,544.00
<i>Total</i>						\$298,901.21



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# SECTION



## *The AAMI Inventory Appraisal / Valuation Method*

The Aviation Asset Management Appraisal / Valuation Method consists of a variety of processes to obtain the closest approximation of current market value in the industry today. The core of the method lies with the extensive catalog value database amassed by AAMI. ~~Next is the exhaustive practice of obtaining current market values using industry standard data sources.~~ Other steps preliminary to the process include:

The segregation of material:

1. Primary aircraft or engine type: Many items can be used on multiple aircraft and engine types. AAMI attempts to match the material to its newest generation or most valuable aircraft or engine model. It is reasonable to assume that material that can be used on a newer model will have significantly greater value than material that can only be used on an older model. The material that can be used on a variety of different aircraft or engines maintains its value based on a larger overall market requirement.
2. The breakdown of material into different classifications: Rotable / Repairable, Expendable / Consumable, and Airframe / Insurance.
  - Rotable material has the ability to be sent to a shop and returned to "0" time. Examples of such items are APUs, CSDs, starters, generators, valves, avionics and actuators among others. Repairable material can also be sent to the shop for repair. This material will normally include panels, brackets, pulleys, etc.
  - Expendable material is comprised of one time use items. This material is usually lower in dollar value and can include nuts, bolts, washers, screws, gaskets, etc.
  - Airframe material includes any material that is structural in nature. Flaps, slats, vanes, elevators can all be included in this category.

*It should be noted that classification of aircraft material can be one of the most time consuming elements in the AAMI method. The breakdown above is used as a guideline only. AAMI professionals continue to invest many hours of time classifying material.*

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3. The condition of the material: Aviation has yet to standardize on a finite set of aircraft material conditions. Parts companies further segregate the above to differentiate it more completely: Common conditions are:

- New (N / NE / NU), Factory New (FN), and New Surplus (NS)
- Overhauled (OH / OV / O)
- Serviceable (SV / S)
- Repairable or As Removed ( R / RP / A/ AR / ARFA)
- Beyond Economical Repair (B / BR / BER)

AAMI uses a variety of data sources to classify subject inventories:

- FAA PMA database
- IPC reference database. (All Falcon, Citation Bell and AgustaWestland, Pratt, Rolls Royce and Honeywell produced aircraft and engines, and other manufacturer's data)
- NSN database
- ATA (AIRS database of surplus with over four years of change information to evaluate industry usage trends)
- Aircraft and engine type and model reference
- Aircraft number and location database

Once the material is properly classified it can be run against the pricing data object to obtain values based on the classifications above.

Aviation Asset Management maintains an extensive database containing:

- **List Prices:**

AAMI has at its disposal millions of catalog values amassed over a period of many years. Catalog values are maintained in a database that will place the newest value over the top of any previous or earlier list prices. Many items from older generation aircraft can only be found in early catalogs. This database is used for information purposes, and while it cannot be considered at full value, it is very valuable as a weighted percentage while evaluating

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current material pricing. Almost all aviation parts companies will fall back on a percentage of the list value when quoting a potential customer.

- **Historical Market Values:**

These market values come from a variety of sources. Many are airline purchase prices while others are current and historical sale prices. These numbers can be used against catalog values to develop a discount off of catalog value for certain categories of parts that are with market values.

- **Historical Quotes:**

Quote values are compiled from a commitment to gather information from ILS, ATA, and Internet listings of material. AAMI personnel are constantly obtaining additional inbound quote values from companies listing on the services mentioned above. These quotes are entered into the database for future reference. Inbound quotes can also be used to develop a percentage discount from list price on a variety of aircraft materials.

Once all the information is compiled and placed in a separate database it is run through a special business rule object that alerts AAMI professionals to any pricing extremes. This step is important as it weeds out any inconsistencies that may come about from errors on provided data. The two most common are identical part numbers for different types of parts and incorrect quantities from the supplied data.

The final steps consist of a review of certain subsections of the data set. AAMI professionals have decades of experience in the valuation of aircraft material and are capable of spotting issues that are normally missed by an automated process only. Many aircraft systems have been changed over time. This makes the value of obsolete material worth much less than any automated process will produce. AAMI continues to constantly refine its methods assuring the customer that the Appraisal / Valuation has been completed by the best method available.

Methodology specific to the determination of the appraisal values of the FPL inventory

## *Determining Current Fair Market Value*

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- **Review of the supplied data for errors:**

The following data files were used:

1. FPL Inventory Detail

- **Assigning manufacturer's catalog pricing:**

All parts were priced according to their new catalog prices where available. This process requires that a large and current database be available as to the catalog prices for the parts being valued.

**Adding additional pricing data:**

The data from Sales, Quotes and Application was combined in the Inventory-On-Hand table. The process consisted of the following:

- Quote data was added based on the quote year and the latest value along with the date was added to the inventory on-hand database
- Sales data followed the same methodology going back three years where available.  
*No Demand Profile was used in determining the CFMV*
- Engine application types were added to the database from the part number

- **Segregation of material by engine application type:**

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The parts were segregated according to their engine application. Aircraft type will always play a part in inventory values – engine types to a lesser degree. The value of the inventory total catalog value for each type of engine was adjusted as to generation type. Relative value is very fluid based on supply and demand.

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- **Segregation of material by condition:**

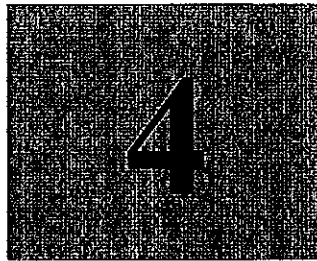
Parts were segregated according to their condition (new, as removed, overhauled, etc)

- **Adjustment of pricing for category:**

The parts were segregated by whether it was a "rotable" (repeated use part) or "expendable" (one-time use part).

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# SECTION



## PARTS DEFINITION

### APPROVED PARTS

The FAA considers that an "approved part" is one that is eligible to be installed on an aircraft or on other type certificated products, which include aircraft engines and propellers.

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This means that the part must be produced and maintained in accordance with 14 CFR Part 121, 14 CFR Part 43 and CFR Part 91. Part 121 addresses design and manufacturing and Parts 43 and 91 address maintenance requirements. An approved part will remain in a safe condition as long as it is maintained in accordance with Parts 43 and 91.

Before installing a part on an aircraft, maintenance personnel must ask the question, "Is the part eligible for installation?" This question is answered based on the following parameters: was the part manufactured properly and has it been properly maintained? Further clarifying the matter, the FAA has defined the "approved part" issue in a manner that would capture all aspects of a part's eligibility for installation. The term "eligibility" is considered synonymous with acceptability, but is preferred in this context to avoid giving the impression that the part, beyond being maintained so that it is acceptable for general use, is also acceptable for use in any circumstances.

The definition developed by the FAA addresses a part's manufacturing origin status, including parts designed and produced under FAA approvals as well as parts designed and manufactured under other systems that the regulations recognize as acceptable. The definition also addresses all aspects of whether a part is eligible for use, but does not state whether the part is the correct part for the specific repair.

The FAA has adopted the following definition of an "approved part":

A part that has been produced in accordance with the requirements or exceptions of 14 CFR Part 21 is maintained in accordance with 14 CFR Part 43 and 91 and meets applicable design standards. The phrase "in accordance with the requirements or exceptions of 14 CFR Part 21" means:



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- a) In accordance with a PIMA issued under 21.303 (CFR Part 21, Subpart K).
- b) In accordance with a Technical Standard Order (TSO) Authorization issued by the Administrator (14 CFR Part 21, Subpart O).
- c) Produced during Type Certificate (TC; 14 CFR Part 21, Subpart B) or Supplemental Type Certificate (STC; 14 CFR Part 21, Subpart E) application procedures before the certificate is issued and in accordance with TC or STC data.
- d) Produced under a Type Certificate without a separate production authorization (14 CFR Part 21, Subpart F).
- e) Produced under a Production Certificate, including by a licensee, if produced under Production Certificate authority (14 CFR Part 21, Subpart G).
- f) Produced in accordance with an approval under a bilateral airworthiness agreement (14 CFR Part 21, Subpart N).
- g) Produced as standard parts conforming to established industry or US specifications, in accordance with 21.303 (14 CFR Part 21, Subpart K).
- h) Produced by an owner or operator for maintaining or altering his own product (14 CFR Part 21, Subpart K).
- i) Under a Supplemental Type Certificate (STC) or Field Approval (FAA Order 8000.50 and 14 CFR Part 43).
- j) Fabricated by a qualified person in the course of a repair for the purpose of returning a product (aircraft, engine or propeller) to service and not for sale as a separate part. (14 CFR Part 43).
- k) Produced in any other manner approved by the Administrator (14 CFR Part 21, Subpart K).

Under current regulations, a part does not have to be strictly and formally "approved" by the FAA to be considered eligible. Rather, the part may be produced in another acceptable manner, such as standard nuts and bolts, or as a product approved for return to service

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under 14 CFR 43.13(b). However, a part that has been produced pursuant to an FAA approval, as well as other acceptable manufactured parts, is not necessarily eligible for installation, because it may be defective, lack required maintenance or have reached a life limit or other limit.

"Approved" as referred to in Part 1 means approved by the Administrator (unless another person is specified) and means an explicit action of consent. This concept is applied widely throughout the Federal Air Regulations (FARS). As seen from the definition used in this document, some "approved parts" would necessarily be produced under a certificate issued by the FAA and thus, would fit the current regulatory meaning of "approved".

Other aviation parts, such as standard parts, are not produced under such approvals, nor are parts fabricated as part of a repair process. Such parts may be acceptable to the FAA, but are not "approved" in the current regulatory sense. Additionally, all aviation parts, regardless of origin, would have to be maintained according to the regulations, which may fall outside the current regulatory concept of "approved".

However, while the limited meaning of the term "approved" is widespread throughout the FARs, the broader use of the term "approved parts" is in widespread use among the public, the aviation industry, Congress, law enforcement agencies, the courts as well as the FAA. The FAA believes that the concept of "approved parts" can be discussed in a broader sense than the stricter regulatory definition of CFR 14 to provide the aviation industry and government officials with a common understanding of what "approved parts" are.

## STANDARD PARTS

Currently, 14 CFR Part 21 does not define standard parts, but it does list examples such as nuts and bolts. The issue is under consideration by the ARAC and has been the subject of interim guidance by AIR. The FAA's recommended definition takes into account the

previous work, but is primarily based on a definition currently contained in FAA Order 8110.42, Parts Manufacturer Approval Procedures, 04 October 1995.

The FAA proposes the following definition of "standard part":

A part included in the type design and manufactured in complete compliance with an established US government or industry-accepted specification that includes design, manufacturing and uniform identification requirements. The specification must include all information necessary to produce and conform the part. Examples include, but are not limited to, National Aerospace Standards (NAS), Army-Navy Aeronautical Standard (AN), Society of Automotive Engineers (SAE), SAE Aerospace Standard (AS), Military Standard (MS) and others.

## UNAPPROVED PARTS

Advisory Circular 21-29A, "Detecting and Reporting Suspected Unapproved Parts (16 July, 1992)" defines "unapproved parts" as:

A part, component or material that has not been manufactured in accordance with the approval procedures in 14 CFR 21.305 or repaired in accordance with 14 CFR Part 43 that many not conform to an approved type design; or may not conform to established industry or US specifications (standard parts). Such unapproved parts may not be installed on a type-certificated product.

Examples of unapproved parts provided in the Advisory Circular include:

- 1) "Counterfeit" or fraudulently marked parts, components or materials
- 2) Parts shipped directly to users by a manufacturer, supplier or distributor who does not hold or operate under the authority of a production approval for the part (production overruns)
- 3) Parts that have been maintained or repaired and returned to service by persons or facilities not authorized under 14 CFR Part 43 or 145.

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This definition addresses important issues that also are covered in the FAA's proposed definition of "approved part". The three examples of parts would all fail to meet the criteria of "approved part" as defined by the FAA. However, the FAA has chosen a different approach in that it seeks to set forth a list of criteria to help maintenance personnel decide if they have a ~~part that is eligible for installation. Therefore, the FAA provides a detailed definition of~~ approved part as discussed above and the following definition of unapproved part.

It is evident that the concept of an unapproved part is wide ranging, encompassing everything from parts that are improperly maintained to parts produced under FAA approval, but shipped without proper authorization, to parts deliberately and criminally misrepresented as approved parts. The proper response by government officials, including the FAA and law enforcement authorities varies according to the kind of unapproved part involved. Therefore, it is not useful to discuss unapproved parts indiscriminately and careful consideration should be given as to why a part may be unapproved, as this would help dictate the most appropriate response.

### INCIDENT RELATED PARTS

Incident related parts are those parts, which have been removed from aircraft that have been involved in some type of incident or accident. Some customers will not accept these parts even though they have been overhauled by a certified repair station, and for those customers that do, these parts may require documentation that states the part has not been subjected to severe stress, heat or fire from an aircraft incident, accident or engine failure.

ASSUMPTIONS AND STATEMENTS OF LIMITING CONDITIONS

- ✓ The values stated in this report are based on our knowledge of the Aircraft, Engine and Spare Parts. The values stated in this report are based on our knowledge of the Aircraft, Engine and Spare Parts inventory market, current market conditions, and certain definitions and assumptions regarding the inventory condition and status, which is described in this report.
- ✓ The values stated in this report are based on the information supplied by the company that is being appraised. It has been assumed that this information along with any of management's statements relative to the topics discussed concerning the inventory, aircraft, or engines are full and complete representations that accurately depict the company, its inventory and the quality and condition of the market for the products produced and/or distributed. No warranty is given for its accuracy. Every reasonable attempt has been made to verify such information.
- ✓ Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of that party, in any event, only with proper written qualification and only in its entirety.
- ✓ Neither all nor part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
- ✓ No risk or guarantees have been purchased by the owner of this report.
- ✓ All values stated in this appraisal are the appraisers considered opinions based upon the facts and data set forth in this report.
- ✓ The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been made previously.

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- ✓ Aviation Asset Management, Inc. reserves the right to recall all copies of this report to correct any omissions or errors.
- ✓ No consideration has been given to any liens or encumbrances, which may be held against the assets being appraised.
- ✓ Aviation Asset Management Inc. expects the Lender or any other party, with regard to the subject-appraised inventory to conduct their own due diligence before determining and entering into any loan arrangements and shall not base any loan or borrowing base solely on the opinions of Aviation Asset Management.
- ✓ The maximum liability of Aviation Asset Management Inc for the breach of any obligation in connection with this engagement or the Report, and for any and all damages of any type or nature (whether in contract or in tort, and whether compensatory, consequential or punitive in nature) sustained or claimed by the Company(ies) or any other person or entity in connection with this engagement or the Report, shall be limited to the fee actually received by AAMI under the engagement agreement. In no event or circumstance shall AAMI have any liability to the Company(ies) or any other person or entity in excess of the fee actually paid to and received by AAMI under the engagement agreement.
- ✓ This appraisal is based upon the various types of values as defined in the Definition section of this report.
- ✓ This study and appraisal was accomplished by Aviation Asset Management, Inc. and will be held confidential. An experienced appraiser has prepared the appraisal and the analysis and conclusions are arrived at from many years of experience in the appraisal industry.
- ✓ We reserve the right to include your company name in our client list. AAMI will maintain the confidentiality of all reports, documents, and conversations provided to us for the preparation of this report, subject to any legal proceedings.
- ✓ This appraisal has been prepared in conformity with the Principles of Appraisal Practice and the Code of Ethics of the American Society of Appraisers.

APPRAISERS CERTIFICATION

We certify that to the best of our knowledge and belief:

- ✓ The statements of fact contained in this report are true and correct.

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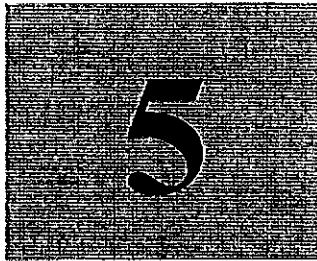
- ✓ The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional, opinions, and conclusions.
- ✓ I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- ✓ I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- ✓ My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- ✓ My compensation for completing this assignment is not contingent upon the development or reporting of predetermined value or direction of value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- ✓ My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- ✓ The signatories on this report all provided significant assistance in the compilation of this report.
- ✓ The American Society of Appraisers has a mandatory recertification program for all of its Senior members. All Accredited Senior Appraisers (ASA) signing this report are in compliance with that program.
- ✓ No inspection was made of the inventory for this appraisal.

*Daniel H. Rausch*  
Accredited Senior Appraiser

*Gary A. Webster*  
Accredited Senior Appraiser

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# SECTION



5



## *Aviation Asset Management Inc*

### *Appraiser Qualifications*

Aviation Asset Management, Inc. (AAMI) was founded in August, 1997. The experienced staff at AAMI brings over 100 years of aviation experience in an integrated consulting group. We provide financial/technical services, appraise and physically inspect individual aircraft, fleets, support inventory, tooling and equipment. AAMI's staff is composed of professionals who have held key operational, maintenance, financial and marketing positions at airlines, business flight operations, and aviation consulting firms and possess an intimate knowledge of the worldwide aviation industry.

AAMI is able to provide both aviation and investment clients with the highest level of resources and experience. Our experience includes work for air carriers, aircraft manufacturers and corporate clients, attorneys, banking, finance, leasing and investment concerns, federal and local assessing, taxing authorities, government and military authorities, insurance companies, and repair stations.

AAMI is able to provide hands-on management as well as expert strategic analysis to meet our client's requirements. AAMI is able to provide expertise tailored to each individual client while maintaining an overall "big picture" perspective of how each client's needs relate to the company's goals and the larger worldwide aviation industry.

- Dan Rausch and Gary Webster are: members of The American Society of Appraisers (ASA) and are Accredited Senior Appraisers.
- Members of International Society of Transport Aircraft Trading (ISTAT) and Mr. Rausch is an ISTAT Certified Appraiser.
- Members of National Business Aviation Association (NBAA)
- Members of Helicopter Association International
- Members of the Aviation Suppliers Association
- Special Magistrates for Ad Valorem Tangible Personal Property Taxes

#### **ASSET MANAGEMENT SERVICES**

- Inventory Appraisals
- Aircraft Appraisals and Value Forecast
- On-Site Maintenance Representation
- Aircraft Surveys
- Maintenance Records Audits
- Portfolio Management & Monitoring
- Tax Letters
- Expert Testimony and Legal Support
- Finance & Strategic Planning
- Safety Assessments

## **AAMI SENIOR MANAGEMENT PERSONNEL**

**DANIEL H. RAUSCH, ASA**  
Accredited Senior Appraiser

Mr. Rausch's forty-four year aviation career began as a flight instructor while attending college in Daytona Beach, Florida. He then became chief pilot for the National Association of Stock Car Auto Racing (NASCAR), with the added responsibilities of overseeing all maintenance of the company's fleet. He then went on to work for the Federal Aviation Administration in Los Angeles and Miami, where he spent eleven years and held various positions including Air Traffic Control Specialist and Military Liaison and Security Specialist. He participated in feasibility studies and was instrumental in the writing and re-writing of various Federal Air Regulations (FARs). Mr. Rausch is a former Senior Vice President of Avmark Services Ltd (ASL), a law firm specializing in the aviation and related equipment fields. During his thirteen and-a-half years at ASL, he performed aircraft inspections and appraisals, tracked Department of Transportation and airline industry data for determining aircraft half-life values, and maintained an extensive up-to-date aviation library. He is widely known in his position of co-editor of the company's Aircraft Marketletter, where it was his responsibility for the gathering of all aircraft and engine transactions and offerings around the world. He has extensive knowledge of aircraft and engine values relative to such transactions. In 1998 he co-founded Aviation Asset Management Inc, which specializes in the appraisal and consulting areas concerning physical assets of airlines including ground equipment, OEM & wholesale suppliers, and FAR 145 Overhaul & Repair Facilities. He is a Commercial Pilot and Certified Flight Instructor (instrument & multi-engine) and holds Masters Degrees in Business Administration and Aeronautical Science, from Embry-Riddle Aeronautical University in Daytona Beach, Florida. Mr. Rausch is a member of the International Society of Transport Aircraft Trading (ISTAT) and is an ISTAT Certified Appraiser. Mr. Rausch is also a member of The American Society of Appraisers and is an Accredited Senior Appraiser. He is one of a small number of listed appraisers under the specialty of Machinery, Technical Specialties/Aircraft in the USA. He also is an Accredited Senior Appraiser under the specialty of Machinery, Technical Specialties/Machinery & Equipment. In addition, Mr. Rausch holds a certificate from The American Society of Appraisers for advanced training in the appraisal of inventory. Mr. Rausch has served as a Special Magistrate for Broward and Palm Beach Counties since 2005. He was chosen for his years of experience in appraisals and is responsible for judging taxpayer disputes with the county's Ad Valorem Tax division on tangible personal property.

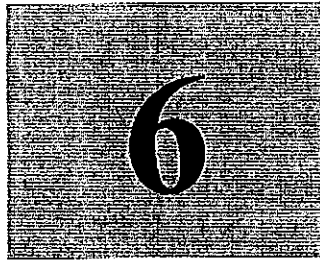
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**GARY A. WEBSTER, ASA**  
Accredited Senior Appraiser

Mr. Webster's thirty-eight year business career began with employment with the Federal Aviation Administration and remained for eleven years as an Air Traffic Control Specialist. During his FAA employment he was involved in the training department and instrumental in evaluations of computer operations and training devices in the Miami-ARTC facility. From 1974-2002 he has owned several businesses including: aircraft rentals and leasing for fixed base operators and sky diving. He has extensive experience in the sales, leasing, rental and appraisals of light and heavy construction and excavation equipment. As President of Alphatec Communications & Electronics Inc, a wholesale electronic equipment business, since 1989, he has gained considerable experience in the appraisals and evaluations of office electronics for businesses, telephone switching systems, and satellite transmitting and receiving equipment for audio/video as well as internet by satellite applications. He is a member of the Satellite Broadcasting and Communications Association. In 2001 Mr. Webster became a member of The American Society of Appraisers and is an Accredited Senior Appraiser (ASA) under the specialty of Machinery, Technical Specialties/Aircraft as well as Machinery, Technical Specialties/ Machinery & Equipment. Mr. Webster is a member of the International Society of Transport Aircraft Trading (ISTAT). He has been active in the appraisal of aircraft, engines, industrial machine shop equipment; including aircraft overhaul shops, aircraft OEM facilities, aircraft ground equipment and construction equipment. Mr. Webster graduated from Miami Dade Junior College in 1971 with an Associate in Science degree in Aviation. He holds a Commercial Pilot's Certificate with Instrument Rating. In 2005 Mr. Webster was active as a Special Magistrate for Miami-Dade, Broward and Palm Beach Counties. From 2006 to 2008 Mr. Webster was an active Special Magistrate in Broward and Palm Beach Counties. He was chosen for his years of experience in appraisals and is responsible for judging taxpayer disputes with the county's Ad Valorem Tax division on personal property.

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# SECTION



## GLOSSARY

Unique circumstances may demand specific definitions not found below. Many terms are used to describe notions of value. The definitions offered here are to provide the fundamental concepts and are not the only acceptable definitions, since contracts may dictate a somewhat different notion. Therefore, these definitions may be expanded or redefined as the purpose and function of an appraisal may dictate, as long as the fundamental concept is not altered.

Also, because of its specialized nature, appraisal practice involves the usage of many technical and financial terms that may not be commonly understood by clients or laymen. The following glossary is intended to assist the client in understanding these terms.

### TYPES OF APPRAISALS

**APPRAISAL:** A formal valuation of property made by a competent authority.

**DESKTOP APPRAISAL:** Does not include any inspection of the aircraft or review of its maintenance records. It is based upon assumed aircraft condition and maintenance status or information provided to the appraiser or from the appraiser's own database. A desktop appraisal would normally provide a value for a mid-time, mid-life aircraft.

**EXTENDED DESKTOP APPRAISAL:** An extended desktop appraisal is one which is still characterized by the absence of any on-site inspection of the aircraft or its maintenance records, but does include consideration of maintenance status information that is provided to the appraiser from the client, aircraft operator, or in the case of a second opinion, possibly from another appraiser's report. An extended desktop appraisal would normally provide a value that includes adjustments for the mid-time, mid-life baseline to account for the actual maintenance status of the aircraft.

**FULL APPRAISAL:** Includes an inspection of the aircraft and its maintenance records. This inspection is aimed solely at determining the overall condition of the aircraft and records to support the value opinions of the appraiser, and would not, for example, include opening of inspection panels on the aircraft or a detailed review of record archives. A full appraisal would normally provide a value that includes adjustments from the mid-time baseline to account for

the actual maintenance status of the aircraft, and possibly other adjustments to reflect the findings of the inspection of the aircraft and its records.

**COMPREHENSIVE APPRAISAL:** Includes a detailed inspection of the aircraft and records. Sufficient detail is required, for example, to insure that the records are in sufficiently good order to allow for the re-registration of the aircraft in a different country.

**FINANCIAL APPRAISAL:** A financial appraisal is one that determines the value of an aircraft to an investor based upon the income earning potential from its lease and residual value. A financial appraisal may be done in conjunction with either desktop or full appraisals.

### VALUE DEFINITIONS

**BASE VALUE (Aircraft):** Is the Appraiser's opinion of the underlying economic value of an aircraft in an open, unrestricted, stable market environment with a reasonable balance of supply and demand, and assumes full consideration of its "highest and best use". An aircraft's Base Value is founded in the historical trend of values and in the projection of value trends and presumes an arm's-length, cash transaction between willing, able and knowledgeable parties, acting prudently, with an absence of duress and with a reasonable period of time available for marketing.

In most cases, the Base Value of an aircraft assumes its physical condition is average for an aircraft of its type and age, and its maintenance time status is at mid-life, mid-time (or benefiting from an above-average maintenance status if it is new or nearly new, as the case may be).

**CATALOG VALUE (List Price):** Is the Manufacturer's published suggested selling price. The catalog price may be changed periodically by the manufacturer.

**CURRENT FAIR MARKET VALUE (CFMV):** Is the Appraiser's opinion of the most likely trading price that may be generated for a property under the market circumstances that are perceived to exist at the time in question.

The term assumes that the property is valued for its highest and best use that the parties to the hypothetical sale transaction are willing, able, prudent and knowledgeable, and under no unusual pressure for a prompt sale, and that the transaction would be negotiated in an open and unrestricted market on an arm's length basis.

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It is a synonymous with Market Value, and likewise Current Fair Market Value is synonymous with Current Market Value because the criteria typically used in those documents that use the term "Fair" reflect the same criteria set forth in the above definition of Market Value.

By itself, the term "Fair" does not bring any additional qualifications to the appraised value, but it a term sometimes used in leases, sales contracts, tax regulations and legal documents, and is sometimes accompanied with a specific definition to which the contracting parties have agreed.

**CURRENT FAIR MARKET VALUE IN CONTINUED USE:** The estimated amount, expressed in terms of money, that may reasonably be expected for a property in exchange between a willing buyer and seller with equity to both, neither under any compulsion to buy or sell, and both fully aware of all relevant facts, including installation, as of a specific date, and assuming that the business earnings support the value reported.

**CURRENT FAIR MARKET VALUE INSTALLED:** The estimated amount of an installed property, expressed in terms of money, that may reasonably be expected in exchange between a willing buyer and seller, with equity to both, neither under any compulsion to buy or sell, and both fully aware of all relevant facts.

**CURRENT FAIR MARKET VALUE REMOVAL:** The estimated amount, expressed in terms of money, that may reasonably be expected for a property between a willing buyer and seller, with equity to both, neither under any compulsion to buy or sell, and both fully aware of all relevant facts, as of a specific date, considering removal of the property to another location.

**FORCED LIQUIDATION VALUE (FLV):** Is the estimated gross amount expressed in terms of money which could be typically realized from an immediate forced sale (auction), with the seller being compelled to sell on an as is-where is basis. Is the Appraiser's opinion of the price at which a property could be sold under abnormal conditions, such as an artificially limited marketing time period, the perception of the seller being under duress to sell, an auction, a liquidation, commercial restrictions, legal complications, or other such factors that significantly reduce the bargaining leverage of the seller and give the buyer a significant

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advantage that can translate into heavily discounted actual trading prices. Apart from the fact that the seller is uncommonly motivated, the parties to the transaction are otherwise assumed to be willing, able, prudent and knowledgeable, negotiating at arm's-length, normally under the market conditions that are perceived to exist at the time, not an idealized balanced market.

**LIQUIDATION VALUE IN PLACE:** The estimated gross amount, expressed in terms of money, that is projected to be obtainable from a failed facility, assuming that the entire facility would be sold intact, as of a specific date, within a limited time to complete the sale.

**NET ORDERLY LIQUIDATION VALUE (NOLV):** A professional opinion of the estimated most probable price expressed in terms of currency which the property could typically realize at a privately negotiated sale, properly advertised and professionally managed, by a seller obligated to sell over a six to eighteen month time period, as of the effective date of the appraisal report. Further, the ability of the inventory to draw sufficient prospective buyers to insure competitive offers is considered. It is assumed that all of the property will be sold on a piecemeal basis "as is, where is" with the purchaser being responsible for removal at their own risk and expense. The circumstances of liquidation must be carefully reviewed at the time so as to maximize return.

The typical costs of liquidating a property of this type, over a liquidation period, must, at a minimum, budget for salaries, increased commissions, warehousing & office space, telephone & utilities, advertising, insurance, accounting and legal expenses. These expenses would be deducted from the Orderly Liquidation Value given.

**ORDERLY LIQUIDATION VALUE (OLV):** Is the estimated gross amount in dollars that could be typically realized from an orderly sale over a reasonable period of time. The sale of a property over this period must be managed and monitored to insure that the greatest return in value is realized.

This OLV is not intended to be an immediate forced liquidation sale number. Rather we assume that the collateral would be properly marketed with all relevant certificates attached. In the case of an inventory combined into small sub-groupings. Further, the sub-



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groupings will be comprised of a combination of parts that are from both the "demand exceeds supply" and "supply exceeds demand".

The expenses of liquidation are not included in the OLV given.

**SALVAGE VALUE:** The estimated amount, expressed in terms of money, that may be expected for the whole property or a component of the whole property that is retired from service for use elsewhere.

**SCRAP VALUE:** The estimated amount, expressed in terms of money, that could be realized for the property, as of a specific date, if it were sold for its material content not for a productive use.

**SECURITIZED VALUE or Lease-Encumbered Value:** Is the Appraiser's opinion of the value of an aircraft, under lease, given a specified lease payment stream (rents and term), and estimated future residual value at lease termination, and an appropriate discount rate.

**INSURANCE REPLACEMENT COST:** The replacement cost new as of a specific date, as defined in the insurance policy, less the cost new of the items specifically excluded in the policy, if any.

**INSURANCE VALUE DEPRECIATED:** The insurance replacement cost as of a specific date, less accrued depreciation considered for insurance purposes.

**REPRODUCTION COST NEW:** The current cost of reproducing a new replica of a property with the same or closely similar materials.

**REPLACEMENT VALUE:** Is the Appraiser's opinion of "a fair return in money, goods, services, etc., for something in exchange; monetary worth of a thing; marketable price." It is the most likely trading price that a property would trade for under the market circumstances that are perceived to exist at the time in question. *Value* is usually estimated and is subject to differences of opinion and interpretation and varies from one person to another. (Value is what a thing is worth; price is what is paid to acquire it.)

The term assumes that the property is valued for its highest and best use, that the parties to the hypothetical sale transaction are willing, able, prudent and knowledgeable, and

under no unusual pressure for a prompt sale, and that the transaction would be negotiated in an open and unrestricted market on an arm's length basis.

It is a synonymous with Market Value, and likewise Current Fair Market Value is synonymous with Current Market Value because the criteria typically used in those documents that use the term "Fair" reflect the same criteria set forth in the definition of Market Value.

**REPLACEMENT COST NEW:** The current cost of a similar new property having the nearest equivalent utility as the property being appraised.

### TECHNICAL TERMS

The following definitions are largely derived from other aviation industry publications, including:

- Federal Aviation Regulations
- FAA Publication 8300.9, Airworthiness Inspector's Handbook
- World Airlines Technical Operations Glossary (WATOG) developed jointly by the Air Transport Association (ATA), International Air Transport Association (IATA) and Aerospace Industries Association (AIA).

In some cases additional explanatory language has been added as clarification or to discuss the item's particular relevance to the aircraft appraisal process.

Note that many of the entries below refer only to the US FAA where it might be more appropriate to add "or other air authority". Also, in many cases the definitions are drawn from or refer to specific Federal Aviation Regulations, although it is possible that these could differ from similar regulations published by the air authorities in other international jurisdictions.

**ACCIDENT:** An occurrence associated with the operation of an aircraft, which takes place between the times any person boards the aircraft with the intention of flight, until such time as all such persons have disembarked, in which:

- Any person suffers death or serious injury as a result of being in or upon the aircraft, or by direct contact with the aircraft or anything attached thereto; or
- The aircraft received substantial damage; or

- Any damage is caused to the property of a third party.

**ADVISORY CIRCULAR:** A publication of the FAA to inform the aviation public of non-regulatory material of interest. Unless incorporated into a regulation by reference, the contents of an AC are not binding. An AC is issued to provide guidance and information in its designated subject area or to show a method acceptable for complying with a related Federal Aviation Regulation.

**AIRCRAFT:** A device that is used or intended to be used for flight in the air.

**AIRCRAFT COMMUNICATIONS ADDRESSING/REPORTING SYSTEM (ACARS):**

A communications system that automatically reports via radio when an aircraft is out of the gate, off the ground, back on the ground, and at the gate again, thus automatically collecting data on flight cycles, flight time and block time. During flight the system may also monitor and report on aircraft and engine performance.

**AIRCRAFT, LARGE:** A defined category used by the US FAA for aircraft having a maximum certificated takeoff weight more than 12,500 pounds.

**AIRCRAFT, SMALL:** A defined category used by the US FAA for aircraft having a maximum certificated takeoff weight more than 12,500 pounds or less.

**AIRCRAFT MAINTENANCE MANUAL (AMM):** A manual that describes the methods, techniques and practices to be used by persons performing maintenance, alteration or preventive maintenance on an aircraft.

**AIRPLANE:** An engine-driven fixed-wing aircraft, heavier than air, that is supported in flight by the dynamic reaction of the air against its wings.

**AIRWORTHINESS:** The condition of an item (aircraft, aircraft system or part) in which that item is capable of operating in a safe manner to accomplish its intended purpose. Two key factors are: the aircraft (or device) must conform to its type design and it must be in a condition for safe operation.

**AIRWORTHINESS CERTIFICATE:** An Airworthiness Certificate is issued by the FAA for an individual aircraft when it is satisfied that the aircraft conforms to the Type Certificate and is in a condition for safe operation. The Airworthiness Certificate is issued to the registered owner, and is transferred with the aircraft. It remains in effect as long as the

aircraft is maintained (or altered) according to the appropriate FAA regulations and continues to be registered in the United States.

**AIRWORTHINESS DIRECTIVE (AD):** A mandatory order issued by the FAA, usually applying to specific types of aircraft, engines or appliances, when an unsafe condition exists and that condition is likely to exist or develop in other aircraft, engines or appliances of the same design. An AD usually requires some maintenance action (possibly only an inspection), within some specified time in order to ensure continued safety and airworthiness, and no aircraft may be operated in contravention of the requirements or limitations of an AD.

**ASSEMBLY:** A number of parts, subassemblies, or any combination thereof joined together to perform a specific function and which can be disassembled without destruction of designed use. (The distinction between an assembly and a subassembly is not always exact. An assembly is one instance may be a subassembly in another where it forms a portion of an assembly).

**BURDEN, MAINTENANCE (sometimes also referred to as Indirect maintenance cost):** Those maintenance labor and material costs not considered to be direct maintenance costs, but which contribute to overall maintenance program costs through overhead operations, administration, record-keeping, scheduling, controlling, planning, supervision, tooling, test equipment, facilities, etc.

**CARGO:** All traffic other than passengers. Cargo includes freight, mail and excess baggage shipments.

**COMPONENT:** Any self-contained part, combination of parts, sub-assemblies or units, which perform a distinctive function necessary to the operation of a system.

**COST, DIRECT AND INDIRECT:** Although there is not an "official" definition from any regulatory body, aircraft direct operating costs (DOCs) are customarily categorized as follows:

- Flying Operations
  - Crew Salaries & Expenses
  - Fuel & Oil
  - Insurance

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- Maintenance
  - Direct Labor & Material
  - Maintenance Burden
- Depreciation & Rentals
- Landing Fees & Airport Handling Charges (sometimes)

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The major categories of indirect operating costs include:

- Aircraft Servicing
- Traffic Servicing
- Servicing Administration
- Reservations & Sales
- Advertising & Publicity
- General & Administrative

**CYCLE, AIRCRAFT OPERATING:** A complete flight sequence including taxi, takeoff, flight en route, and landing. In the case of engines, a cycle includes starting, acceleration to maximum rated power, deceleration and stopping (FAR 33.14).

**DAMAGE, FOREIGN OBJECT (FOD):** Damage to any portion of the aircraft (most commonly engines) caused by impact or ingestion of birds, stones, hail or other debris.

**ENGINE:** The basic engine assembly plus its essential accessories as supplied by the engine manufacturer. These include those units and components which are used to induce and convert fuel/air mixture into thrust/power; to transmit power to the propeller shaft, if any, and accessory drives; to supplement the function of other defined systems external to the engine; and to control and direct the flow of internal lubrication. The nacelle and the reverser are excluded.

**ENGINE SHOP VISIT:** An engine removal is classified as a "shop visit" whenever the subsequent engine maintenance performed prior to reinstallation entails one of the following:

- Separation of pairs of major mating engine flanges (other than solely for shipment),
- Removal/replacement of a disk, hub, or spool.

Sometimes the definition is specifically tailored, as in some Airworthiness Directives that say, "For the purpose of this AD, an engine shop visit is defined as input to an engine repair shop where the low pressure turbine module is removed", or "the front and rear flanges

of the combustion case are separated", or "any major module is separated", or "the inlet gearbox is exposed".

**EXTENDED OVERWATER OPERATIONS:** Flight operations over water at a horizontal distance of more than 50 nautical miles from the nearest shoreline. These are operations for which the regulations require certain communications equipment, as well as various items of emergency and water survival equipment (life rafts and emergency flotation devices, for example). Note that the distance is specified from the shoreline, not necessarily from an airport.

**EXTENDED-RANGE OPERATIONS (EROPS):** Generally, flight operations at a distance more than 60 minutes flying time with one engine inoperative from a suitable airport. "EROPS" now has virtually no official standing except within Canada where certain communication, navigation and emergency requirements pertain to all aircraft in extended-range operations, regardless of the number of engines. In the U.S. and many other countries, the requirements have evolved into "ETOPS" (listed separately below) with rules that apply only to twin-engine aircraft operating beyond the 60 minute distance.

**EXTENDED-RANGE TWIN-ENGINE OPERATIONS (ETOPS):** ETOPS applies specifically to twin-engine aircraft operated at a distance more than 60 minutes flying time with one engine inoperative from a suitable airport. In the U.S. there are approvals for ETOPS at distances from suitable airports, varying from 75 minutes up to 180 minutes at the engine-out cruising speed. In general, aircraft used in ETOPS must have an ETOPS type design approval which may require the incorporation of a substantial number of equipment options and Service Bulletins, and the national air authorities may approve specific operators, aircraft and routes based upon various qualifications, demonstrated reliability and competence.

**EXTRAORDINARY ASSUMPTION:** An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about

conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

**FAIL-SAFE:** A design criterion, which requires that predictable failure of an item will not place the aircraft into an uncontrollable condition. The intent is that a partial failure of a structural element, for example, will not lead to the catastrophic failure of the entire structure.

**FLIGHT:** The entire passage consisting of one or more flight legs, from leaving the airport of origin to arrival at the airport of final destination and operated under one flight number.

**HYPOTHETICAL CONDITION:** That which is contrary to what exists but I supposed for the purpose of analysis.

Comment: Hypothetical condition assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property, or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

**HOT SECTION INSPECTION (HIS):** The inspection and restoration of the hot section items of an engine (principally the combustion and turbine sections), usually at a predetermined time/cycle limit. A hot section inspection is not necessarily considered an "engine shop visit" if no major disassembly or repairs are required.

**INSPECTION, DETAILED:** An intensive visual examination of a specified detail, assembly, or installation. It searches for evidence of irregularity using adequate lighting and, where necessary, inspection aids such as mirrors, hand lens, etc. Surface cleaning and elaborate access procedures may be required.

**INSPECTION, EXTERNAL SURVEILLANCE (STRUCTURAL):** A visual check that will detect obvious unsatisfactory conditions/discrepancies in externally visible structure. It may also include internal structure, which is visible through quick opening access panels/doors. Work stands, ladders, etc., may be required to gain proximity.

**INSPECTION, GENERAL VISUAL:** A collective term, which includes the External Surveillance Inspection, the Internal Surveillance Inspection, and the Walk-Around Check.

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**INSPECTION, INTERNAL SURVEILLANCE (STRUCTURAL):** A visual check that will detect obvious unsatisfactory conditions/discrepancies in internal structure. This type of inspection applies to obscured structure and installations which require removal of fillets, fairing, access panels/doors, floor-boards, liners, insulation blankets etc.

**INSPECTION, WALK-AROUND CHECK:** A visual check conducted from ground level to detect obvious discrepancies.

**ITEMS, EXPENDABLE:** Items for which no authorized repair procedure exists, and for which cost of repair would normally exceed that of replacement. Expendable items include nuts, bolts, rivets, sheet metal, wire, light bulbs, cable and hose. For financial accounting purposes, expendable items are normally considered to be consumed when they are issued, so they are then not carried as inventory assets.

**ITEMS, LIFE-LIMITED:** An Item which, when listed on the aircraft, engine or propeller type certificate data sheet or the manufacturer's instructions for continued airworthiness, must be permanently removed from service and discarded before a specified time (e.g. hours, cycles or calendar limit) is achieved. Among the most significant life-limited items for appraisal purposes are engine disks and shafts.

**ITEMS, REPAIRABLE:** A replacement part or component, commonly economical to repair, and subject to being rehabilitated to a fully serviceable condition over a period of time less than the life of the flight equipment to which it is related. Examples include many engine blades and vanes, some tires, seats, galleys.

**ITEMS, ROTABLE:** An item that can be economically restored to a serviceable condition and, in the normal course of operations, can be repeatedly rehabilitated to a fully serviceable condition over a period of time approximating the life of the flight equipment to which it is related. Examples include avionics units, landing gears, auxiliary power units, and major engine accessories.

**ITEMS, TIME-LIMITED:** An item which must be inspected, tested or reconditioned at specified intervals of time (hours, cycles or calendar) in order to ensure continued airworthiness. Not the same as Item, Life-Limited, listed separately.



**LIFE, ECONOMIC USEFUL:** As it pertains to an aircraft or engine, the economic useful life is the period of time over which it is (or is expected to be) physically and economically feasible to operate it in its intended role. Periodic maintenance and repair will usually be required in order to preserve safety and efficiency during the economic useful life.

**LIST, MINIMUM EQUIPMENT (MEL):** An approved list of items, which may be inoperative for flight under specified conditions and/or specific limited periods of time. For example, an aircraft with triple-redundant navigation systems might be permitted to depart with one system inoperative, or certain lights may be inoperative for daylight flights. An MEL is not transferable between operators of the same equipment.

**MAINTENANCE:** Those actions required for restoring or maintaining an item in serviceable condition, including servicing, repair, modification, overhaul, inspection, determination of condition, preservation and storage.

**MAINTENANCE, CONDITION-MONITORED:** A primary maintenance process under which data on the whole population of specified items in service is analyzed to indicate whether some allocation of technical resources is required. Not a preventive maintenance process, condition monitored maintenance allows failures to occur, and relies upon analysis of operating experience information to indicate the need for appropriate action.

Note: Failure modes of condition-monitored items do not have a direct adverse effect on operating safety.

**MAINTENANCE, SCHEDULED:** The maintenance performed at defined intervals to retain an item in a serviceable condition by systematic inspection, detection, replacement of worn out items, adjustment, calibration, cleaning, etc.

**MEAN TIME BETWEEN FAILURE (MTBF):** A performance figure calculated by dividing the total unit time or cycles accrued in a period by the number of unit failures that occurred during the same period.

**MEAN TIME BETWEEN REMOVALS (MTBR):** A performance figure calculated by dividing the total unit time or cycles accrued in a period by the number of unit removals (scheduled plus unscheduled) that occurred during the same period.

**MID-TIME, MID-LIFE:** (sometimes half-time, half-life) These are two terms commonly used by appraisers to describe the maintenance time status of an aircraft or engine.

- Mid-time pertains to scheduled inspections or overhauls that are repeated at specified intervals of time, with "mid-time" (or half-time) implying that the status is mid-way through such an interval.
- Mid-life pertains to items with mandated life limits (engine disks, for example), and "mid-life" (or half-life) implies that such items have been in service for one-half of their life limits.

**NON-DESTRUCTIVE TESTING (NDT):** A maintenance procedure to determine the condition of an area or part of an aircraft or component by means of tests that do not affect the function or serviceability of the item being tested. Some commonly used NDT methods include visual, radiographic, magnetic particle, ultra-sonic, dye penetrant, and eddy-current inspections.

**OVERHAUL:** The disassembly, inspection and/or check of an aircraft, component, engine or appliance to an extent necessary to determine, as substantiated by service experience and accepted practices, that it is in satisfactory condition to operate one complete overhaul period. It shall include the replacement, repair, adjustment or refinishing of such parts as required, which, if improperly accomplished would adversely affect the structural strength, performance, flight characteristics or safety of the aircraft involved.

**POOL, PARTS:** An arrangement whereby participants are entitled to withdraw items from the agreed stock held by any participant.

**PROGRAM, MAINTENANCE:** A program, either acceptable or approved by airworthiness authorities, which defines a logical sequence of maintenance actions to be performed as events or pieces of a whole which, when performed collectively, result in achievement of the desired maintenance standards. The program may be originated by the manufacturer or the operator.

- A "Block Maintenance Program" is one, which allocates major structural inspections and/or maintenance tasks into groups, or blocks, which permit convenient, economical and effective accomplishment. A program of recurring C-Checks and D-Checks may be a block maintenance program.

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- A "Continuous Airworthiness Maintenance Program" is a compilation of the individual maintenance and inspection functions utilized by an operator to fulfill its total maintenance needs. The authorization to use continuous maintenance program are:
  - Aircraft inspection
  - Scheduled maintenance
  - Unscheduled maintenance
  - Engine, propeller and appliance repair & overhaul
  - Structural inspection program / airframe overhaul
  - Required inspection items
  - Maintenance Manuals
- A "Phased Maintenance Program" (sometimes called an "equalized" / "segmented" program) is one where some of the maintenance effort is apportioned to smaller packages that may be accomplished more frequently than the packages in a block maintenance program. Usually, the objective of this subdivision of effort is to even out the maintenance workload over time and shorten the length of each period of down-time.
- Note that the distinction between "block" and "phased" programs is not very clear. Different airlines and different air authorities have adopted many variations, so these terms do not have unique meanings applicable to all circumstances. For example, the C-Check might be divided into phases while the D-Check is left intact, or the D-Check might also be divided into phases, and the number of phases could be large or small. Moreover, different airlines have adopted different lettering and numbering terminologies to designate their checks.
- A "Progressive Maintenance" program is one which provides for the complete inspection of an aircraft within each 12 calendar months. Consistent with the manufacturer's recommendations and other regulatory requirements. In practice, this primarily applies to small aircraft, although FAA Order 8300.9 Section 5 says the progressive inspection system "is particularly adaptable to larger multiengine

aircraft and aircraft operated by companies and corporations where high utilization is demanded.

**QUICK ENGINE CHANGE (QEC):** A QEC kit is a collection of components and accessories such as pumps, generators, thrust reverser, nose cowl, wiring harnesses and fluid lines installed onto a bare engine to speed the eventual installation of the entire power plant onto an aircraft. The actual make-up of the QEC kit will usually depend on the type of aircraft that the engine will be used on, and may also be different for different engine positions on the same aircraft. With the QEC kit installed, the power plant is sometimes then called a "QEC Unit".

**REBUILD:** A maintenance process whereby an aircraft, engine, propeller, appliance or component part is disassembled, cleaned, inspected, repaired as necessary, reassembled and tested to the same tolerances and limits as a new item, using either new parts or used parts that either conform to new part tolerances and limits or to approved oversized or undersized dimensions.

**REGISTRATION CERTIFICATE:** With certain exceptions for foreign aircraft, aircraft with temporary authorizations, or aircraft of the armed forces, no aircraft may be operated without a Registration Certificate that is issued to its owner by the FAA. The Registration Certificate is also the basis for assigning a U.S. identification number ("N" Number). Generally, the Registration Certificate remains effective until the aircraft is sold, exported, destroyed or scrapped. Note that this definition pertains specifically to the U.S. but comparable regulations apply in most other jurisdictions.

**REPAIR:** The restoration of an airframe, powerplant or appliance to a condition for safe operation after damage or deterioration. A "Major" repair is one that, if improperly done, might appreciably affect weight, balance, structural strength, performance, powerplant operation, flight characteristics or other qualities affecting airworthiness.

**ROTORCRAFT:** (sometimes rotocraft) A heavier-than-air aircraft that depends principally for its support in flight on the lift generated by one or more rotors.

**SERVICE BULLETIN (SB):** A document issued by the manufacturer to notify the owner or operator of an aircraft (or engine or other device) of recommended (or required by

Airworthiness Directives) modifications, substitution of parts, special inspections/checks, reduction of existing life limits or establishment of first-time life limits and conversion from one engine model to another. Service Bulletins may or may not be FAA-approved.

**SUPPLEMENTAL TYPE CERTIFICATE (STC):** An STC is issued by the FAA to grant approval for an alteration of a product by a major change in the type design, where such a change is not great enough to require a new application for a Type Certificate. The STC is kept by the applicant and is then the basis for issuing or retaining airworthiness certificates to all aircraft (or engines or propellers) subsequently modified in the same way. In the case of alterations by the original manufacturer, approval is normally in the form of an amendment to the original Type Certificate, rather than an STC.

**TERRAIN AWARENESS AND WARNING SYSTEM (TAWS):** It provides information concerning impending or potential hazards with fixed objects.

**TIME, BLOCK:** Block time is the time from the moment an aircraft first moves for the purpose of flight until the moment it comes to rest at the destination; sometimes called block-to-block time. Pushback time is considered as part of Block Time.

**TIME, FLIGHT:** Flight time is the duration of the airborne portion of a flight, sometimes called wheels-off to wheels-on-time. It is always less than block time. Note that FAR 1 appears to equate Block Time and Flight Time, but this is not generally accepted.

**TIME, TOTAL:** The operating time that an aircraft, engine or component has accumulated since new. Unless otherwise stated, this is usually total flight time, rather than total block time.

**TIME BETWEEN OVERHAULS (TBO):** The maximum time that an item is permitted to operate between overhauls, TBOs are usually expressed in flight hours, cycles, or calendar increments.

**TRAFFIC ALERT AND COLLISION AVOIDANCE SYSTEM (TCAS):** A system intended to alert flight crews of the existence of nearby aircraft and to provide warning of imminent collisions. There are three categories of TCAS; TCAS I is a proximity warning system that advises pilots of the presence of nearby aircraft. TCAS II is intended to warn

pilots of an impending collision, and it commands vertical avoidance maneuvers. TCAS III warns of the impending collision and commands both vertical and horizontal avoidance maneuvers.

**TYPE CERTIFICATE:** A Type Certificate pertains to aircraft, aircraft engines and propellers. The FAA issues a Type Certificate when the applicant (normally the manufacturer) submits the type design, test reports, and computations and proves to the FAA's satisfaction that the product meets the applicable requirements of the FARs regarding airworthiness, noise and emissions. The Type Certificate is kept at the manufacturer's facility and is the basis for issuing airworthiness certificates to all aircraft (or engines or propellers) subsequently manufactured according to the same type design.

Type Certificates may also be issued for products manufactured in foreign countries with which the United States has an agreement for the acceptance of these products if the country of origin certifies that the product meets airworthiness, noise and emission standards equivalent to the U.S. standards, and the manufacturer submits the appropriate supporting technical data.

**TYPE CERTIFICATE DATA SHEET:** The Type Certificate Data Sheet is the part of the Type Certificate setting forth the limitations prescribed by the applicable airworthiness regulations and any other limitations and information found necessary for type certification.

**UTILIZATION, AIRCRAFT:** The average daily flying hours for an aircraft or a fleet of aircraft. May be also expressed in hours per year or hours per month.

#### **FINANCIAL TERMS**

**ASSET-BASED FINANCE:** Secured asset financing, with credit emphasis on the ownership of, or lien on, such assets as accounts receivable, inventory, machinery and equipment.

**BALLOON PAYMENT:** The final payment, which is substantially larger than the other payments, of an amortized term loan or lease. Less commonly, balloon payments may also occur periodically during a lease term.

**BARGAIN PURCHASE OPTION:** An option given to the lessee to purchase leased equipment at lease expiry for a price which is significantly lower than the expected fair market value of that equipment at the end of the lease.

**CAPITAL LEASE:** A lease in the U.S. is classified as a capital lease if it meets any of the following criteria:

- The lease transfers ownership to the lessee at the end of the lease term.
- The lease contains an option to purchase the property at a bargain price.
- The lease term is equal to 75% or more of the estimated economic life of the property (with exceptions for used property that is already near the end of its useful life).
- The present value of minimum lease rental payments is equal to 90% or more of the fair market value of the leased property

**CHAPTER 7:** A chapter of the U.S. Bankruptcy Code, which provides the rules whereby a debtor or creditor, may petition the court for the appointment of a trustee or receiver to supervise the orderly liquidation of a business.

**CHAPTER 11:** A chapter of the U.S. Bankruptcy Code which provides the rules whereby a debtor is allowed to file for court protection. Such protection enables the debtor to continue its operations while undergoing reorganization. Chapter 11 also allows a creditor to protect its interests.

**DISCOUNTED CASH FLOW:** A technique for assessing the present value of future payments which takes into account the time value of money.

**DRY LEASE:** Traditionally in aircraft and marine leasing, an agreement that provides financing only for the equipment itself, and does not extend to personnel, maintenance, fuel and provisioning necessary to operate the craft. Corollary in marine leasing is a bare boat charter.

**INVESTMENT TAX CREDIT (ITC):** A provision of the tax code designed to stimulate investment in capital equipment by allowing a percentage of the purchase price to be credited directly against taxes due.

**LEVERAGED LEASE:** Involves at least three parties: lessor, lessee and a lender. The lessor owns the equipment and will generally provide a portion of the purchase price while borrowing the remainder, usually on a non-recourse basis, from the lender. The lessor thereby enhances his ability to purchase and own the asset using the capital of a third party.

**NET LEASE:** A lease which provides that all costs in connection with the use of the equipment are paid by the lessee and are not part of the rental, e.g. taxes, insurance and maintenance are paid directly by the lessee. Note that most capital leases, leveraged leases and direct finance leases are net leases.

**OPERATING LEASE:** For financial accounting purposes, a lease which does not meet the criteria of a capital lease (see separate entry). Also used generally to describe a short-term lease whereby the user can acquire the use of an asset for a fraction of its useful life. It is not common, but the lessor may pay for maintenance and insurance.

**OWNER TRUSTEE:** In a leveraged lease, the party who holds title to the equipment for the benefit of the equity participants. The owner trustee issues trust certificates to the equity participants, maintains the register, acts as the agent for such certificates, and makes appropriate filings to perfect and protect the lender's interest in the collateral.

**PURCHASE OPTION:** The right to buy leased property at the end of the lease term. In the U.S., if the tax characteristics of a true lease are to be protected, the purchase option may not be at a price less than the asset's fair market value at the time the right is exercised.

**RENEWAL OPTION:** A right whereby the lessee may renew a lease for an additional period after the original termination date. The rent for the renewal period is usually set at a lower rate than in the initial period.

**RESIDUAL VALUE:** The value of equipment at a future date, usually in connection with the conclusion of a lease term. Not the same as salvage value or scrap.



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**TAX LEASE:** A single-investor or leveraged lease in which the lessor has satisfied certain Internal Revenue guidelines, retaining the tax benefits (such as investment tax credits and depreciation) associated with ownership. These tax benefits may be passed through to the lessee in the form of lower rental payments. The lease may require special indemnity by the lessee for any of the lessor's benefits lost or subject to recapture.

**WET LEASE:** An operating lease that provides crew, fuel and maintenance services in addition to the aircraft itself.

**Component/Material Codes**

The following industry accepted terms and Component/ Material Codes are used when describing the condition of parts.

**APIS** (Approved Production Inspection Systems) ensures that a part in all ways meets its FAA approved design data.

**PC** (Production Certificate) conveys production approval for a complete aircraft, engines or propellers and associated spare parts that pass through PC holders APIS.

**PAH** (Production Approval Holders) either a TC, PC, PMA, or TSO holder.

**TC** (Type Certificate) conveys FAA design Approval for a complete aircraft, engines or propellers.

**OEM** (Original Equipment Manufacturer): An aircraft or engine manufacturer or other designated and authorized manufacturer that is the holder of a Production Certificate, Parts Manufacturer Approval, or Technical Standards Order.

**PMA** (Parts Manufacturer Approval): PMA is issued for replacement or modification parts under FAR 21, Subpart K, Section 21.303. Such parts are permanently and legibly marked with the letters "FAA-PMA", the name, trademark, or symbol of the holder of the PMA, the part number, and the name and model designation of each type certificated product on which the part is eligible for installation. Parts which are too small, or where it is otherwise impractical to mark the parts per the foregoing, may be tagged with the required information

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on the tag or, as an alternative when necessary, the tag may reference the specific, readily available manual or catalog for part eligibility information.

**TSO (Technical Standard Order):** FAA authorization for aircraft systems such as seats, wheels and brakes, which meet a minimum performance standard. Most aircraft accessories, such as CSD's, pumps, actuators and valves must have a PMA and are ineligible for TSO. TSO's involve certain certificated aircraft subsystems, which may be used on several different aircraft.

**NE/N NU (NEW), FACTORY NEW (FN):** A new part or material received from an OEM, holder of a PMA, or OEM authorized distributor.

**NS (New Surplus):** A new part or material received from an authorized supplier, OEM, or airline (foreign or domestic), which was never installed on an aircraft. The part or material will have accompanying documentation showing traceability back to the OEM or air carrier from which it was originally purchased.

**OHC (Overhauled & Certified):** A part which has been overhauled and certified by an authorized OEM, Manufacturer's Maintenance Facility (MMF), or Part 145 Repair Agency. The part was overhauled in accordance with accepted/approved data in compliance with FAR Part 43 and will have a Time Since Overhaul (TSO) of 00.00 hours.

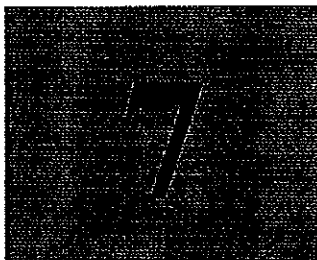
**SV/S (Serviceable):** Part is used but certified as airworthy by a Part 121 / 129 airline or authorized FAA repair agency.

**AR (As Removed):** Part or material in its "as removed condition" from an aircraft or powerplant, normally requiring repair and bench check. Part is used but not certified as airworthy. The part can usually be economically repaired and/or overhauled to SV or OHC condition.

**BER/B/ BR (Beyond Economical Repair):** The part is being evaluated for disposition as "REPAIR" or "SCRAP".

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# SECTION



**STAFF 002847**  
**FPL RC-12**

## *M&E Definitions*

Appraisal date – The specific date to which the values contained within an appraisal will apply.

Asset – Property of all kinds, both tangible and intangible.

Book Value – The capitalized cost of an asset less the depreciation taken for financial reporting.

Curable Depreciation -- Depreciation in the form of deterioration of obsolescence that is economically feasible to remedy because the resulting increase in utility and value are equal to or greater than the expenditure.

Economic Obsolescence – A form of depreciation or loss of value caused by unfavorable external conditions not inherent in the machinery & equipment.

Functional Obsolescence – A form of depreciation in which the loss in value is due to factors inherent in the machinery & equipment. Changes in design, materials or a process that results in inadequacy, overcapacity, excess construction, lack of functional utility or excess in operating costs are also characteristics in functional obsolescence.

Physical Deterioration – A form of depreciation where the loss in value or usefulness of an asset is attributable solely to physical causes, such as wear and tear and exposure to the elements.

Direct Cost – All costs directly incurred in the purchase and placement of an asset into functional use.

FBO – Fixed Base Operation. A business operating at an airport to serve the aviation community. Hangar space rental, aircraft leasing or rental, fuel or maintenance services, pilot services and even car rentals are frequently portions of this type of business.

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Incurable Obsolescence – Depreciation in the form of deterioration and obsolescence that is not economically feasible to remedy because the resulting increase in the utility and value are less than the cost incurred.

Original Cost – The initial capitalized cost of an asset in the hands of its present owner.

Scrap Value – The estimated amount, expressed in terms of money that could be realized for an asset if it were sold for its material content, not as a totally functional machine.

Salvage Value – The estimated amount, expressed in terms of money that could be realized for the whole asset or some part of an asset that is retired from service. Considered for only, the worth of the raw materials.



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STAFF 002850  
FPL RC-12

**Exhibit D**

**Fair market value estimates of the  
office furniture and computer equipment**

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**STAFF 002851  
FPL RC-12**

**Office Furniture Located at Aircraft Hangar  
To Be Transferred by Dividend**

DESCRIPTION	VENDOR	QTY	FMV	TOTAL
Modular Metal Desk (Pilots)	Steelcase	11	95 EA	\$ 1,045
Wood Modular Desks	Kimball International	3	179 EA	537
Modular Metal Desk (Administration)	Steelcase	2	95 EA	190
Modular Metal Desk (Maintenance)	Steelcase	6	95 EA	570
Lockers	Meridian	9	179 EA	1,611
File Cabinet (Fire Proof)	Fire King	2	36 EA	72
File Cabinet (4 drawer)	Steelcase	4	36 EA	144
File Cabinet (2 drawer)	Steelcase	6	36 EA	216
Metal Desk	Steelcase	2	95 EA	190
Wood Conference Table	Kimball International	1	500 SET	500
Conference Table Chairs	Sitonit	9		
Desk Chairs	Various	20		
Office Chairs (incl kitchen)	Various	19	34 EA	1,326
Table (four person)	Various	3	35 EA	105
Metal Book Shelves	Various	3	59 EA	177
Wood Bookshelves	Kimball International	3	75 EA	225
Furniture (Couch, 2 Lounge Chairs)	Unknown	3	105 EA	315
Flat Screen TV	Various	5	96 EA	480
Aluminum Guard Shack	Mardian	1	2300	2,300
		<b>TOTAL</b>		<b>\$ 10,003</b>



**Computer Equipment Located at Aircraft Hangar  
To Be Transferred by Dividend**

CompClass	Manufacturer	Model	FMV	SerialNo
LAPTOP	IBM	1830WCW	\$150	99HARNL
WORKSTATION	DELL	OPTI PLEX GX620	290	3P5JH81
LAPTOP	LENOVO	9462W4B	400	LVBT888
WORKSTATION	DELL	OPTI PLEX GX520	350	9KHHP91
LAPTOP	LENOVO	9462W4B	400	LVBL782
WORKSTATION	DELL	OPTI PLEX GX520	350	D5J4Z91
LAPTOP	LENOVO	7743W2R	520	L3C2071
WORKSTATION	DELL	OPTI PLEX GX280	200	5GTV461
WORKSTATION	DELL	OPTI PLEX GX520	350	76J4Z91
LAPTOP	LENOVO	9462W1Z	400	LVAX089
LAPTOP	LENOVO	9462W4B	400	LVBT873
LAPTOP	LENOVO	9462W4B	400	LVBL767
LAPTOP	LENOVO	7743W2R	520	L3B1477
WORKSTATION	DELL	OPTI PLEX GX520	350	78J4Z91
LAPTOP	IBM	1830WCW	150	99HARGA
LAPTOP	LENOVO	7439B14	1,000	R8KCV87
WORKSTATION	DELL	OPTI PLEX GX260	150	HVCPS11
LAPTOP	LENOVO	9462W4B	400	LVBL799
LAPTOP	LENOVO	9462W4B	400	LVBL720
LAPTOP	LENOVO	9462W1Z	400	LVAV198
LAPTOP	IBM	COMPUTER IBM	100	
LAPTOP	LENOVO	9462W4B	400	LVBL657
WORKSTATION	DELL	OPTI PLEX 755	200	40FVRF1
PRINTER	HP	LASERJET 4250n	100	
PRINTER	HP	LASERJET 4250dtn	75	
PRINTER	HP	COLOR LASERJET 5550dn	2,000	
PRINTER	HP	LASERJET 2100M	50	
SERVER	IBM	IBM SYSTEM X3650-[7979AC1]	3,200	KQPWA73
<b>Total</b>			<b>\$13,705</b>	