Full Adjusted Appraisal

And

Income Valuation

On One

Boeing 757-200 Aircraft,

Serial Number 12345,

Conducted By:

ACI Aviation Consulting

Date: _____

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REPORT PURPOSE

The purpose of this report is to set forth ACI Aviation Consulting's (ACI) opinion of the current market adjusted value and the income value on one (1) Boeing 747-200ER aircraft, serial number 123456, and registration number A123 (the "Aircraft").

The Aircraft is currently registered to the Operator which is located in Your Town USA.

On Today ACI conducted a physical condition inspection and maintenance records audit on the Aircraft, serial number 123456. The physical condition inspection was conducted in a hangar at the Orlando International Airport located in Orlando, Florida. At the time of the inspection the records were with the Aircraft and available for review.

As of the date of this appraisal, ACI had not conducted an audit of the current and historical maintenance records. Accordingly, ACI is not able to confirm the presence, condition or existence of the maintenance records. This report and its conclusions are qualified accordingly. ACI reserves the right to amend this appraisal report and its conclusions. This report should be considered as preliminary.

This aircraft appraisal report has been conducted using industry recognized appraisal procedures and is primarily based upon preliminary "known" aircraft data as obtained during the physical condition inspection and in-house market research conducted by ACI.

This report represents the opinion of ACI and is advisory only in nature. By accepting this report, the client agrees to hold ACI harmless for actions taken or not taken, based upon the conclusions and findings expressed in this report.

EXECUTIVE SUMMARY

Full Adjusted Appraisal and Income Valuation On One (1) Airbus A380 Aircraft Serial Number 12345 and Registration Number A123

At the request of Your Company, ACI Aviation Consulting (ACI) has been retained to conduct a full adjusted aircraft appraisal, income valuation, physical condition inspection, and maintenance records audit on one (1) Boeing 737-300 aircraft, serial number 12345, and registration number A123 (the "Aircraft").

The Aircraft, serial number 12345, is currently being operated by Operator's Company, which is headquartered in Your Town USA. The Aircraft is used throughout the domestic and international route system.

ACI has relied upon specific data requested and obtained from the operator. ACI is not certifying the accuracy of the presented data; rather, ACI is conducting an audit of the data to determine proper content and compliance with standard industry practice.

In conducting its assignments, ACI uses standard aviation auditing techniques that have been developed over the past two decades. These techniques require ACI to conduct an audit and obtain reasonable assurance that the documents, as presented and obtained, contain no material misstatements or gross errors. Further, this assignment is not intended to substantiate airworthiness or compliance with mandated regulations.

The Aircraft is currently operated by Operator's Company under United States Federal Aviation Regulation (FAR) Part 135. Many domestic, commercial passenger operators use this operational FAR Part. This FAR Part details the minimum requirements for safe operation.

This Aircraft was physically inspected on Yesterday in Los Angeles, California. Overall, the Aircraft was noted to be good condition. Specifics concerning the physical inspection are fully covered within this report.

The aircraft is currently configured to accommodate 24 upper deck, 41 lower deck premium and 338 economy passengers.

A maintenance records audit was conducted by ACI at our headquarters from Yesterday through Tomorrow. The audit did not reveal any obvious inconsistencies or gross errors in the records accuracy. Overall, ACI feels that the records are maintained appropriately and accurately reflect the maintenance status of the aircraft.

This aircraft was noted to have a total of 18 deferred maintenance items. ACI considers this number to be high and should be monitored.

Overall, the Aircraft was noted to be in fair to average condition for an aircraft of this vintage and total times and cycles. However, it should be pointed out that, in its current condition, the aircraft is not airworthy. This situation is due to outstanding Airworthiness Directives (ADs), outstanding Federal Aviation Regulations (FARs) requirements, and past due time controlled components and inspections. *(Details are in the "Lease Return Discrepancy" document in the Appendix of this report)*

ACI's Designated Airworthiness Representative (DAR) did a cursory inspection of the aircraft while in Your Town, prior to the ferry flight to Your Country, and found evidence of water ingress and exterior corrosion *(see the Appendix for more details)*. However, upon ACI's follow up aircraft inspection, some of these problems had been rectified. ACI believes this situation requires further review and should be re-examined at a later date.

Upon conducting the maintenance records audit, ACI discovered numerous ADs that were being addressed/complied with by an Alternate Means Of Compliance (AMOC).

These AMOCs are a method for compliance with the terms of the ADs, under FAA approval, while the aircraft is in operation with the Operator's Company. Once the aircraft leaves the Operator's Company, these AMOCs will not be a valid method of compliance.

ACI has conducted initial AD / AMOC research and a listing of the affected ADs are included in the appendix of this report. ACI recommends a full assessment of the situation to determine potential financial impact.

The AMOCs situation may be addressed in the aircraft lease return provisions, however a financial settlement with the Operator's Company may be negotiated prior to lease return. This may financially benefit Your Company if the proper AD / AMOC research is conducted, as the AMOCs may not require accomplishment due to the future contemplated freighter conversion.

When conducting the engine records audit, ACI was supplied with data relating to the engine life limited components. In particular, ACI was supplied with data relating to the engine disks.

It is standard industry practice, and a Federal Aviation Administration (FAA) requirement, to track the current

status of all life limited components[1]. Engine disks are life limited components contained within the engine.

The engine disk data primarily consists of two categories. First, the operator must track the current status of the life limited components indicating their current accumulated time and cycles. Second, the operator should have a complete operational history of each engine disk, including tracking to the date of manufacturer and up through its current accumulated total time and cycles. These records are commonly referred to as engine "back-to-birth records".

During the ACI records audit at the Operator's Company, ACI requested the engine disk back-to-birth records and was told by the Operator's Company that those records were not currently assembled. This is of significant concern to ACI and should be immediately followed up. If these records are not available and provided by Operator's Company, this situation will have a significant negative impact on value.

As of Yesterday, according to information provided by the Operator, engine serial number 123456 had accumulated a total of 99,999.0 hours and 88,888 cycles since new. The next life-limited component on this engine is the 1st Stage Disk and will be due for replacement in 1,111 cycles. This engine is not currently installed on the subject Aircraft. This engine is currently installed on Operator aircraft number 0000 in the number 2 position.

As of Yesterday, engine serial number 234567 had accumulated a total of 99,999.0 hours and 88,888 cycles. No current engine specifications have been provided on this engine. As ACI understands it, this engine is in the shop for repairs and not currently installed on any aircraft. This situation should be closely monitored.

As of Yesterday, according to information provided by the Operator, the nose gear, serial number N444444, had a total of 9,999 cycles or 777 days remaining until an overhaul is required. The left landing gear, serial number L555555, and the right landing gear, serial number R666666, both have 8,888 cycles or 1,111 days remaining before an overhaul is required.

The airframe maintenance program calls for a Heavy Maintenance Visit (HMV 2-5) every 2,191 days (6 years) or 30,000 flight hours or 12,000 cycles *(which ever comes first)*. The next "HMV" check is due in 777 days or 99,999 hours or 8,888 cycles.

[1] Life limited components are components which have a finite life limit and must be scrapped upon reaching their mandated life limit. Specific life limits are determined by the manufacturer and approved by the FAA.

The Package Service Visit (PSV) is due every 547 days (18 months) or 5,500 flight hours or 3,000 cycles *(which ever comes first)*. The next "PSV" check is due in 777 days or 9,999 hours or 8,888 cycles.

The "A" check is due every 500 flight hours. The next "A" check is due in 111 flight hours.

Complete information on the aircraft physical inspection and the maintenance records audit are fully covered within this report.

The current market for the Boeing passenger aircraft is good. Low market availability, favorable operating economics and increasing demand for freighter "feed stock", all favor this aircraft type at present. However, the aircraft type faces some negative market pressure from its larger, follow-on variant the XXX-xxx. The XXX-xxx aircraft is clearly superior in range and payload, however it is extremely difficult to source in the current market environment, and significantly more expensive to acquire. Accordingly, the Bombardier is a viable alternative considering today's market and price.

Accordingly, the current market adjusted value of the subject aircraft, serial number 123456, is $00.00mm. The "D" Check, engines, and engine disks accounted for a negative value adjustment of $0.00mm.

The income valuation for the subject aircraft, serial number 123456, is $00.00mm[2].

Specifics concerning the appraisal and current market information are contained in this appraisal report.

[2] See the Income Valuation section of this report for details.

APPRAISAL

Airline Industry Overview and Market Analysis
Historical Perspective

During the years, post-deregulation, up to and including 1989, the airline industry experienced a period of strong growth. The major U.S. airlines had placed large aircraft orders and were looking forward to continued profits. These airlines experienced record operating income in 1988 and 1989.

The U.S. economic slump of 1990-1991, coupled with the invasion of Kuwait, caused an industry-wide recession, followed by the reorganization of several airlines and consolidation within the industry. From 1990 through 1992, the major U.S. airlines suffered operating losses of approximately $7.2 billion due to flat passenger demand.

From late 1994 until early 2000, the industry experienced a recovery as a result of a rebounding economy, increasing passenger demand, and a focus on tightly controlling costs. The major U.S. airlines enjoyed steady growth, record earnings, and a return to overall profitability.

Prior to September 11, 2001, however the aviation industry had begun to see a cyclical downturn. Demand for air travel declined in early 2001 and lower second quarter results from many of the major U.S. airlines were further evidence of an industry in recession.

Higher fuel costs, contentious labor negotiations, and a slowdown of the world economy in late 2000 through the middle of 2001 hit the airlines hard. Not only was leisure travel slowing, but as corporations sought to control costs in the weakening economy, demand for the highly-profitable business travel decreased.

The terrorist acts committed in the United States on September 11, 2001 further weakened an already declining U.S. economy, particularly in the airline industry.

The attacks were directly responsible for the temporary grounding of the entire U.S. airline industry with the consequent loss of revenue. In spite of a massive government bailout which allowed several airlines to survive in the months after the crisis, much of that revenue did not return. In fact, by some estimates, overall demand had contracted by as much as 20 to 30 percent.

The Post 9-11 Market

What began as a normal cyclical downturn, well underway by the second half of 2001, turned into a much deeper downturn as a result of the terrorist

attacks on 9/11/01. Airlines immediately reacted by directly reducing capacity, in some cases by as much as 30 percent, in an attempt to meet reduced passenger demand. This quick reduction in capacity caused an immediate imbalance between aircraft supply and demand. Prior to 9-11 the total number of jet aircraft in storage was 912; by the end of 2001 that total rose to 1,884 units, a 100% increase[3]. This situation caused a decline in the market value of almost all commercial aircraft.

The wave of bankruptcies that followed 9-11 only made matters worse. The bankruptcies at Swissair, Sabena, Midway, Your Company, and others put many aircraft onto an already glutted market. The 737 "Classics", along with other older technology jets such as the DC-9, L1011, older 747s and B727s series, were among the hardest hit in the initial months following 9/11.

Unable to predict when demand would return and, in an attempt to conserve capital, numerous airlines deferred or cancelled new aircraft orders, parked older aircraft, laid off employees, curtailed flying and reduced station activity. Boeing and Airbus did their best to manage their dramatically revised delivery schedules but were clearly impacted by the downturn. The reduction in demand left both manufacturers in a precarious situation, necessitating massive layoffs and substantial reductions in aircraft production rates.

Boeing, as well as some increasingly desperate operating lessors, pushed hard to replace older aircraft in the world's operational fleet with newer aircraft types now left without a home.

While the manufacturers remained marginally profitable, the airlines continued to suffer substantial operating losses in the years 2002 to 2005. The following chart depicts the U.S. major carrier net losses for those years:

US Major Carrier Financials *(In Millions of USD)*				
Airlines	2002 Net Income	2003 Net Income	2004 Net Income	2005 Net Income
American	$ (3,511)	$ (1,228)	$ (761)	$ (861)
Delta	$ (1,272)	$ (773)	$ (5,200)	$ (3,800)
United	$ 3,200	$ (2,800)	$ (1,600)	$ (21,176)
Southwest	$ 241	$ 442	$ 313	$ 548
Northwest	$ (798)	$ 248	$ (891)	$ (2,600)
Continental	$ (451)	$ 38	$ (363)	$ (205)
US Airways	$ (1,646)	$ 1,461*	$ (611)	$ -(537)**

Source: The Airlines (20070110)

* Includes special items from 2003 restructuring.

**Merged with America West

In addition to the excess capacity and fare wars, airlines have faced skyrocketing fuel costs. The price of jet fuel has effectively doubled since 9-11 and although the price per barrel recently declined, there are no signs that the price of fuel will remain at current levels.

[3] *Jet Information Services*, Year End 2001

Only the airlines with hedged fuel prices have been somewhat sheltered. Those airlines are led by Southwest and, to a lesser degree: Alaska, United, and Jet Blue. As many experts believe the hedging strategy employed by these airlines will become less of a factor later this decade (2009) when their fuel hedges run out and oil remains above $50 per barrel.[4] ACI views aircraft economics, and in particular, engine/aircraft fuel burn rates, among new production aircraft to be paramount.

The original low cost carrier, Southwest Airlines, expects to remain profitable and earned a better than expected profit of $548mm for fisical 2005. The results are reflective of their fuel hedging policy, without which they would have booked their first ever loss in 2005.

Thus far, American Airlines and Continental Airlines have both been able to hold off bankruptcy. Both carriers made significant inroads with sweeping cost reduction plans and fleet rationalization programs aimed at right-sizing their network systems. While both airlines appear ready to make a run at solid future profits, it is not clear if they can make those profits on a consistent basis, given the disadvantage of higher operating costs as compared to airlines that operate in, or have been through, bankruptcy. It is ACI's opinion that American or Continental will not hesitate to resort to bankruptcy should it be in their best interest to do so.

With regard to the market for some specific aircraft types, ACI believes that the commercial aviation industry may be on the cusp of another downward trend in aircraft values. This conclusion is based upon (1) undiminished overcapacity at present, (2) the current airline restructuring and fleet rationalization programs, both in and out of bankruptcy, (3) the inability of the industry to absorb excess aircraft capacity, and (4) high fuel prices.

The current overcapacity within the domestic U.S. air transportation system was brought on by aggressive competition between legacy and Low Cost Carrier (LCC) airlines. While the current round of 'rightsizing' by the airlines has helped, overcapacity remains in many markets and is extending to the international sector which, up to now, has been a safe haven for high yields.

Another possible solution would be the liquidation of a large U.S. carrier. This "solution" may afford airlines the opportunity to increase their ticket prices resulting in higher margins.

The problem with this situation is that any dissolution or further fleet reductions will add to worldwide aircraft availability, with a commensurate reduction in aircraft values. Aircraft values will not begin to stabilize or

[4] Time, Global Business June 20, 2005.

increase until there is an increase in transportation demand of sufficient volume to warrant the absorption of excess aircraft supply. Accordingly, aircraft types that find themselves the target of fleet realignment will lose value and may only recover with an overall increase in transportation demand over time. Certainly there may be a potential increase in aircraft demand driven by new start ups; however, historically this only leads to excess capacity and a reduction in margins.

Consideration should also be directed towards the demand for freighter services. Traditionally, this demand has been historically met by (1) the manufacture of freighter aircraft by the prime manufacturers and (2) the freighter conversions of existing passenger aircraft.

According to both Boeing and Airbus, the supply of freighter aircraft will be met primarily by the conversion of existing passenger aircraft. This may be one solution to the excess overcapacity but by no means an answer. At best, the freighter fleet requirements will absorb only a small percentage of the excess passenger aircraft oversupply. Passenger to freighter aircraft conversions are also driven by economics. The first economic condition is the proposed acquisition price of the passenger aircraft which must be low enough to accommodate the additional capital investment required to modify the aircraft. Additional considerations regarding passenger to freighter conversions include, but are not limited to, aircraft age, maximum take-off weight, and installed engine type. Accordingly, as aircraft values decline and stay low, there may be some additional aircraft absorption by the freighter industry. This alone will not be a solution to excess passenger aircraft capacity but in ACI's opinion it must be a consideration in any value analysis.

On the bright side of the supply and demand equation, emerging markets in South America, Eastern Europe, the former Soviet Union and Asia (in particular India and China) have been quick to absorb newer aircraft variants and some older aircraft types as they become available. These markets, the result of long-delayed de-regulation, have the potential to become large consumers of new and used aircraft alike. This situation is not likely to slow down anytime soon. However, what is not clear is the ability of these markets to continue their current rate of growth. Historically, as these markets develop, they have tended to grow quickly over brief periods and not steadily over sustained periods. ACI suspects that the periods of growth are limited by infrastructure, capital, airline economics and government control.

The price of fuel is of substantial concern for all airlines. Traditionally, the largest operational costs for an airline were (in no particular order): maintenance, crew, insurance and fuel. For most airlines fuel is now at the top of the expense category. Ever increasing

attention is now paid to fuel conservation. Fuel burn rates, advanced aerodynamics and efficient flight planning have become essential to all airlines. Traditional economic factors leading to the retirement of some aircraft types included maintenance and new generation system improvements. Now fuel burn rates are at the top of the list and are becoming primary considerations in the design and development of newer, more efficient engines and airfoils. ACI does not see any reverse in this trend and believes it may accelerate given the current global political environment. ACI anticipates additional negative pressure on older, less economical aircraft over the long term.

Since 2004 the airline industry has significantly rebounded. Although several U.S. airlines are working their way through, or have recently exited bankruptcy, the demand for transportation services has significantly recovered.

During 2004, five U.S. main line carriers were operating under Chapter 11 bankruptcy protection and several others appeared to be on the brink. [5] In that same year, the demand for transportation services experienced a strong recovery although profits for all of the airlines were not achieved.[6]

According to the FAA, U.S. commercial air carrier system capacity (domestic and International) grew by 7 percent in 2004 and commercial aircraft flights experienced a net gain of 3.7 percent. In 2004 the U.S. commercial air carrier system revenue passenger miles (RPMs) and passenger emplanements grew by 10.6 and 7.2 percent respectively. By the end of 2004, commercial RPMs exceeded pre 9-11 levels. Additionally, in 2004 air carriers achieved an all time high load factor of 75.2 percent. [7] ACI believes that this milestone was the turning point for the U.S. aviation industry.

In 2005, passenger demand on U.S. airlines remained strong. System RPMs and enplanements grew at 8 and 7.1 percent respectively. The system wide load factors increased to an all time high of 77.1 percent. In spite of all this good news, profitability eluded most U.S. airlines in 2005 because of the high price of oil and falling yields.[8]

2005 saw continued growth within the regional and Low Cost Carriers' (LCCs) sector with the domestic market share of these operators growing another 2.2 percent to 45 percent of the total U.S. market share. As a comparison, these carriers represented only a 30 percent market share in 2000. The LCC market presence has forced the legacy carriers to cut costs and prices in markets served by

[5] Source: FAA 2005-2006 forecast. Airlines included Aloha Airlines, American Trans Air, Hawaiian, and United Airlines.
[6] Source: FAA 2005-2006 Forecast.
[7] Source: FAA 2005-2006 Forecast.
[8] Source: FAA 2006-2017 Forecast

both. These factors have been tough for the legacy carriers to navigate in an extremely competitive market.

The following chart represents the U.S. Majors' financial performance through the third quarter 2006:

US Major Carrier Financials Net Income *(In Millions of USD)*			
Airlines	**2006 1st Qtr**	**2006 2nd Qtr**	**2006 3rd Qtr**
American	**$ (92)**	**$ 291**	**$ 15**
Delta	**$ (2,100)**	**$ (2,200)**	**$ 52**
United	**$ 2,300**	**$ 119**	**$ 190**
Southwest	**$ 61**	**$ 333**	**$ 48**
Northwest	**$ (1,100)**	**$ (285)**	**$ (1,200)**
Continental	**$ (66)**	**$ 198**	**$ 237**
US Airways	**$ 64**	**$ 305**	**$ (78)**

Source: The Airlines (20070110)

NOTES:

1st Qtr Delta *Net loss of $356 million excluding reorganization.and special items.*

2nd Qtr Delta *Net income of $175 million excluding reorganization.and special items.*

3rd Qtr Delta *Net loss of $46 million excluding reorganization.and special items.*

1st Qtr United *Net loss of $306 million excluding reorganization.and special items.*

3rd Qtr United *$190mm is after tax - UAL reported after-tax net income of $190 million. Excluding reorganization and special items, this constituted a year-over-year improvement of $95 million.*

The Air Transportation Association (ATA) is forecasting that the U.S. airline industry will record an aggregate net profit of $2.00 to $3.00 billion in 2006 and $4.00 billion in 2007.[9]

Over the long run, the FAA expects significant market growth in aviation with only small gains in the short term. According to the FAA, the biggest hurdle for commercial aviation may be the price of oil.

Boeing also expects an annual average increase of 4.9 percent in passenger travel and a 6.1 percent increase in freight carried by air over the next 20 years.[10]

Airbus forecasts annual world passenger traffic growth rates of 4.8 percent and freighter traffic growth at 6.0 percent between 2006 and 2025. Airbus also believes the world fleet of commercial jet aircraft will grow from 17,153 (in 2005) to approximately 33,500 by 2025.[11]

Although ACI generally concurs with the above forecasts, should there be another aviation terrorist attack, a change in the world geopolitical situation (a larger or expansion of the current Gulf war or the start of another conflict in the Middle East) or a significant increase in the price of oil, the above forecasts may not accurately reflect aviation industry growth and expansion.

[9] Speednews January 2007.
[10] Boeing 2006 Current Market Outlook.
[11] Airbus Global Market Forecast 2006 – 2025.

The Manufacturer Embraer

Formed in 1969, Empresa Brasileira De Aeronautica, S.A. (Embraer) began as an initiative by the Brazilian government to promote a domestic aerospace industry. By the time of its privatization in 1994, Embraer had become a major manufacturer of regional airliners, light military aircraft and aerospace components.

Headquartered in Sao Jose dos Campos, the company is Brazil's second largest exporter and employs over 17,000 people worldwide. While the majority of manufacturing is currently accomplished in Brazil, in 2004 the company recorded the first deliveries of EMB-145 aircraft from its Chinese subsidiary, Harbin Embraer Aircraft Industry Company Limited. Another Embraer joint venture, with U.S. manufacturer Lockheed Martin, to build the U.S. Army Aerial Common Sensor (ACS) platform based on the EMB-145 was abandoned in early 2006.

The early turbo prop offerings by Embraer, the EMB-110 Bandeirante and EMB-120 Brasillia, have been an integral part of regional airline fleets worldwide.

Embraer's current primary business (80 percent of sales) is the development and production of regional jet aircraft. These aircraft types are known within the industry as the ERJ (**E**mbraer **R**egional **J**et). The surge of the regional airline industry over the past 15 years has been a boon for Embraer. The company has responded by investing significant resources in the development and production of an aircraft "family" to serve the regional airline industry.

In spite of their market introduction, well after the competing Bombardier CRJ product, the ERJ-135, -140 and -145 twin engine regional jets have been the mainstay of several major regional fleets, including American Eagle and Continental Airlines regional carrier ExpressJet. By early January 2006, Embraer had delivered 849 of these 35 to 50 seat variants with 49 remaining on firm backorder. In addition, Embraer has entered into the executive aircraft market with the Legacy, which is based upon the EMB-135 airframe.

As the popularity of 50 seat and smaller regional jets had begun to wane, Embraer saw an opportunity to provide regional airlines with a family of larger, more efficient aircraft in the 70 to 100 seat class. These new aircraft would utilize advanced materials, updated power plants and, because of their higher passenger capacity, would operate at reduced seat-mile costs to their predecessors. First among these new entries was the EMB-170, a 70-seat jet. In May of 2003, US Airways became the North American launch customer for the 170 with 85 firm orders and 50 options.

Since the introduction of the EMB-170, Embraer has introduced the larger 78 seat EMB-175 and the 98 seat EMB-190. Certification for the EMB-195, with seating for up to 118, is expected in the second quarter of 2006. For the entire series of the so-called larger "E-Jets", the company has booked 440 orders with a firm backlog of 322.

Net sales of US$3.44 billion were recorded in 2004. As of December 31, 2005, Embraer has an order backlog of nearly US$10.4 billion and had a third quarter 2005 net income of US$110.00mm.

The Fairchild Dornier 328Jet

The Fairchild Dornier 328Jet series is a narrow body, regional jet aircraft, powered by two Pratt & Whitney 306B series engines. The Fairchild Dornier 328Jet is based on the 328-200 turboprop aircraft.

The aircraft can accommodate approximately 30 passengers (depending on configuration and seat pitch) and is operated by two pilots. A corporate version of the Dornier 328Jet, the Envoy 3, is also available and accommodates approximately 10 to 15 passengers. Other corporate interiors are available including a 12 and 14 place interior.

The Fairchild Dornier 328-300 Jet program was launched in February of 1997. The first flight occurred in January of 1998 and the aircraft received its FAA certification in July of 1999. The aircraft entered commercial service in August of 1999 when the first Fairchild Dornier 328Jet was delivered to Skyways Airlines that same month.

The Fairchild Dornier 328Jet has an approximate range of 950 nautical miles, a maximum cruise speed of 0.66 Mach and has a maximum gross takeoff weight of 33,510 lbs.

A subsequent heavier weight variant, the Fairchild Dornier 328-310, entered service in April of 2000. The heavy weight modification (Mod 10) increases the MTOW to 34,524 lbs. The aircraft that is the subject of this appraisal, serial number 3174 is a 328-310 aircraft.

The Pratt & Whitney 306B high bypass turbofan engines (bypass ratio of 4.5:1) that power the 328Jet feature Full Authority Digital Engine Control (FADEC), and are capable of producing 6,050 pounds of thrust each. The 306B engines are being modified to increase reliability. This modification is known as a Phase 4 modification. If not accomplished on an engine it will negatively impact values.

The Boeing 737-300 Market

By the early 1980's, Boeing was aware of the large gap in its product line

between the 737-200 Advanced (Adv.) and the much larger, but not yet delivered, 757-200, a gap created by the departure of the 727-200. In a bid to fill the capacity gap, rival McDonnell Douglas launched a stretched, re-engined version of its successful DC-9, the DC-9-80 (popularly named the MD-80) in 1980. This appealing Stage 3 aircraft forced Boeing to the realization that a 737-200 successor was urgently needed.

The specifications of the 737-300 were driven by upcoming Stage 3 noise mandates and the requirements of the two launch customers, USAir and Southwest. The first 737-300 deliveries took place in 1984 to USAir (later USAirways and now merged with America West Airlines) and Southwest.

In addition to the 737-300, this second generation 737 series subsequently added the 737-400 and 737-500; all using the CFM56-3 series engines, updated avionics (available in analog or Electronic Flight Instrumentation System (EFIS) cockpit versions), with varying fuselage lengths. The fuselage length effectively allowed Boeing to fill the 50-80 seat gap in capacity between the Stage 2, 737-200 and the 757.

Orders from airlines around the world quickly followed, making the 737 series the most successful airliner program to date, surpassing even Boeing's own 727. Production of the 737-300 ended in 2000 with a total of 1,113 deliveries. ACI considers this number of deliveries to be substantial and representative of a large aircraft population. In ACI's opinion this favors values.

The 737-700NG "New Generation (NG)" which was launched by a large order from Southwest in 1994, has superseded the 737-300. A new wing, permitting greater fuel capacity and speed, along with the more fuel efficient CFM56-7 engines of the 737NG pushed the 737–300 into the shadows with the major 737 operators.

After its 1995 introduction the more efficient Airbus A319, with its 120+ seats also put considerable negative pressure on the 737-300 with first-tier carriers. The A320 family of aircraft, in general, made further inroads into the core 737-300/400/500 customer base.

The large operator base of the 737-300, currently standing at 138 operators, favors value retention. This is not to say that this aircraft type was unaffected by events of 9-11 and the subsequent run-up of fuel prices over the past 2 years. In fact, significant numbers of 737-300's had been removed from service, returned to lessors, or parked, due to the US Airways' and United bankruptcies. By the end of 2003, out of the 1,097 active 737-300's worldwide, 1,031 were in-service and 66 were

parked (over 6%). ACI considers 6% to be relatively high.

As early as 2000, the world's airlines were experiencing revenue declines and pressures on profitability. Boeing reacted to a fall-off in orders by cutting production rates across its commercial aircraft product lines including the popular 737NGs. The wisdom of this decision was borne out in the devastating aviation market aftermath of the 9-11 attacks.

As previously noted, airlines had reduced capacity by parking older jets following 9-11 including the 737 "Classics", as the 737-200 through 737-500 came to be called. As traffic demand rebounded in 2003, the lack of available 737NGs either on the used market or new from Boeing, forced carriers to acquire the "Classic" 737 series.

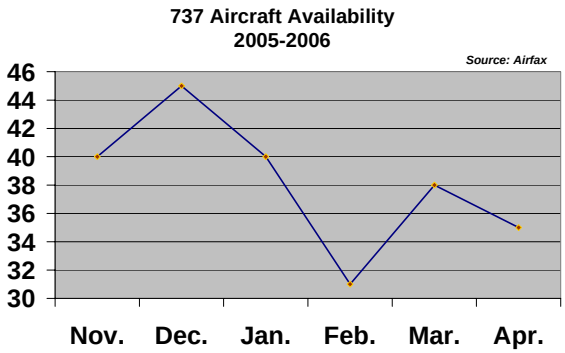
Southwest Airlines, with its already large fleet of 737 "Classics" and 737NGs, resumed taking deliveries of 737NGs in early 2002 (eleven 737-700's scheduled in 4Q 2001 were delayed). Correctly sensing the opportunity to expand, Southwest retained most of its "Classics" as well.

Because of the rush to add capacity, availability of 737s began to tighten. With the availability of 737NGs scarce, attention by US, Asian and European LCC's and airline start-ups turned to the 737 "Classics". Many business plans based on the Southwest 737-only formula found favor with investors while displaced US Airways and United 737's found new operators. The supply of available 737 "Classic" aircraft shrank with the concurrent rise in values and lease rates.

This resurgent demand quickly shrunk the number of available 737-300's. By November 2005, fully 98% of 737-300's ever built were operating for airlines or corporate owners. In ACI's opinion this is representative of a robust used market.

According to AIRFAX, an aircraft availability listing to which ACI subscribes, the number of 737-300's for sale from November 2005 through April 2006 has varied somewhat, showing an average availability of 38.2 aircraft per month (just over 3.5% of the active 737-300 fleet), and just 35 aircraft available in April 2006. ACI is aware that several of the 35 aircraft currently listed for sale or lease have already been placed.

It should be noted that, of these 35 aircraft for sale, 17 are listed as being for sale or lease. This would indicate a strong leasing market, discouraging outright sales in favor of leasing income. This is a positive factor for the Boeing 737-300.



Source: *AIRFAX, November 2005 - April 2006*

Another measure of market activity is the number of aircraft which have been removed from service, either temporarily or permanently. According to *ACASLite* an aircraft fleet database to which ACI subscribes, there were 75 parked Boeing 737-300 aircraft, all versions, during the first quarter of 2006. At 7 percent of the total world fleet, this would appear bearish for the market. However, upon close examination of the parked fleet, many of the parked aircraft are already known by ACI to be sold while others are likely parked for maintenance, conversion or part-out. This would imply that few of these parked aircraft, if any, would add to the 35 B737-300 aircraft for sale.

In order to meet the demands of the air cargo industry for increased lift, numerous programs have been developed to convert existing passenger aircraft to freighters. Recent conversions of the 737-300 into pure freighter aircraft have further dried up supplies of viable airframes. In one case, the giant freight carrier FedEx, sent out a mandate for a Boeing 727 replacement, directing a requirement for 50 737-300 aircraft. Although this mandate has since been rescinded, this announcement caused further market tightening.

Finally, it is ACI's belief that a significant factor contributing to the present strength of the Boeing 737-300 market is the long lead times for 737NG's. The backlog of all models of the Boeing 737NGs currently stands at 1,177 units or nearly 5 years at current production levels.

It is the opinion of ACI that as this backlog diminishes, and the NG's supplant the 737-300's, many of these older aircraft will be parked or put up for sale. Due to the age of the early 737-300's and their less attractive economics as compared to the 737NG, these aircraft will continue their migration to third and fourth tier carriers. This scenario is most likely to play out over the next 24-36 months as 737NGs are delivered.

Solid indicators of aircraft value during the period are actual aircraft transactions involving Boeing 737-300. During 2003 through 2005 ACI was aware of several sale transactions involving 737-300 aircraft. One of the transactions involved a single aircraft at $5.00mm and another involved a pair of aircraft selling between $5.50mm and $6.25mm each. Neither the year of manufacturer nor the maintenance

condition of either transaction above was disclosed.

In a recent transaction involving six 737-300 aircraft, the aircraft were reportedly sold for between $6.00mm and $7.00mm each. These aircraft were from a single carrier and were 1985 or 1986 vintage aircraft.

In discussions with dealers and brokers who trade in the 737-300 the market is reported to be strong with little availability of viable aircraft.

Accordingly, ACI has established the following half-time value for the subject aircraft. This half-time value is found on the following page.

AIRCRAFT HALF-TIME VALUES

Customer:	Your Company
Date:	Today
Aircraft Type:	Boeing 767-300ER
Serial Number:	12345
Construction Year:	1800
Configuration:	Passenger
Engine Type:	PW-4000
Appraisal Reference Number:	YC-2012
Inflation Rate:	2.50%

MARKET VALUES:

Year	Age Years	Term Years	High 2007	Expected 2007	Low 2007	Distress 2007	High Inflated $	Expected Inflated $	Low Inflated $	Distress Inflated $
2007	207	0	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
2008	208	1	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
2009	209	2	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
2010	210	3	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
2011	211	4	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
2012	212	5	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

Notes and Assumptions:

1. The above future values are expressed in millions of U.S. dollars and assume that the aircraft, and all of its major components, will be in a "half time" condition as determined by the then-current maintenance program and TBOs for the respective component. Half-Time means that half of the flying hours and/or cycles between major maintenance events on the airframe, engines and other components are available to be flown.
2. All F.A.A. Airworthiness Directives have been complied with during the term of the financing.
3. The aircraft is valued on a "highest and best use" basis.
4. The aircraft currently has, or is capable of receiving, a valid US Certificate of Airworthiness.
5. ACI has not physically inspected this aircraft.
6. The above values are based upon information provided by the operator.

Value Adjustments

Once the half-life values are determined, ACI applies maintenance value adjustments to the airframe, engines and landing gear. Value adjustments to this aircraft include the "C" Check, the "C4" Check, the landing gear, and the engines.

These maintenance value adjustments are necessary to accurately reflect the adjusted value of the subject aircraft.

The following page reflects the maintenance value adjustments.

VALUE ADJUSTMENTS FROM HALF-TIME

Aircraft Type:	Boeing 767-300ER
Date Of Manufacture:	Dec-04
Aircraft Serial Number:	**12345**
Registration Number:	abc-def
Engines:	PW-4000
Date:	Today
Current Half-Time Value:	**$0.00**
Appraisal Number:	YC-2012Adj

Component Action	TBO	Cost	Remaining	% Remaining	1/2 Life Delta	Value Adjustment
C Check	18 Months	$0.65	9 Months	50%	0%	$0.00
HMV Check	72 Months	$1.40	36 Months	50%	0%	$0.00
Nose Gear	15,000 Cycles	$0.07	7,500 Cycles	50%	0%	$0.00
Left Main Landing Gear	15,000 Cycles	$0.07	7,500 Cycles	50%	0%	$0.00
Right Main Landing Gear	15,000 Cycles	$0.07	7,500 Cycles	50%	0%	$0.00
Engine #1 S/N 123456	15,000 Hours	$2.95	7,500 Hours	50%	0%	$0.00
Engine #2 S/N 234567	15,000 Hours	$2.95	7,500 Hours	50%	0%	$0.00
					Total $	$0.00

Adjusted Market Value	
Current Half-Time Value	$0.00
Total Adjustment	$0.00
Adjusted Value	$0.00

NOTES:
(1) Values Expressed In Millions Of US Dollars
(2) ACI assumes that a C check will be accomplished.
(3) ACI assumes that a 4C check was accomplished.
(4) Engine TBO reflects average time on wing and may not reflect LLP status.
(5) ACI assumes that engine S/N123456 will have the XXXX replaced on-wing.
(6) Landing gear cycles based upon historical average use.

INCOME VALUATION

When conducting an assessment of value, another commonly employed valuation method is an income valuation. When considering the value of an aircraft with a lease stream attached, it is common appraisal practice to assess aircraft value considering the Net Present Value (NPV) of the remaining lease stream and the forecast aircraft residual value at lease termination.

When conducting an income assessment of this particular aircraft, serial number 12345, ACI has been supplied with the aircraft lease dated Yesterday. Outlined within the lease is the term, monthly lease rate and lease termination date.

As of Today, the basic term of the lease is defined as 72 months with the basic term ending on Tomorrow (unless extended). For the purposes of this valuation, ACI is assuming that the lease will end on Tomorrow. For this income valuation, ACI is assuming total remaining lease payments stream of eighteen (18) months commencing in Today.[12]

The current monthly lease rate for the subject aircraft, serial number 12345, is $xxx,xxx per month paid in advance.[13]

Using the lease stream and term ACI was able to determine NPV of the remaining lease income. This remaining lease stream was discounted at 6, 7 and 8 percent to reflect the risk associated with this income stream. ACI believes that this discount rate range is sufficient given the term of the remaining lease. These NPV values are presented below.

NPV Calculations

Term Months	Lease Rate	Discount Rate	NPV
24	$175,500	6%	$0.00mm
24	$175,500	7%	$0.00mm
24	$175,500	8%	$0.00mm

Note: The NPV column values above are provided in millions of U.S. Dollars.

ACI has conducted a future value forecast on the subject aircraft. The forecast value at lease termination Tomorrow is $00.00mm.[14]

Using the NPV calculations above and the forecast residual value, ACI has determined the income value on the subject aircraft serial number 23897. The income values are presented below.

[12] ACI is assuming that Your Company will receive its first payment Today and its last payment in Tomorrow.

[13] The monthly lease rate is shown in exhibit "C" of the lease agreement.

[14] Please refer to the ACI valuation spreadsheet dated Yesterday.

NPV	Residual Value August 2008	Income Value
6% $0.00mm	$00.00mm	$00.00mm
7% $0.00mm	$00.00mm	$00.00mm
8% $0.00mm	$00.00mm	$00.00mm

Note: The value s above are provided in millions of U.S. Dollars.

AIRCRAFT TECHNICAL SPECIFICATIONS

General

Aircraft Manufacturer	Embraer
Aircraft Type	747-300
Serial Number	12345
Date of Manufacture	Yesterday
Country of Registration	USA
Registration Number	A123
Line Number	1111111
Engine Type	PW-4000
Operating Weights	
Maximum Take-off Weight	500,000 (lbs.)
Maximum Landing Weight	500,000 (lbs.)
Maximum Zero Fuel Weight	500,000 (lbs.)
Maximum Taxi Weight	500,000 (lbs.)
Interior Configuration	
Current Configuration	50 First Class / 200 Economy
Number and Location Of Galleys	2 - 1 forward, 1 aft
Number and Location of Lavatories	2 - 1 forward, 1 aft

Operator Information

Current Operator	Operator's Company
Average Daily Utilization	15 Hours / 5 Cycles
Type Of Operation	Part 121
Operators Main Base	Your Town USA
Operating Environment	Intercontinental

Aircraft History

Date	Owners
2010	Your Company
2009	Their Company
2008	His Company
2007	Her Company

Aircraft Maintenance Program Summary

Data Effective Date: January 8, 2007

Total Aircraft Hours	99,999.9	
Total Aircraft Cycles	88,888	
Airframe Maintenance Program Summary		
Maintenance Check	**Interval**	
100 Hour	Every 100 Hours	
Annual Inspection	Every 12 Months	
Propeller Overhaul	Every 4,000 Hours or 6 Years	
Terminal Check	Every 15 Hours	
Current Status of Intermediate and Heavy Maintenance Visits		
Maintenance Visit	**Last Accomplished**	**Next Due In**
"A" Check - 500 Hour	Anyday 2025 99,999 TT	888 Hours 88,888 A/C TT
"B" Check - 1,000 Hour	Anyday 2025 202599,999 TT	888 Hours 88,888 A/C TT
"C" Check - 5,000 Hour	Anyday 2025 99,999 TT "C-1 Check"	888 Hours 88,888 A/C TT "C-2 Check"
"D" Check	Anyday 2025	Anyday 2025 99,999 TT

COMPONENT STATUS

Original Leased Engines
Engine Type: PT6a-67B

Data Effective Date: Anyday

Current Location	Serial Number	TT/TC	H/C SLSV	Limit Item	Cycles Remaining
Left Engine On Wing	123456	99,999 hrs / 88,888 cycles	00000 / 0000	HPC Rotor Disk Stage 1 S/N 999999	1,111
Right Engine On Wing	234567	99,999 hrs / 88,888 cycles	00000 / 0000	Fan Forward Shaft S/N 999999	1,111

Note: *Engine Serial Number 234567 is not installed on the subject aircraft.*

Landing Gear

Data Effective Date: Anyday

Position	Serial Number	Time Between Overhaul	Cycles Remaining	Percent Remaining
Nose	NSN	6 Years 8,000 Cycles	10 Months 6,839 Cycles	14% Months 85% Cycles
Left Body	NSN	6 Years 8,000 Cycles	10 Months 6,839 Cycles	14% Months 85% Cycles
Right Body	NSN	6 Years 8,000 Cycles	10 Months 6,839 Cycles	14% Months 85% Cycles

Note: *Landing Gear Serial Numbers Physically Verified*

Auxiliary Power Unit

Data Effective Date: Anyday

Serial Number	Date of Installation	TSO/CSO	On-Condition?	Cycles Remaining
99999	Yesterday	99,999 Hours 88,888 Cycles	No	1,111

History of Major Airframe Damage:

No: XX Yes: ____

According to the operator supplied data.
See Appendix for the Non-incident/accident letter provided.

Interior Configuration Data

Total Number of Passenger Seats	111
Class Breakout	11 First Class / 111 Economy
Number and Location of Galleys	3 - 1 forward,1 mid, 1 aft
Number and Location of Lavatories	3 - 1 forward, 1 mid, 1 aft
Number of Crew Seats	2 Cockpit & 1 Flight Attendant
Aircraft Last Weighed Date	Yesterday
Aircraft Paint Scheme	--- upper and --- lower

Additional

Cargo Loading System	Yes
FAR 121 Compliant	Yes
TCAS	Yes
Windshear	Yes
FAR part 36, Stage III Noise Compliant	Yes
Reduced Vertical Separation Minimums (RVSM)	Yes
Able Obtain Organizational Chart	Yes
LOPA Drawing Supplied	Yes

Deferred Maintenance

Total Number of deferred maintenance items: 10

Do the deferred maintenance items exceed US $25,000? YES

See the appendix of this report for a full Operator supplied listing.

Airworthiness Directives

Airframe AD Data Effective Date: Anyday

Airframe	There are currently 4 Outstanding A.D.s
Repetitive	**0**
Overdue	**0**
Issued and not yet due	**0**

The following A.D.'s were not on the Your Company Run and should be:

- **2005-25-25**
- **2005-23-19**
- **2002-19-11**
- **2001-14-13**

Engine AD Data Effective Date: Anyday

Engine	Unable to determine. Engine AD Master List not updated and not available
Repetitive	.
Overdue	
Issued and not yet due	

AVIONICS INVENTORY

Nomenclature	Manufacturer	Part Number	Serial Number
ADF 1	King KDF-806	00000000	111111
AFCS Interface Unit	DeHavilland Aircraft	00000000	111111
Air Data Computer 1	Honeywell AZ-810	00000000	111111
Air Data Computer 2	Honeywell AZ-810	00000000	111111
Audio REU	AvTech	00000000	111111
Cabin Pressure Controller	Allied Signal	00000000	111111
Cockpit Voice Recorder	Sundstrand AV557C	00000000	111111
Digital Flight Data Recorder	Sundstrand UFDR	00000000	111111
DME 1	Bendix KDM706A	00000000	111111
DME 2	Bendix KDM706A	00000000	111111
ELT	Pointer	00000000	111111
Flight Data Acquisition Unit	Marconi	00000000	111111
Flight Guidance Computer 1	Honeywell FZ-800	00000000	111111
Flight Guidance Computer 2	Honeywell FZ-800	00000000	111111
Flight Management Computer	Honeywell KWC667	00000000	111111
GPWS	Sundstrand	00000000	111111
PA Amplifier	AvTech	00000000	111111
Proximity System Electronics Unit	Eldec	00000000	111111
Radio Altimeter 1	Honeywell RT-300	00000000	111111
Radio Altimeter 2	Honeywell RT-300	00000000	111111
TECAS Computer	Honeywell	00000000	111111
Transponder 1	Honeywell	00000000	111111
Transponder 2	Honeywell	00000000	111111
VHF Comm 1	King KTR-908	00000000	111111
VHF Comm 2	King KTR-908	00000000	111111
VHF Comm 3	King KTR-908	00000000	111111
VHF Nav 1	King KNR-635	00000000	111111
VHF Nav 2	King KNR-635	00000000	111111
Weather Radar	Honeywell	00000000	111111

AIRCRAFT INSPECTION REPORT

On One Embraer 120 Aircraft

Serial Number 12345

General Aircraft Comments

The subject aircraft, one Boeing 747-300, registration number A123, was manufactured by the Boeing Company on Yesterday under FAA Type Certificate 135. The aircraft was inspected on Today, during an overnight layover in Orlando, Florida on the ramp at the Orlando International Airport.

Overall the aircraft was found to be in average condition with some minor discrepancies which are addressed in the sections that follow.

Inspection highlights and defects delineated by aircraft area are in the following sections and follow-up data is noted in the Appendix portion of this report.

Fuselage

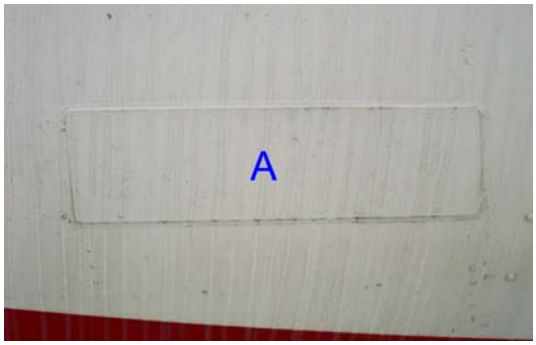
The fuselage was checked for general condition, damage, leaks, paint condition, doublers, corrosion, security and overall appearance. The inspection is not intended to verify or certify airworthiness rather it is intended to assess current condition.

The fuselage was painted xxxx and xxx stripes at the floor line and bottom of the engine nacelles. Company logos were visible through the paint that had been applied over them. There were multiple areas of chipping and missing paint on the skin and rivet heads, while screw heads on access panels throughout the aircraft exterior had a fair amount of surface corrosion. Additionally, the paint was oxidized and stained resulting in a "poor" classification of the fuselage paint condition overall.

Paint chipping and flaking was noted in isolated areas such as where tape was applied at passenger door, cargo door and access door cutouts throughout the aircraft external fuselage.

The following repairs and defects were visually noted during this inspection however, it is not a complete inventory since other repairs are known to exist in areas not accessible during this inspection.

Repair A is a 24x7 inch external repair doubler located on the left aft fuselage at BS 640 aft of the cargo door and below the cargo floor line. The repair had sealed edges and was installed with solid flush head fasteners. The repair appeared to be of good quality workmanship.



Repair B is a 9x10 inch external doubler located at BS 295 and Z line 90 right, on the forward edge of the lavatory service access door cutout. The repair had sealed edges and was installed with solid flush head fasteners. The repair appeared to be of good quality workmanship.

Empennage

The empennage was checked for general condition, damage, leaks, paint condition, doublers, corrosion, security and overall appearance. The inspection is not intended to verify or certify airworthiness rather it is intended to assess current condition.

The empennage was found to be in fair condition with the vertical stabilizer spray-painted black to obscure the company logo. The vertical and horizontal stabilizer leading edge de-ice boots were sun damaged, cracked, and had several repair patches. There was no evidence of fluid leakage, although streaking and oxidation were present on the lower horizontal stabilizers.

A previous repair was identified by the paint color differential on the left-hand, lower stabilizer. The lower aft empennage belly was covered with a white film of unknown origin.

The aft empennage APU compartment exterior was in good condition although several repairs were noted. The repairs are described in detail in the attached "Repair Summary" and located on the respective "Fuselage Repair Map". It was not possible to inspect the interior of the area where the APU is housed. The documentation audit showed that the installed APU was a model GTCP36-150AA, and had a total time of 9,000 hours, at the time of our inspection.

Wings

The wings were checked for general condition, damage, leaks, paint condition, doublers, corrosion, security and overall appearance. The inspection is not intended to verify or certify airworthiness rather it is intended to assess current condition

The wings were found to be in average condition. All panels were found to be secure and all flight controls appeared to be serviceable.

All static wicks were checked for security and found satisfactory. No fuel leaks were found on the upper or lower surface of the wings.

Several panels had hardware missing but were found secure and a company mechanic was installing more screws, as 5 to 10 screws appeared to be missing.

The right aileron PCU was found to be leaking. It appears to have been leaking for some time as the paint was peeling in a six foot area around it. Minor leaks were also found in the engine pylon area and landing gear wing root areas.

Landing Gear

The landing gear were checked for general condition, damage, leaks, the routing and security of support hydraulic lines and cables, paint condition, corrosion, security and overall appearance. The inspection is not intended to verify or certify airworthiness rather it is intended to assess current condition.

The landing gear appeared to be in fair physical condition however they were very dirty and soiled from normal operational use. The paint was intact although black with brake dust, grease, and grim, where such conditions are not uncommon.

The tires were in normal use condition. The landing gear wheel wells with all electrical wires, cables and hydraulic lines were properly routed, secure and in good, although soiled, condition.

Most wheels and brakes were found to have the minimal ½ life or more remaining. Serial numbers were noted and cross reference with the paperwork provided by the operator.

No brakes were found leaking and main seals were dry to the touch. Cables and lines were found secure. All bushings on both of the side braces appeared to be first oversize, as they are painted Yellow.

Nose Landing Gear:

P/N 123456789

S/N 9999999

Michelin Aire Tire:

Bendix, P/N 123456

H37X14-15, 22Ply, 225MPH

Left Main Landing Gear:

P/N 123456789

S/N 9999999

Michelin Aire Tires:

Bendix, P/N 123456

H46X18-20, 28ply, 225mph

Brake P/N 2607092 Steel

Right Main Landing Gear:

P/N 123456789

S/N 9999999

Michelin Aire Tires:

Bendix, P/N 123456

H46X18-20, 28ply, 225mph

Brake P/N 2607092 Steel

Engines

The engines were checked for general condition, leaks, missing equipment and damage. The inspection is not intended to verify or certify airworthiness rather it is intended to assess current condition.

The engine inlets and exhausts were fairly clean and did not show too many repairs on the acoustic panels. No fuel, oil, or hydraulic leaks were noted.

A data plate was located on each engine and read as follows:

Left Engine: SN# ABC-123456

Right Engine: SN# ABC-123456

These serial numbers are consistent with the original delivery documents provided in the aircraft records.

Overall, the engine nacelles were noted to be in fair condition with the exception of minor scuffing and superficial corrosion of the heated nose cowls. This is consistent with the fact that the aircraft has been stored outdoors since 2004. All vents and drains appeared to be clear.

Some residue from the tape that was used for sealing the engines for long-term storage was evident on both the nose cowl and on the painted surfaces of the nacelle.

While the cowlings were opened briefly for the purposes of confirming serial numbers, only a cursory examination of the engines was conducted. Spot-checking revealed no excessive fluid leakage or heat damage.

The engine exhausts were clean and showed no evidence of uneven burning or torching. There was some peeling of the paint on the pylon areas aft of the engine exhausts. This is consistent with the high temperatures experienced in this area. The engine inlets were free of damage and a cursory view of the compressor blades revealed no obvious repairs or blending.

Cockpit

The cockpit was checked for general condition, damage, panel condition,

windscreen condition, inoperative or missing equipment, seat condition, floor covering condition, security and overall appearance. The inspection is not intended to verify or certify airworthiness rather it is intended to assess current condition.

The general overall condition of the flight deck was average. No significant structural defects or damages were noted. The flight deck instruments, instrument panels, controls, and associated placards were in good condition, serviceable and legible. The flight deck layout, instrumentation, and configuration are considered standard.

The only deactivated systems on the circuit breaker panel were the GPS 2, the Music Tape and the CDU2 circuit breakers. One "inoperative" placard was noted on the "electrical power services" control panel over the "#2 Gen" switch with a "DMI 3315103-1" number indicating that it was place on a deferred maintenance item list. During this inspection the #2 engine generator was being worked on and it is expected that this discrepancy will be corrected.

The flight deck windshields and windows were in good condition, free of crazing, delamination, or impact damage.

The flight deck was configured to seat a pilot, copilot and an observer in front of the entrance door. The pilot's and copilot's seat covers were in good condition appearing to have been replaced recently. All adjustment controls functioned properly and the seats were properly mounted to the floor tracks. The inboard armrest corner coverings on both seats were frayed and worn through and should be replaced.

The installed flight deck door was manufactured by C&D Aerospace and conforms to the requirements stated in FAR25.795.

The flight deck instrument and side wall panels, as well as the floor, were soiled and dirty with normal debris such as food crumbs. The floor carpet was worn through in high traffic areas.

Passenger Compartment

The passenger compartment was checked for general condition, damage, ceiling and sidewall panel condition, floor integrity, window condition, seat condition, carpet condition, entertainment and security equipment, and overall appearance. The inspection is not intended to verify or certify airworthiness rather it is intended to assess current condition.

Overall the cabin was in very good condition; the sidewall panels and overhead bin exteriors were scratch-free and the paint was in good condition. The

carpet was relatively stain-free throughout the aircraft.

The passenger compartment is physically split up into three (3) compartments however there are only two class breakouts, first class and economy. Passenger seats and PSU's were randomly checked for serviceability and all worked fine. The passenger windows were scratch free and the window shades, as randomly tested, appeared to work properly.

The only noted defects were the bulkheads; the material on one was stained and another bulkhead showed some disbonding in the exterior covering.

Galleys

The galleys were checked for general condition, damage, panel condition, countertops and cabinet condition, inoperative or missing equipment, leaks, cleanliness, security and overall appearance. The inspection is not intended to verify or certify airworthiness rather it is intended to assess current condition.

The aircraft is equipped with 3 galley areas; 1 large forward galley for the first class passengers, 1 galley in mid-cabin and 1 large galley in the aft cabin.

No leaks or foul odors were present as the aircraft had just landed and the caterers had already removed the food from the aircraft.

The forward and aft galleys contained ovens, coffee makers, and hot water boilers.

All latches were checked for security and installed equipment was checked for serviceability.

Lavatories

The lavatories were checked for general condition, damage, panel condition, cabinet condition, countertops, inoperative or missing equipment, floor integrity, leaks, odor, cleanliness, security, and overall appearance. The inspection is not intended to verify or certify airworthiness rather it is intended to assess current condition.

The aircraft had fourteen (14) lavatories located throughout the aircraft cabin. All lavatories were clean and free of any odors. The lavatory floors are firm and show no evidence of fluid leaks. The lavatories feature re-circulating type flush toilets. Several of the lavatories had loose trim pieces around the lower toilet structures. All of the lavatories had smoke detectors with appropriate warnings, information placards present in appropriate locations and trash receptacles that were properly

taped to maximize fire retarding capabilities. The cabinets, ceiling and side wall panels as well as the toilet shrouds were in very good condition.

Cargo/Baggage Compartments

The cargo compartments were checked for general condition, damage, sidewall and ceiling panel condition, cleanliness, security, and overall appearance. The inspection is not intended to verify or certify airworthiness rather it is intended to assess current condition.

Overall the cargo/baggage compartments were in good condition. The compartments show the typical minor dents and scuffing inherent of an "in-service" aircraft. No evidence of moisture, corrosion or fluid leaks was found. The sidewall and overhead panels were secure but did show some minor wear and scuffing.

The floorboards were in good condition with no visible damage or sunken areas between the floor beams, which is a sign of exceeding the floor loading limits. The cargo roller equipment was lubricated and appeared to be in good working order. The doors operate without binding and the locking mechanisms operated properly.

The forward cargo door (Right side) has one (1) repair approximately 6x9 inches in size on the lower left side of the door. The aft cargo door has one (1) repair approximately 12x5 (Right side) inches in size. The small cargo door (Right side) had one (1) repair approximately 5x8x7 inches in size. Two repairs were located on the C3 cargo door lower forward and aft corners.

Accessory and Equipment Bays

The accessory bays were checked for general condition, damage, leaks, cleanliness, security and overall appearance. The inspection is not intended to verify or certify airworthiness rather it is intended to assess current condition.

The electrical and electronic equipment (E&E) bay was inspected and an inventory of the installed equipment was accomplished. This inventory can be found in the "Aircraft Technical Specifications" section of this report.

All equipment was properly installed and all electrical lines appeared to be properly routed and secure. The visible overhead floor beams and side wall structure appeared to be covered with insulation/sound proofing blankets, properly taped and sealed.

A rack labeled "Digital Flight Recorder for RVSM" was empty.

ITEMS OF NOTE AND RECOMMENDATIONS

1.	Lower fuselage of aircraft needs cleaning.
2.	Repair Elevator PCU minor leak and Investigate / clean white substance on lower aft empennage belly.
3.	Repair right aileron leak, and minor leaks in the engine pylon and landing gear wing root areas.
4.	Replace sealant on and around the engine panels
5.	Replace cockpit sheepskin seat covers.
6.	Clean / replace bulkhead material and repair the disbonding in the exterior bulkhead covering.
7.	Repair the seam in galley floor pad.
8.	Replace Mid-cabin Lavatory mirror and recover or paint the door.
9.	Replace cargo compartment tape with required fireproof tape.

STATEMENT OF INDEPENDENCE

This report represents the opinion of ACI Aviation Consulting (ACI) and is advisory only. This report is subject to additional information that may be developed or provided at the request of the client.

ACI assumes no responsibility or legal liability for actions taken or not taken by the client or any other party with regard to the subject aircraft values. By accepting this report, the client agrees that ACI shall bear no responsibility or legal liability regarding this report. Further, this report is prepared for the exclusive use of the client and shall not be provided to other parties without the client's consent.

ACI hereby states that this report has been independently prepared and fairly represents ACI's opinion of the aircraft values set forth herein.

ACI further states, that it has no present or contemplated future interest in or association with, the subject aircraft.

Signed,

Quentin Brasie
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METHODOLOGY

When conducting its assessments of current aircraft value, ACI uses as its primary determinant, current and reported transaction prices. The transaction values are extracted from numerous public and private sources.

In absence of reliable transaction data, ACI places an asset into a specific category based upon asset mission capability and revenue potential.

The categorization of assets allows ACI to determine value based upon comparisons of other assets that fall into the same category.

It is not unreasonable to assume a similar value for assets having similar mission and revenue profiles. ACI also considers a multitude of other industry factors such as: aircraft economics, model popularity, operator base, population, reliability data, and manufacturer reputation.

Once ACI has determined the current value, adjustments may be required to accurately reflect the maintenance status of the aircraft, its engines, and major components. These value adjustments are calculated from the half-time value.

APPENDIX