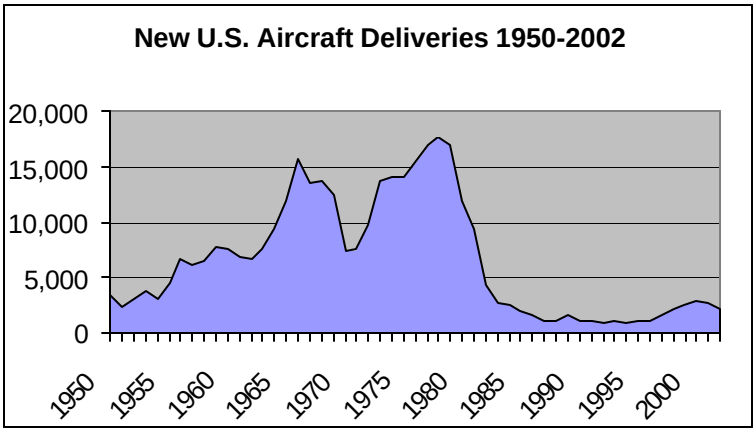
III. MARKET ASSESSMENT

General Aviation Statistics and Trends

General Aviation New Aircraft Deliveries (United States)

Between 1962 and 1978, the number of general aviation aircraft manufactured in the United States was impacted by a number of key events including war, oil embargoes, and the GI Bill.

The number of aircraft manufactured declined dramatically from a high of 17,811 (in 1978) to a low of 928 (in 1994), a decrease of 16,883 units or 94.79%[1].



During the 1980s and 1990s, manufacturing (on a percentage basis) shifted from low-end (single engine) aircraft to higher-end (turbine powered) aircraft. In addition, 100% of all single engine pistons sold in the U.S. in 1978 were manufactured in the U.S. In 1994, less than 70% were manufactured in the U.S. Since Cessna began manufacturing single-engine (piston) aircraft again in 1994 (which was a direct result of the passage of the General Aviation Revitalization Act), approximately 92% of single-engine aircraft purchased in the U.S. are manufactured in the U.S today.

The significant decline in the number of U.S. manufactured general aviation aircraft during the 1980s and up through the mid-1990s can be attributed to a number of factors including:

- Increased aircraft acquisition costs (relating primarily to the rising costs associated with product liability insurance)
- Increased operating costs (insurance, maintenance, fuel, etc.)
- Implementation of the “Luxury” Tax on aircraft in 1986
- Repeal of the “Investment Tax Credit”
- Increased air carrier service capabilities (including the proliferation of regional and commuter carriers)

The recent growth from 928 annual shipments in 1994 to 2,214 in 2002 (a 139% increase during the eight year period or average of approximately 11.48% per year) can be attributed to three primary influences, as follows:

- The passage of the General Aviation Revitalization Act (GARA) in 1994 that limited the liability of aircraft and aircraft parts manufacturers to 18 years
- The proliferation of fractional aircraft ownership programs
- A strong economy during the late 1990s and 2000 (including low interest rates)

[1] Data confirmed by the GAMA Statistical Data Book

In addition to Cessna (who again began manufacturing single-engine piston aircraft in 1994), several other companies began manufacturing aircraft including Cirrus (SR20) and Lancair (Columbia 300). Cessna and Mooney have also certified new aircraft (Stationaire and the M20 or Eagle, respectively).). It is significant to note that Mooney declared bankruptcy in 2001 and the company was purchased (in bankruptcy) by AASI in March 2002.

Business jet manufacturers are regularly adding new aircraft to the "certified" list including Gulfstream V, Bombardier Global Express, Boeing Business Jet, Airbus Business Jet, Hawker Horizon, Cessna Citation X, Raytheon Premier, and the Visionaire Vantage. In addition, several manufacturers (including Gulfstream and Boeing) are research the feasibility and viability of a supersonic business jet.

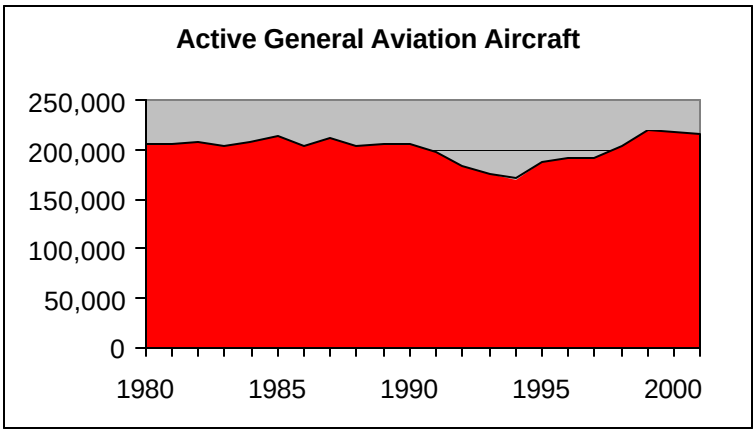
Several companies including Eclipse Aviation in Albuquerque, New Mexico and Javelin in Englewood, Colorado are now manufacturing personal sized business jets; small high speed jet aircraft matching the size of a Cessna 172 and carrying 4-6 passengers. These companies hope to find a new market for these small GA aircraft with businesses that would benefit from having an aircraft but can't afford or don't have a need for the larger business jets.

Allied Signal *Business Aviation Outlook* forecasts delivery of 6,500 business aircraft over the next 10 years. The forecast for used aircraft remains strong and the experimental and homebuilt aircraft market has steadily grown for a number of years.

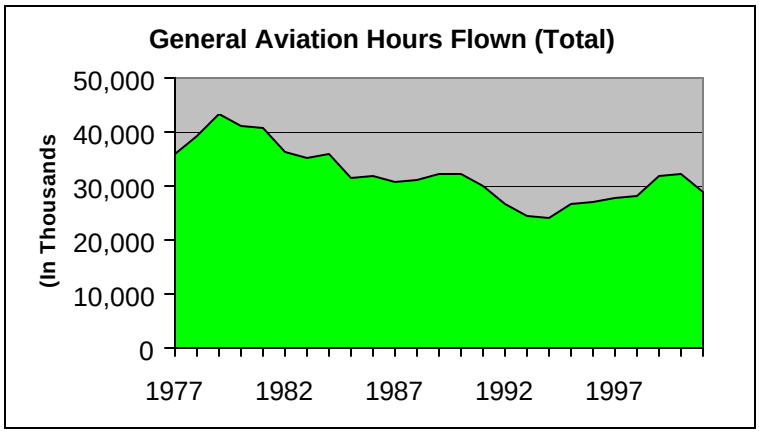
It is important to note that while aircraft manufacturing experienced significant growth since 1994, aircraft manufacturing slipped 21.4% from 2,819 in 2000 to 2,214 in 2002.

Active General Aviation Aircraft (United States)

The number of active general aviation aircraft remained relatively stable (from 1980 through 1990) and then declined to a low of 170,600 (1994). Since that time, the number of active aircraft has increased to 216,150 (2001). This increase can be attributed primarily to the growth of experimental aircraft, the resurgence of new aircraft manufacturing, and the number of companies developing Supplemental Type Certificate programs to modify (and keep) the aging aircraft fleet active.

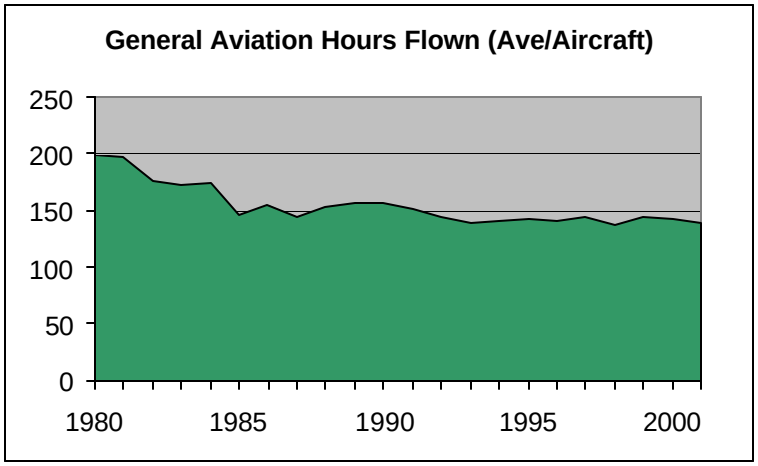


General Aviation Hours Flown (United States)



Since peaking at 43,340,000 (in 1979), the total number of general aviation hours flown decreased to a low of 24,092,000 (in 1994), a decrease of 44.5%. However, this decline has reversed. Overall, general aviation hours flown increased 20.3% since 1994 to 28,980,000 (2001), or 2.67% per year[2].

The largest contributor to the reduction in total general aviation hours flown was the piston-powered segment. While the number of hours flown by piston-powered aircraft declined steadily since the early 1980s (through 1994), turboprop and turbine aircraft hours flown experienced cyclical patterns throughout this same 20-year period. This fluctuation can be linked to changes in the economy since companies (not individuals) operate the majority of turboprop and turbine aircraft.

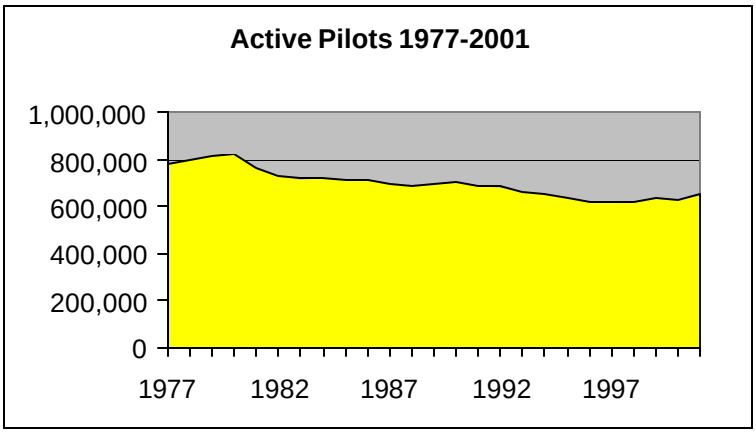


An additional factor related to the decline in the number of general aviation hours flown is the number of active aircraft. Therefore, it is important to look at the trends in the number of general aviation hours flown per aircraft. As depicted, the number of hours flown per aircraft declined since 1980. This trend has leveled off since 1994. A large portion of this growth can be attributed to the average hours flown by fractional owned aircraft. Historically, turbine and turbo prop aircraft average between 300 to 400 hours per year. Fractional aircraft are now being operated on average between 500 and 800 hours per year, a dramatic difference from your typical flight department aircraft.

[2] FAA Website http://api.hq.faa.gov/pubs.asp?Lev2=1 or http://api.hq.faa.gov/clientfiles/CONTENT.htm

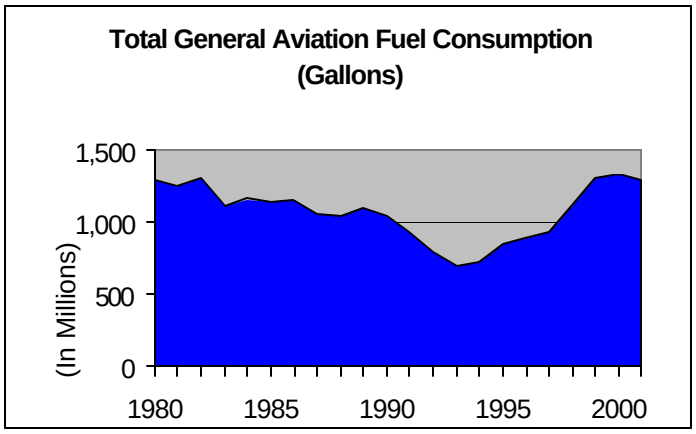
Active Pilots (United States)

As with general aviation manufactured aircraft, active aircraft, and hours flown, the number of active pilots decreased throughout the 1980s and 1990s. Since peaking in 1980 at 827,071, the number of active pilots has declined 21.4%. However, it is significant to note that the number of active pilots increased in 1998 to 618,298 (the first time this has occurred since 1990). In 2000 the number of active pilots decreased to 625,583. However, the numbers made another significant increase in 2001 to 649,957.



General Aviation Fuel Consumption (United States)

As expected, total general aviation fuel consumption closely followed the trends of active aircraft, total hours flown, and hours flown per aircraft. Since 1980, general aviation fuel consumption declined 55.9% from 1,290,200,000 gallons to a low of 702,800,000 gallons (in 1993).



With the recent strengthening and growth of the general aviation industry through the renewed manufacturing of aircraft, the demand generated by fractional aircraft, and the robust economy, total general aviation fuel consumption has increased steadily since reaching an all time low (in 1993) to approximately 1,298.6 million gallons in 2001.

While aviation gasoline experienced steady reductions in volumes through 1994 (except for small increases in 1984 and 1990), Jet fuel volumes experienced several cycles of growth and decline throughout the same period. The dramatic drop in Jet fuel volumes from 1989 to 1993 and the impressive recovery since 1994 are indicative of the resurgence in activity the industry has enjoyed since that time.

Further, aviation gasoline volumes have stabilized throughout the last part of the 1990s. Since, FBO revenues and profits are typically tied to the health of the turboprop and turbine market, the growth (and recovery) of Jet fuel volumes have been warmly received throughout the aviation service industry.

FAA, Government, and Industry Programs and Initiatives

The FAA and the European Joint Aviation Authority (JAA) have established the goal of making the FAA's Federal Aviation Regulations and the JAA's Joint Aviation Regulations compatible for smaller aircraft seeking certification. Further, the FAA is expending considerable time working with aviation authorities in Russia, China, and elsewhere to develop common (worldwide) aviation standards. These initiatives, combined with efforts by the industry, could tap vast new markets for general aviation products and services (particularly in those parts of the world where general aviation is not prevalent).

Former FAA Administrator, Jane Garvey, has stated that it is FAA policy to foster general aviation while continuing to improve safety. To this end, the "Safer Skies" safety program has been established. Through this program, the FAA (and the industry) will use the latest technology to analyze U.S. and global data to find the root causes of accidents in order to determine the best actions for breaking the chain of events that lead to accidents.
The FAA and NASA have joined forces to implement a research program designed to foster the development of new technologies for the general aviation industry. The Advanced General Aviation Transport Experiments (AGATE) Consortium goal is to utilize new technology to produce aircraft that are safer, easier to operate, and affordable to today's (and tomorrow's) pilot(s).

In conjunction with the AGATE program, the General Aviation Propulsion (GAP) program and the Small Aircraft Transportation System (SATS) program are currently underway. The GAP program focuses on development of improved piston and turbine engines. The SATS program is based upon the National General Aviation Roadmap. It is believed that the SATS program can satisfy 21st century transportation demand by relieving pressure on existing ground and air systems and by creating access to more communities in less time. The infrastructure to support the SATS will be "smart" airports that integrate emerging communication, navigation, and surveillance technologies to produce new levels of utility for the nation's smaller airport infrastructure.

In addition, programs are currently being implemented and technologies are currently being developed to better utilize real time weather in the cockpit and the Global Positioning Satellites for navigation including the Wide Area Augmentation System (WAAS) which supports navigation in all phases of flight improving positional accuracy with a series of ground reference stations monitoring GPS signals. To date, 25 WAAS stations have been installed and certified. Most IFR aircraft are expected to have GPS/WAAS by 2005.

In addition, the following programs and initiatives are all designed to promote the benefits and features of general aviation and ensure the future growth of the industry.

- "No Plane, No Gain" campaign sponsored jointly by GAMA and the National Business Aviation Association (NBAA)
- "Project Pilot" sponsored by AOPA
- "Learn to Fly" sponsored by the National Air Transportation Association (NATA)
- "Young Eagles" sponsored by the Experimental Aircraft Association (EAA)
- "Be a Pilot" administered by GA Team 2000 and sponsored by more than 100 industry organizations

The majority of these programs are designed to increase the number of student pilot starts (and the number of aircraft owners).

General Aviation Industry Forecasts

The following forecasts are developed each year by the FAA's Transportation Research Board and presented to the industry at the General Aviation Forecast Conference. Overall, the general aviation aircraft fleet is forecasted to increase at average annual rate of .9% through 2012. The turbine-powered segment of the fleet is projected to grow 3.0% per year (average) over the next 13 years. The largest increase is projected in the turbojet segment of the fleet (expected to increase at an average annual rate of 4.3% between 2000 and 2012).

Aircraft utilization has been, and will continue to be, impacted by the aging aircraft fleet (currently estimated at an average age of 28 years). Historically, older aircraft are utilized less. As a result, the increasing age of the aircraft fleet will likely temper utilization growth. Single-engine piston aircraft utilization is forecast to increase at an average annual rate of 1.6%. Turbine utilization is anticipated to increase at an average annual rate of 5.2%.

General aviation hours flown are projected to increase at an average annual rate of 2.2% with the largest increase (6.9% per year) expected in the turbojet segment.

Total pilot population is projected to increase at an average annual rate of 2.0% over the next 12 years. This forecast is based upon the expectation that the industry pilot programs (identified previously) will continue to generate new student starts (which, in turn, will increase the number of pilots or certificates issued in all categories). Student pilot certificates are forecast to increase at an average annual rate of 2.7% through 2012.

What does all this mean? With the growth in student starts and increase in the number of pilots (and certificates), there will be a requirement for additional training aircraft and flight training facilities. Increased aircraft manufacturing and general aviation hours flown will translate into additional general aviation fuel volumes. Growth in active aircraft will increase demand for (and may require the development of) airport facilities (i.e., tiedowns, hangar, and/or terminals). In addition, these increased activity levels will translate (has translated) to a stronger general aviation services industry (i.e., FBOs and SASOs).

State of the General Aviation Industry

Overall, the general aviation industry has been healthy and vibrant during the late 1990s and through September 2001. The industry is currently dealing with many capacity related issues including a shortage of qualified employees (especially technicians, craftsmen, and pilots) and a lack of facilities particularly with regard to supporting technical services including aircraft maintenance, modifications, and completions. Prior to the September 11th terrorist attacks on the United States, the resurgence of the general aviation industry could be attributed to three primary factors previously identified:

- The passage (in 1994) of the General Aviation Revitalization Act (Statue of Repose)
- The proliferation of fractional aircraft ownership programs
- Low interest rates

In particular, fractional aircraft ownership programs have given the industry a substantial boost. As of December 6, 2002, it is estimated that since inception of the first fractional program (1986), over 3,415 individuals/companies have purchased shares in over 668 aircraft. But even more importantly, approximately 80% of fractional owners are "new" purchasers. One of the largest fractional operators, Executive Jet (NetJets program), currently manages 335 aircraft and has over 588 aircraft on order (totaling over $8 billion). In the last six years, Executive Jet has ordered 1,009 new aircraft representing 40% of the total business jets sold worldwide.

As a result, aircraft manufacturing has increased substantially over the last few years, the number of active aircraft has increased, the number of hours flown have increased, and fuel consumption has increased.

Even the number of pilots increased in 1998 (the first time this has occurred since 1990) which can be attributed to development and implementation of a number of industry programs/initiatives (including "No Plane, No Gain", "Be a Pilot", Project Pilot", "Learn to Fly", and "Young Eagles") that were designed to promote the benefits of general aviation (generally) and increase the number of new student starts/aircraft owners (more specifically).

The recent terrorist attacks slowed the overall US economy, but while some piston-engine recreational flying suffered (low disposable incomes, layoffs, etc.), there has been an increase in the use of corporate aircraft, charter flights, and fractionals. While it is still too early to tell what the long-term effects of the terrorist attacks will be on the general aviation community, for reasons of security, safety and convenience it can reasonably be expected that business travel, including charters and fractionals, will continue to prosper and grow.

Local General Aviation Market

Aircraft Owners

Based upon 2000 United States Census data and current FAA active aircraft data, the following table identifies the average number of aircraft per 100 residents for the United States, Missouri, Illinois, and the counties of the St. Louis Metropolitan Area (within 20 miles of St. Louis Regional Airport).

Location	Population	Active Aircraft	Average A/C per 100 Residents
United States	**281,421,906**	**330,020**	**.12**
Illinois	**12,419,293**	**10,919**	**.08**
Madison County, Illinois	258,941	207	.08
Monroe County, Illinois	27,619	48	.17
St. Clair County, Illinois	256,082	272	.11
Missouri	**5,595,211**	**6,584**	**.12**
Franklin County, Missouri	93,807	69	.07
Jefferson County, Missouri	198,099	85	.04
Lincoln County, Missouri	38,944	31	.08
St. Charles County, Missouri	283,883	252	.09
St. Louis County, Missouri	1,016,315	1,037	.10

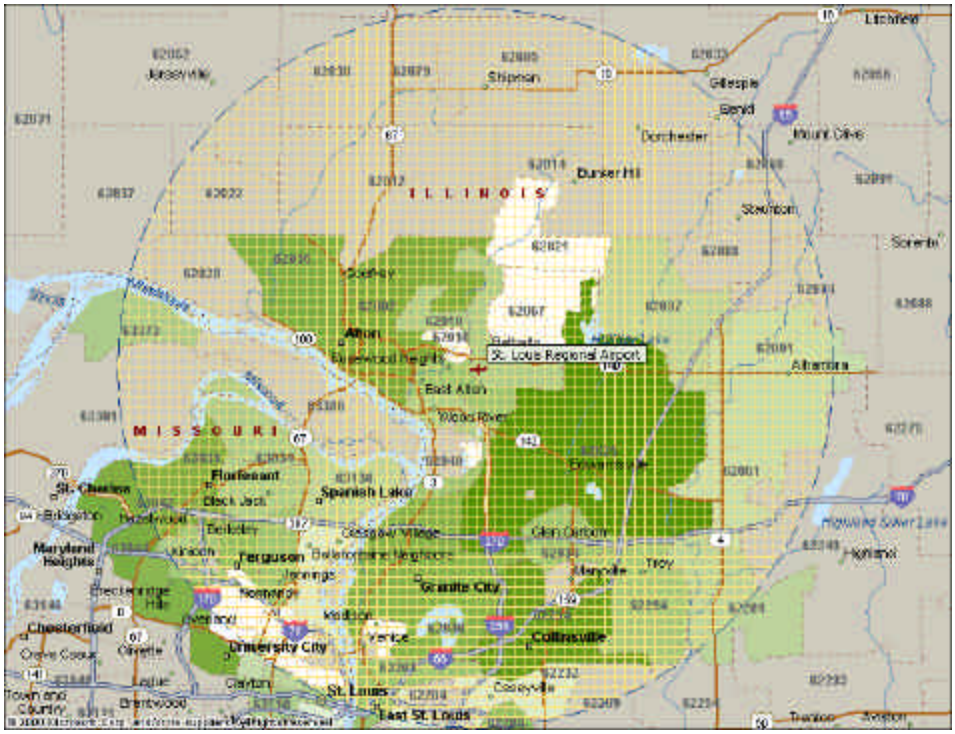
Based upon 2003 FAA data, we have compiled a zip code database of aircraft owners located within approximately 20 miles of the St. Louis Regional Airport. The area contains approximately 336 aircraft owners, 101 residing within 10 miles of the St. Louis Regional Airport and the balance (235) residing between 10 and 20 miles from the Airport.

Number of Aircraft Owners (by Distance from St. Louis Regional Airport)				
Distance from St. Louis Regional Airport	***Piston***	***Turboprop***	***Jet***	***Total***
Less than 10 miles	79	19	3	101
10 to 15 miles	66	7	2	75
15 to 20 miles	118	35	7	160
Total	**263**	**61**	**12**	**336**

Percentage of Aircraft Owners (by Distance from St. Louis Regional Airport)				
Distance from St. Louis Regional Airport	***Piston***	***Turboprop***	***Jet***	***Total***
Less than 10 miles	23.5%	5.7%	0.9%	30.1%
10 to 15 miles	19.6%	2.1%	0.6%	22.3%
15 to 20 miles	35.1%	10.4%	2.1%	47.6%
Total	**78.2%**	**18.2%**	**3.6%**	**100%**

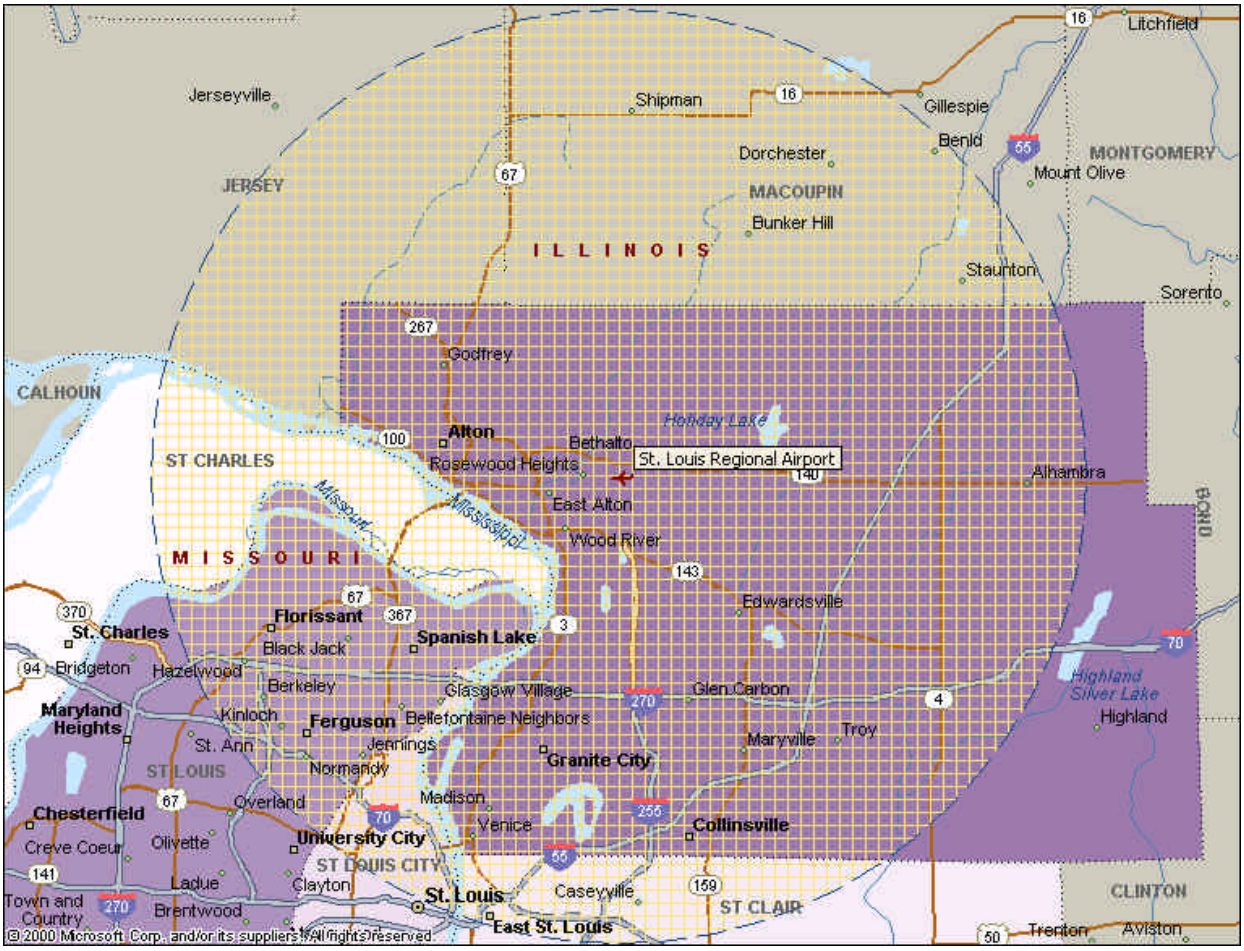
It is important to note that only 149 of an estimated 458 aircraft market (approximately 32.5%) are based at the St. Louis Regional Airport. However, the majority of registered aircraft owners in the market (69.9% or 235) are located between 10 and 20 miles of the St. Louis Regional Airport. Therefore, these registered aircraft owners most likely are within the market of other airports and are competitively targeted by competitive airports.

Map of Registered Aircraft Owners by Zip Code (within 20 miles of St. Louis Regional Airport)



As depicted in the maps by the dark shaded areas, the highest density of registered aircraft owners within 20 miles of the Airport is east and south of the Airport area.

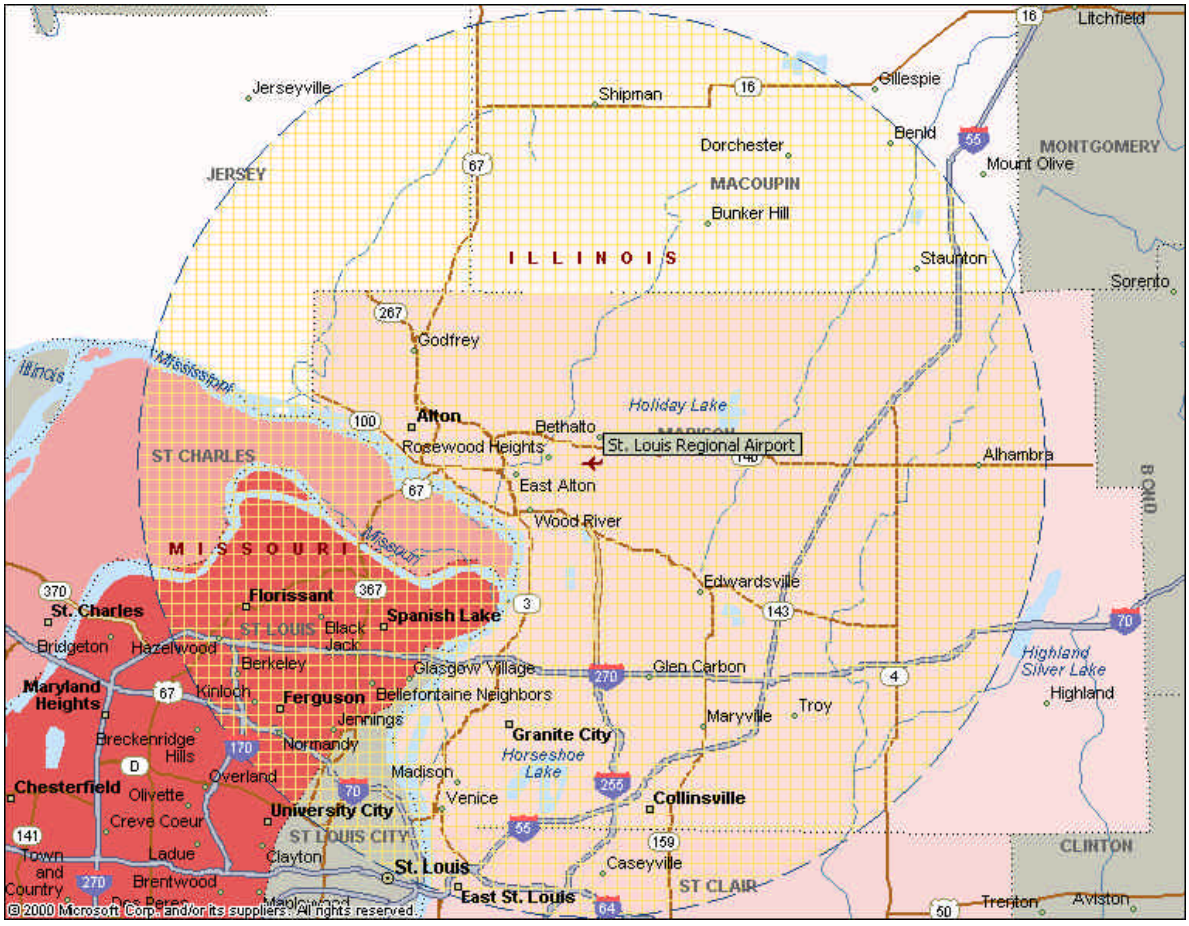
Map of Registered Aircraft Owners by County (within 20 miles of St. Louis Regional Airport)



Aircraft Pilots

Based upon 2000 United States Census data and current FAA active pilot data, the following table identifies the average number of pilots per resident for the United States, Illinois, Missouri, and the St. Louis Regional Airport's surrounding counties.

Location	Population	Active Pilots	Average Pilots per 100 Residents
United States	**281,421,906**	**608,344**	**.22**
Illinois	**12,419,293**	**21,150**	**.17**
Madison County, Illinois	258,941	477	.18
Monroe County, Illinois	27,619	58	.21
St. Clair County, Illinois	256,082	572	.22
Missouri	**5,595,211**	**11,097**	**.20**
Franklin County, Missouri	93,807	152	.16
Jefferson County, Missouri	198,099	254	.13
Lincoln County, Missouri	38,944	74	.19
St. Charles County, Missouri	283,883	1,296	.46
St. Louis County, Missouri	1,016,315	2,292	.23



Aircraft Pilots (by type)

Based upon 2000 United States Census data and current FAA active pilot data, the following table identifies the average number of pilots (by type) per 1,000 population for the United States, Illinois, Missouri, and the St. Louis Regional Airport's surrounding counties.

Location	Population	Student Pilots	Recreational Pilots	Private Pilots	Commercial Pilots	ATP Pilots	Total Pilots
United States	**281,421,906**	**82,630**	**316**	**255,356**	**129,436**	**140,606**	**608,344**
Illinois	**12,419,293**	**2,932**	**10**	**9,113**	**4,325**	**4,770**	**21,150**
Madison	258,941	57	0	212	115	93	477
Monroe	27,619	6	0	27	16	9	58
St. Clair	256,082	60	0	193	125	194	572
Missouri	**5,595,211**	**1,386**	**8**	**5,052**	**2,316**	**2,335**	**11,097**
Franklin	93,807	24	1	66	32	29	152
Jefferson	198,099	37	0	126	62	29	254
Lincoln	38,944	10	0	35	7	22	74
St. Charles	283,883	91	0	385	216	604	1,296
St. Louis	1,016,315	209	0	986	524	573	2,292

St. Louis Regional Airport

Profile

Name:	St. Louis Regional Airport (ALN)
Owner:	St. Louis Regional Airport Authority
Operator:	St. Louis Regional Airport Authority
Location:	4.0 mile southwest of the town of Alton
Runway(s)	Two paved runways: Runway 11/29: 8,100' long by 150' wide
	Runway 17/35: 6,500' long by 100' wide
Wheel Bearing:	80,000 lbs (single wheel) and 140,000 lbs (dual wheel)
Approaches:	ILS, VOR, NDB, DME, and VASI
Acreage:	2,250 acres
Role:	General Aviation
Hub Classification:	General Aviation
Control Tower:	Yes (0600-2200)

Historical Perspective

The St. Louis Regional Airport opened in 1946, after World War II and was first known as Civic Memorial Airport. The first FBO was Walston Aviation, purportedly the largest Cessna dealer in the world. A second FBO opened in the mid 1960's. The first airport business park opened in 1979, offering 150 acres for businesses moving into the area. In 1984 the airport authority changed the name to St. Louis Regional Airport.

Overview

The St. Louis Regional Airport is owned and operated by the St. Louis Regional Airport Authority in Alton, Illinois. Mr. David Miller manages the Airport on a day-to-day basis.

The Airport is located approximately 4.0 miles east of Alton, consisting of approximately 2,250 acres and two paved runways (see length and width above). The Airport is served by both precision and non-precision instrument approaches. There is an active control tower at the Airport, which operates between the hours of 0600 through 2200. Aircraft rescue and fire fighting (ARFF) services are available at the Airport.

There are approximately 149 aircraft currently based at the Airport and approximately 21,345 gallons of fuel (39,162 gallons of Avgas and 265,765 gallons of Jet Fuel) were dispensed from Premier Air Center at the Airport during CY 2002[3].

There are currently two fixed base operators located at the Airport, Langa Air and Premier Air Center. Langa Air offers fuel (Jet Fuel and Avgas), tiedown, hangar, aircraft maintenance, avionics, aircraft rental, and flight training. Langa's primary business is flight training. Premier Air Center offers fuel (Jet Fuel and Avgas), tiedown, hangar, aircraft maintenance, avionics, aircraft sales, and charter. Premier operates from three large hangars, housing their primary business of aircraft refurbishment and maintenance.

[3] Current data does not include fuel sales from Langa Air due to existing airport litigations.

Industrial Parks

The Airport has one, three phase, industrial park comprising approximately 600 acres surrounding the Airport. Approximately 150 acres are utility ready and range in size from less than one (1) acre to eight (8) acre lots. More than 30 non-aviation businesses are currently located at the Park. These businesses contribute approximately $74 million annually to the regional economies.

Parcel Characteristics…

Parcels range in size from less than 1 acre to 8 acres in size. Utilities, including water, gas, power, telephone, and sewer, are/will be located within the street rights-of-way or other suitable off-site easement(s). All parcels are located within the Illinois Enterprise Zone.

Transportation…

The Industrial Park is accessible via the following:

- Several parcels have through-the-fence access to the St. Louis Regional Airport.
- Lambert International Airport, situated 30 miles south-southwest of St. Louis Regional Airport, provides major passenger and cargo airline service.
- Located adjacent to Interstate Highway 255 (north extension by the Park is expected to be complete by 2004) and State Highways 111 and 140. State Highway 3 is four miles away, connecting Interstate Highway 270 (approximately 10 miles south) and Interstate Highway 55/70, a major highway between St. Louis and Chicago (to the northeast) and Terre Haute (to the east).
- The Mississippi River is within five miles.
- No rail service exists.

Incentives/Support…

The River Bend Enterprise Zone was legislated by the State of Illinois on December 7, 1982. The zone crosses the jurisdictional boundaries of Madison County and St. Clair County, and the incorporated cities of Alton, East Alton, Hartford, Roxana, South Roxana, Woodriver, Madison, Granite City, Venice, Edwards, Pontoon Beach, and Bethalto.

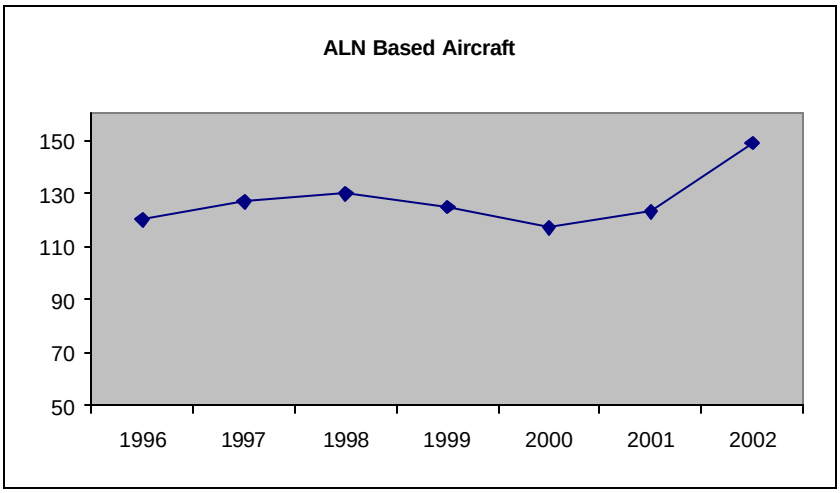
Numerous state tax incentives and local incentives are available through the Enterprise Zone to facilitate and assist businesses and industries in locating or expanding. Incentives include: below market prices on industrial sites, low interest or interest-free financing on industrial sites, funded employee training and subsidized wages for qualifying new and existing business.

General Aviation Market

Based aircraft, aircraft operations, and fuel volumes are the three factors generally used to determine the size, stability, and trends in a general aviation market. Each of these factors is discussed in this section.

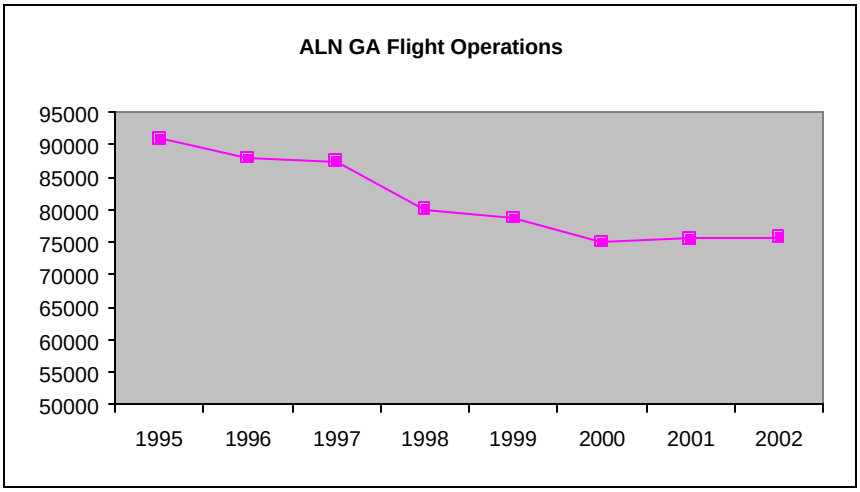
Based Aircraft…

The number of aircraft based at the St. Louis Regional Airport increased from 130 (1998) to 149 (2002). From 1996 (total based aircraft was 120) through 2000, the total count rose slightly then decreased. Between 1996 and 2002 there was an increase of 29 aircraft or 24.2% over the six-year period (or 3.67% per year).



Aircraft Operations (General Aviation)…

In 2002, there were approximately 75,835 annual operations at the Airport. Since 1978 (121,341 operations) annual operations have fluctuated (low in 1984 with 65,209 operations, the high in 1980 with 124,403 operations). The number of operations steadily increased from 1978 through 1980 then made drastic drops through 1982 (124,403 in 1980, 105,309 in 1981, 74,800 in 1982). Operation estimates were taken from the 1999 Amendment to the 1997 General Aviation System Plan for the St. Louis Metropolitan Region.



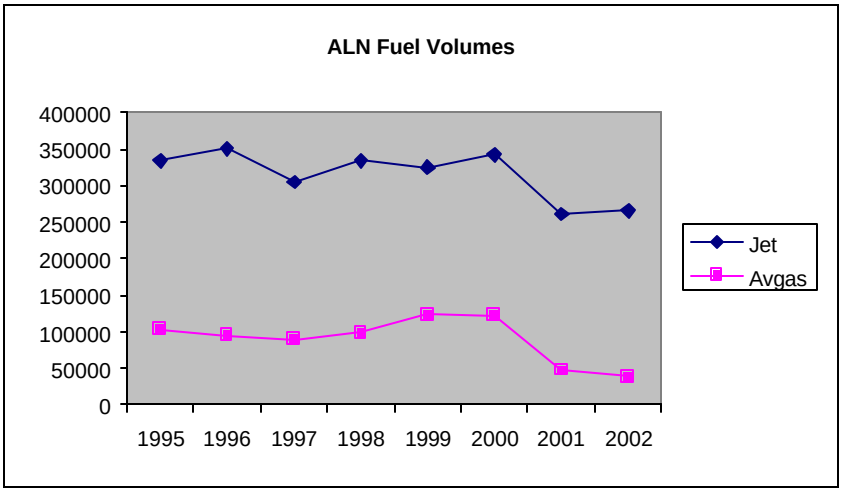
Historical Fuel Volumes…

Fuel volumes are a key component to the success of an FBO. While the type and number of based aircraft reflect the composition of the customer group located at the Airport and aircraft operations reflect the number of aircraft using the Airport, fuel volumes are the key measure of sales activity occurring at the Airport.

Jet fuel volumes are currently estimated at 265,764 gallons per year. Avgas fuel volumes are currently estimated at 39,162 gallons per year.

Total fuel volumes have increased from 439,860 (1995) to 464,517 gallons (2000), an increase of 24,657 gallons or approximately 5.61% (or 1.10% annually).

Fuel sales in 2001 and 2002 appear to have decreased because there is a lack of information from Langa Air, due to current litigations at the Airport. Actually, total fuel sales appear to have remained fairly constant in recent years.



Through-the-Fence Operations

In 1991, St. Louis Regional Airport entered into a ten-year "through-the-fence" agreement to provide airfield access to American Electronic Laboratories, Inc. The lease started on March 5, 1991 for a total sum of $622,800, paid monthly at the rate of approximately $5,190 per month, or $15,570 quarterly. The Airport is responsible for maintenance of aprons, runways, and access ramps.

American Electronic Laboratories, Inc., merged with AEL Defense Corp., ("AEL") in November 1991 and the Airport and AEL amended the lease, extending the terms to September 5th, 2005. AEL agreed to pay the airport the aggregate sum of $903,060 from March 5, 1991 to the expiration of the lease on September 5, 2005. Payments are made quarterly equaling $15,570 or $62,280 annually.

AEL has since sold the facility to Completion Air, which is obligated to adhere to the terms and conditions of the “through-the-fence” agreement.

Competitive Airport Analysis

In order to effectively evaluate the competitiveness of an airport, it is important to fully understand the target market of the Airport and the "airport" attributes desired by the target market.

St. Louis Regional Airport is one of eleven airports identified as competitive airports. While the airports identified in this competitive analysis serve a wide range of consumers and users (from privately owned single-engine piston aircraft used solely for recreational purposes to transport category aircraft used to provide commercial "air carrier" services), it is the opinion of Aviation Management Consulting Group that St. Louis Regional Airport competes with other area airports for consumers (both based and transient) who own or operate the full range of general aviation aircraft.

While some general aviation aircraft can operate from runways less than 1,000 feet, as a general rule, a 3,000-foot runway is a desired minimum. Further, with the development of larger (faster) general aviation aircraft, 5,000 feet has become the minimum design criteria for most airports desirous of effectively marketing to the full range of general aviation aircraft. With regard to the high end of the business/corporate segment of the market (which includes ultra long range intercontinental or global jets), 7,000 feet has become the minimum design criteria.

Based upon Aviation Management Consulting Group's industry experience and interviews and surveys conducted by a range of associations and publications, the following elements are common attributes desired by the business/corporate segment of the general aviation market:

- Runway Length (minimum of 5,000')
- Approaches (precision)
- Control Tower (with radar)
- Fuel (competitive pricing)
- Hangar (capacity and clearance)
- Services (aircraft ground handling, airframe and powerplant, avionics, and instruments)
- Ground Transportation (rental cars and limousine service)

Aviation Management Consulting Group developed a profile for the St. Louis Regional Airport that identified a number of data points used to evaluate the competitiveness of other area airports.

Because airports compete for different types of consumers (i.e., based and transient), a separate analysis was completed to identify St. Louis Regional Airport's competitors in each area.

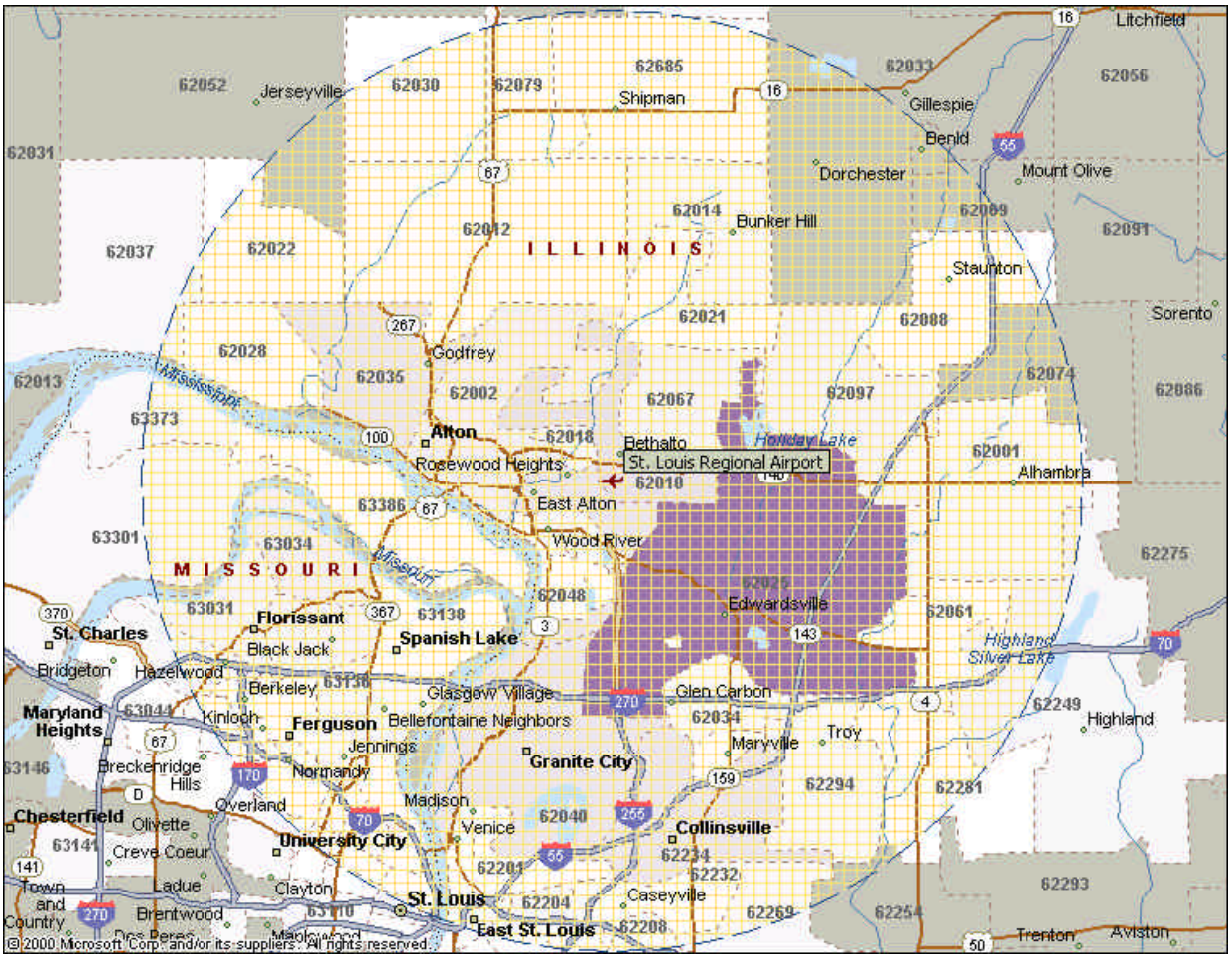
Competitive Airports (Based Aircraft – Local)

Based upon studies conducted by Aviation Management Consulting Group, the majority of local aircraft owners and operators are typically willing to drive up to 20 miles to the airport where the aircraft they own/operate is based. Therefore, the based aircraft market is typically limited to approximately 20 miles from the subject airport.

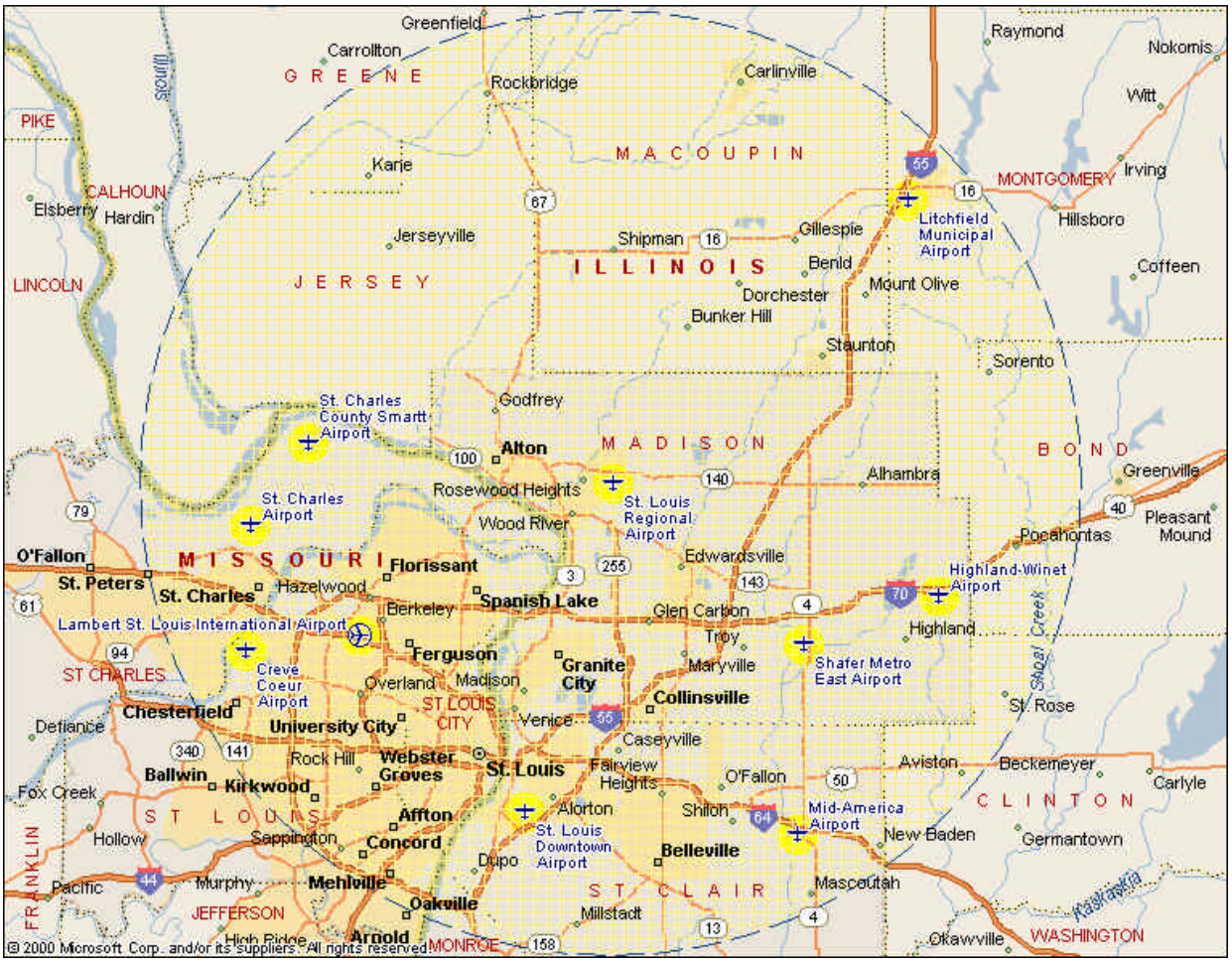
However, because airports outside of the 20 mile radius may compete for customers within the 20 mile radius, it is necessary to establish a radius from the subject airport to capture all airports that may compete for local based aircraft. Based upon the geography of the St. Louis area, available "land based" transportation systems, and disbursement of the population, it is the opinion of Aviation Management Consulting Group that a 30 mile radius around St. Louis Regional Airport adequately captures all airports that compete with the subject airport for local based aircraft customers.

The following map identifies the location (home) of the based aircraft tenants. The map shows a 20-mile radius around the St. Louis Regional Airport. As is evident, most (if not all) existing St. Louis Regional Airport tenants are within this 20-mile radius.

Based Aircraft Tenants



A total of ten public use airports were identified within a 30 miles radius of the St. Louis Regional: Creve Coeur Airport, St. Louis Metro-East, Spirit of St. Louis, Highland-Winet Airport, Scott AFB/Mid-America Airport, Sackman Field, Litchfield Municipal, St. Charles County/Smartt Airport, St. Charles Airport, and St. Louis Downtown. A brief synopsis of each airport follows:



Creve Coeur Airport…

Creve Coeur Airport is in Missouri, approximately twenty-four miles west-southwest of St. Louis Regional Airport and seven miles west of Lambert St. Louis International Airport. The airport is owned and managed by Creve Coeur Airport Improvement Corporation. The airport, with approximately 244 acres of land, has a single 3,600-foot concrete runway and is served by a non-precision instrument approach. There is no control tower or precision approach.

The airport is presently lengthening runway 16/43 to 4500'. There are future plans to move and pave the grass strip (7/25), to construct additional sun ports and to install an NDB.

Aviation businesses at the airport include the following:

- Creve Coeur - fuel, parking, hangars, flight school, rentals, charter, maintenance
- Archway Aviation – flight school, rentals
- Creve Coeur Aviation – flight school, rentals
- Heritage Airplane Company – aircraft manufacturer, maintenance, modifications, painting, interiors, parts and aircraft sales
- Historic Aircraft Restoration Museum – aviation museum
- Yakovlev of America – aircraft assembly and sales
- Creve Coeur Research and Engineering – aerospace engineering

There are approximately 250 based single engine aircraft and 13 multi engine aircraft at the airport. Last year, general aviation operations were estimated at 32,400.

The airport has a total of 26 shade ports, 85 hangars ranging in size from 40' X 40' through 60' X 100', and 3 hangars 80' X 120'.

The airport is accessible from Interstate 270, exit southwest on Creve Coeur Mill Road 3.5 miles.

Spirit of St. Louis Airport…

Spirit of St. Louis Airport is 31 miles southwest of St. Louis Regional Airport and 15 miles southwest of the Lambert St. Louis International Airport. The airport is owned and managed by St. Louis County. The airport has approximately 1,300 acres of land and two parallel runways. One runway is 5,000' (asphalt), the other runway is 7,004' (concrete) and is served by a precision instrument approach.

There is a control tower at the airport operated from 6:00am to 10:00 pm and the airport has an Automated Weather Observation System (AWOS).

Aviation businesses at the airport include:

- Executive Beechcraft – fuel, parking, hangars, charter, aircraft sales, maintenance, avionics, flight school
- Jet Corp – fuel, parking, hangars, flight school, charter, aircraft sales, maintenance, interiors, avionics, parts
- Million Air St. Louis - fuel, parking, hangars, charter, aircraft sales
- Thunder Executive Terminal - fuel, parking, hangars, flight school, rentals, charter, aircraft maintenance and modifications, avionics
- Avmats - maintenance, avionics, aircraft modifications, interiors, and aircraft sales
- Dallas Airmotive - turbine engine maintenance
- Jet America Sales - aircraft sales
- Midwest Helicopter - helicopter flight school and charter
- Outer Marker Pilot Shop - pilot supplies
- Pro Flight, Inc. - flight school, rentals
- Skyline Aviation - parking
- Thunder Aviation East - charter, aircraft maintenance, avionics, parts
- VisionAire - aircraft manufacturer

There are approximately 478 aircraft based at the airport (107 jets, the remainder are single engine, multi engine, and helicopter). Last year, general aviation operations were estimated at approximately 199,440.

The airport has a total of 127 T-Hangars (a mixture of new and old), 58 shade ports and 80 hangars (ranging in size from 40' X 40' to over 10,000 square foot hangars). The County owns 78 T-hangars and 12 hangars that are 60' X 60' or less.

The airport is accessible by Olive Street, just south of Interstate 40-61 West.

St. Charles County-Smartt Airport…

The St. Charles County-Smartt Airport is 18 miles west of St. Louis Regional Airport and 13 miles northwest of the Lambert International Airport. The airport is owned and managed by the County of St. Charles. The airport has approximately 312 acres of land, two runways with the longest being 3,801' (asphalt) and is served by a non-precision instrument approach.

There is no control tower at the airport however they do have an Automated Weather Observation System (AWOS).

Aviation businesses at the airport include the following:

- C-D Aircraft - fuel
- Confederate Air Force - fuel, parking, hangars, museum
- Skylink Aviation - fuel, flight school, rentals, maintenance

There are approximately 99 aircraft based at the airport. Last year, general aviation operations were estimated at 42,490. The airport has approximately 34 T-hangars, 3 corporate hangars, and 1 community hangar. The airport plans to construct additional T-hangars in the near future.

The airport is accessible by State Highway 94 north from St. Charles and Grafton Ferry Road.

St. Charles Municipal Airport…

The St. Charles Municipal Airport is 9 miles northwest of Lambert International Airport and 21 miles west of the St. Louis Regional Airport. The airport is owned and managed by PFA Associates. The airport has approximately 97 acres of land, one 3,451 foot asphalt/aggregate paved runway and two grass strips.

St. Charles declined federal funds in 2000 to re-construct runway 9/27, due to the long-term commitments required by the FAA. However, they are still eligible for federal and state funding. There is no control tower at the airport.

Aviation businesses at the airport include: St. Charles Flying Service – parking, hangar, flight school, rental, charter and maintenance

There are approximately 106 aircraft based at the airport. Last year, general aviation operations were estimated at 38,000. There are approximately 40 T-hangars, and 1 corporate hangar at the airport.

The airport is accessible by State Highway 94 north of St. Charles and County Road B.

Shafer Metro-East Airport…

Shafer Metro-East Airport is 16 miles east of East St. Louis and 15 miles southeast of St. Louis Regional Airport. The airport is a private airport owned and managed by Edward and Lois Shafer.

The airport has approximately 26 acres of land and a single 2,662' asphalt runway. There is not a control tower or weather reporting station at the airport.

Aviation businesses at the airport include: Shafer Flying Service – fuel (100LL only) parking, flight school, and maintenance.

There are approximately 41 based single engine aircraft at the airport. Last year, general aviation operations were estimated at 13,700. The airport has a total of 30 T-hangars and 1 executive hangar.

The airport is accessible by Interstate Highway 40 east from St. Louis (1 mile north of highway, 2 miles west of Highland).

St. Louis Downtown -Parks Airport…

The St. Louis Downtown-Parks Airport is 2 miles south of East St. Louis CBD and approximately 20 miles south of St. Louis Regional Airport. The airport is owned and managed by the Bi-State Development Agency. The airport has 940 acres of land, three runways with the longest 6,997' (asphalt) and is served by an ILS precision instrument approach. There is a control tower at the airport operated from 7:00am to 9:00pm daily. There is also an Automated Surface Observation System (weather station) linked to the airport's website. East St. Louis is part of the American Bottoms Enterprise Zone.

Aviation businesses at the airport include the following:

- Ideal Aviation – fuel, parking, hangars, aircraft maintenance
- Midcoast Aviation – fuel, parking, hangars, aircraft maintenance, modifications, painting, interiors, avionics, and parts
- A & S Helicopters – maintenance, aircraft painting, interiors, parts
- Parks College of St. Louis University – flight school
- Air Evac Life Team – air ambulance
- Air Show Migs, Inc. – entertainment
- Fostaire Helicopters – charter, flight training
- Helicopters, Inc. – charter, airplane and helicopter maintenance
- Premier Turbines – engine manufacturing and repair
- Sage Aviation – hangar rental and sales
- Shannahan Avionics – avionics
- St. Louis Banner – towing
- Sun Coastal Aerial Advertising – banner advertising

There are approximately 219 aircraft based at the airport (34 jets, 10 helicopters, and the remainder piston aircraft). Last year, general aviation operations were estimated at 152,000. The airport has approximately 50 T-hangars (37 owned by airport), 46 small executive hangars (50' X 50' or less) all privately owned, 15 large executive hangars (larger than 50' x 50'). The airport owns 4 of the large executive hangars.

The airport is accessible just southwest of Interstate 15 and southeast of 19th Street.

Highland-Winet Airport…

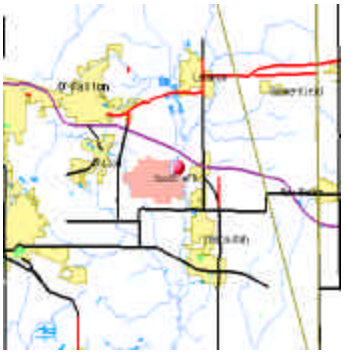
The Highland-Winet Airport is 3 miles northeast of Highland CBD and 20 miles southeast of St. Louis Regional Airport. The airport is owned and operated by St. Louis Soaring Association. The airport has approximately 22 acres, one grass strip with no precision approaches and no control tower.

Aviation businesses at the airport include: St. Louis Soaring Association – gliders/sail planes flight school

There are approximately 12 aircraft based at the airport. Last year, general aviation operations were estimated at 6,000. The airport does not have any hangars.

The airport is accessible just north of Interstate 70.

Scott AFB/Mid-America Airport…



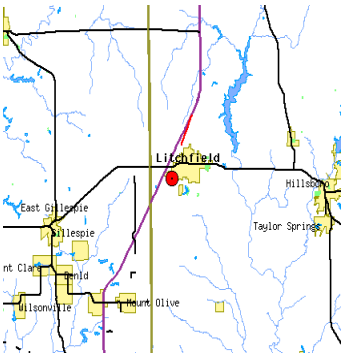
The Scott AFB/Mid-America Airport is located 7 miles east of Belteville CBD and 23 miles southeast of St. Louis Regional Airport. The airport is owned and managed by St. Clair County and the USAF. The airport has 7,003 acres of land (approximately 4,400 acres for the civilian portion of the airport), with two runways, the longest a 10,000' concrete runway and is served by a precision instrument approach. There is a control tower at the airport operational 24 hours per day. The airport was opened to the public in 1998 as a commercial reliever airport to Lambert International Airport.

Aviation businesses at the airport include: Airport Terminal Services – fuel and parking

There are approximately 40 aircraft based at the airport. Last year, general aviation operations were estimated at 3,644. The airport does not have any hangars.

The airport is accessible at the junction of Interstate 64 and Illinois Route 4.

Litchfield Municipal Airport…



Litchfield Municipal Airport is 2 miles southwest of Litchfield CBD and 24 miles northeast of St. Louis Regional Airport. The airport is owned and managed by the Litchfield Airport Authority. The airport is located on approximately 163 acres of land and has two runways, the longest a 3,901' asphalt runway and is served by a non-precision instrument approach. There is no control tower. Weather reporting is through nearby AWOS services.

Aviation businesses at the airport include: Central Air Services – fuel, flight school, aircraft rental, maintenance, and sales

There are approximately 33 aircraft based at the airport (including1 glider). Last year, general aviation operations were estimated at 9,200. The airport does not have any hangars.

The airport is accessible at the intersection of Interstate Highway 55 and Illinois Highway 16.

Summary…

Name	St Louis Regional Airport	Creve Coeur Airport	Shafer Field Metro-East	Lambert St. Louis Intl'	Spirit of St. Louis	Highland-Winet Airport	Scott AFB/Mid-America Airport	Litchfield Municipal Airport	St. Charles County Smartt Airport	St. Charles Airport	St. Louis Downtown
FAA Identifier	**ALN**	**1H0**	**3K6**	**STL**	**SUS**	**H07**	**BLV**	**3LF**	**SET**	**3SQ**	**CPS**
Distance from ALN (nm)	0	23.7 WSW	14.6 SE	17.0 WSW	31.5 SW	20.2 SE	22.9 SSE	24.0 NE	18.1 W	21.4 W	19.9 S
Airport Specifications											
Control Tower	Yes	No	No	Yes	Yes	No	Yes	No	No	No	Yes
Acreage	2,250	244	26	2,800	1,300	22	7,003	163	312	97	940
Number of Runways	2	2	1	5	2	1	2	2	2	3	3
Runway Data (Longest)	8,101 X 150	3,600 X 75	2,662 X 50	11,019 X 200	7,004 X 150	2,660 X 200	10,000 X 150	3,901 X 75	3,801 X 75	3,451 X 49	6,997 X 100
Wheel Bearing Capacity[1]	140,000	N/A	N/A	200,000	70,000	N/A	209,000	N/A	N/A	N/A	71,000
Approaches[2]	P	N	N/A	P	P	N/A	P	N/A	N/A	N/A	P
Based Aircraft											
Single	117	250	38	1	290	4	3	32	90	100	120
Multi	18	13	1	1	43	0	0	0	9	6	53
Jet	13	0	0	11	107	0	0	0	0	0	34
Rotor	1	3	0	0	38	0	0	0	0	0	10
Other	0	0	2	17	0	8	37	1	0	0	2
Total:	***149***	***266***	***41***	***30***	***478***	***12***	***40***	***33***	***99***	***106***	***219***
Services and Facilities											
Fixed Based Operator(s)	2	3	1	2	4	0	1	1	3	1	3
Specialized Operator(s)											
Maintenance	2	2	1	0	6	0	0	1	1	1	3
Charter	2	1	0	0	4	0	0	0	0	0	0
Flight Training	2	2	1	1	4	1	0	1	1	0	0
Aircraft Sales	2	2	0	0	6	0	0	1	0	0	0
Hangar(s)											
T-Hangars	119	0	30	0	127	0	0	0	34	40	50
Small Executive	5	84	1	0	0	0	0	0	3	1	46
Large Executive	4	3	0	0	80	0	0	0	0	0	15
Community	0	0	0	0	0	0	0	0	1	0	0
Shade Ports	0	26	0	0	58	0	0	0	0	0	0
Operations											
GA Local	39,835	24,150	7,700	0	97,368	5,500	2,032	6,600	33,000	34,200	83,000
GA Itinerant	36,000	8,250	6,000	0	102,072	500	1,612	2,600	9,490	3,800	69,000
Annual Operations (GA)	**75,835**	**32,400**	**13,700**	**0**	**199,440**	**6,000**	**3,644**	**9,200**	**42,490**	**38,000**	**152,000**

[1] *Dual Wheel Capacity* [2] *P = Precision and N = Non Precision*

Competitive Airports (Transient)

There are many factors that are considered by transient aircraft operators when selecting an airport. The proximity of the airport to the final destination is certainly one of the primary considerations.

Assuming that the infrastructure, products, services, and facilities desired by the transient operator are provided by the FBOs and/or SASOs located at the airport and that the airport can safely accommodate the aircraft being operated, it is the opinion of Aviation Management Consulting Group that transient aircraft operators prefer to use the airport that is located closest to the final destination (with ground travel "distance" typically being the deciding factor).

However, when the infrastructure, products, services, or facilities are not available or the airport cannot safely accommodate the aircraft being operated, transient operators will tend to seek and use alternative airports and quite frequently, the next closest (or most convenient) airport is selected regardless of ground travel distances.

It is the opinion of Aviation Management Consulting Group that a majority of transient general aviation aircraft that have the central business district of St. Louis as their final destination will typically utilize the Lambert International Airport, St. Louis Downtown/Parks Airport, or Spirit of St. Louis Airport.

Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis

The primary objective of the SWOT analysis is to isolate and properly categorize (to the greatest extent possible) the actual and/or perceived strengths and weaknesses of the Airport and the organization (from an "internal" perspective) and to do the same with regard to the opportunities and threats that exist (and/or are perceived to exist) to the Airport and the organization (from an "external" perspective).

"Strengths" should be preserved and built upon. Strengths are items that the Airport does particularly well relative to comparable and/or competitive airports or they are unique assets that the Airport is able to use to better accomplish its mission.

"Weaknesses" should be addressed and remedied, if possible. Weaknesses are those items that the Airport does not do particularly well and should be improved, that prevent superior performance, or that the Airport is acutely lacking and that it needs to have in order to accomplish its mission.

"Opportunities" should be seized when they appear. Opportunities are items that have or are about to present themselves to the Airport (usually factors outside of the Airport's control) or trends or changes that could be utilized to improve Airport performance.

"Threats" should be managed or eliminated, if possible. Threats are items (usually from outside the control of the Airport) that could or will negatively affect the accomplishment of the Airport's mission.

Based upon interviews with Airport stakeholders, an analysis of competing airports, and a study of industry, regional, and local socioeconomic and aviation trends, the Airport's strengths, weaknesses, opportunities and threats were identified, as follows.

Strengths

1. Airport Infrastructure
   a) Runway length (8,101 foot paved runway)
   b) Runway weight bearing capacity (140,000 lbs Dual Wheel)
   c) Precision instrument approach (ILS)
   a) Available land for development (ability to expand, not landlocked)
   d) Existing business park
   e) Air traffic control tower (hours of operation - 7am to 10pm)
   f) Restaurant facility (on field, however not currently being utilized)
2. Operations
   a) Fully capable Aircraft Rescue and Firefighting response (24/7)
   b) Part 139 certification
   c) Snow removal fleet
   d) On field Aviation Weather Observation System
   e) Already one of the busiest airport's in the region

Weaknesses

1. Airport Infrastructure
   a) Delays in approval of business park utilities
2. Airport Facilities
   a) Small (limited capacity)
   b) No restaurant or meeting rooms
3. Aviation Products and Services
   a) Limited (not a stable full range of services)
4. Policies and Practices
   a) Lack continuity in Lease/Rates and Charges in lease agreements
   b) Lack of a strategic business plan that has been carried foreword
   c) Outdated rules and regulations may expose the airport to unnecessary liability
   d) Outdated minimum standards don't hold airport businesses to a standard of service necessary to maintain and draw traffic to the airport
   e) Lack tracking of typical airport benchmarks, lease summary, etc.
5. Marketing and Promotion
   a) Lack a viable marketing plan (has not been followed through)
   b) Agreement of all entities regarding marketing plan
   c) FBO does not partner in a marketing plan
   d) Website format is good but needs more information (i.e. control tower hours of operation)
6. Financial
   a) Heavy debt load due to numerous bonds for airport improvements
   b) Financial investment versus return in marketing efforts

7. Community Support
   a) Lack strong communications and awareness of airport goals with community; not united in efforts
   b) State Economic impact of GA study failed to provide specific benefits to individual airports.

Opportunities

1. Location
   a) Proximity to the St. Louis CBD
   b) Reliever Airport Status
   c) Within an Enterprise Zone
   d) Accessibility
   e) Proximity to Illinois State Highway 3, 143, and Interstate 67
   f) Expansion of Interstate 255
   g) Low cost of living
   h) St. Louis region Ranks 5th in the nation for corporate headquarters
   i) Top 20 in cities with the lowest cost of living
   j) Outside of known 100-year flood zones
2. Quality of Life
   a) Relatively low land costs
   b) Availability of usable property
   c) Favorable business climate (able to attract large companies)
   d) Diverse recreational and historic opportunities
   e) Low cost of living
3. Labor Force
   a) Skilled labor force
   b) Increasing unemployment rate (surplus labor)
   c) Available funding and training to upgrade work force
4. Development Opportunities
   a) Increased growth (business and population) due to extension of I 255
   b) Development of Northwest Business Park
   c) Development of Wayside Estates Property
   d) Availability of additional land around airport for development
   e) High tech industry's growth
   f) No personal property tax in Madison County or the State of Illinois
5. Funding
   a) Availability of federal and state grants
   b) St. Louis Regional Airport at the top of list (Priority 3) for the St. Louis Metro airports in receiving federal and state grants for improvements
   c) In an Enterprise Zone

6. Facility Development
   a) Development of restaurant and meeting facilities
   b) Development of additional hangar space
      i) Community (or common) hangars
      ii) T-Hangars
   c) Development of new SASO facilities
      i) Dependent upon the desire, willingness, and ability of prospective service providers to make capital investments at the airport
7. Socioeconomic
   a) Expansion of existing housing areas
   b) Expansion of existing area businesses
   c) Attract new business to the area
8. Competition
   a) Compete more effectively (products, services, facilities, and infrastructure) with other area airports
9. Aviation Industry
   a) Pilot development programs
   b) Increased aircraft production and sales
   c) Proliferation of fractional ownership
   d) Programs that support the future use and growth of general aviation
   e) Potential marketing to military for training.
   f) Potential use by neighboring UPS
10. Community Programs
   a) Seek community involvement/participation
   b) Tourist attractions
11. Educational Programs
   a) Affiliation with local educational institutions
   b) Involvement in Illinois State supported community college programs for developing/training the work force

Threats

1. Competition
   a) Other area airports (and service providers)
   b) Mid-America Airport (closer to downtown St. Louis and unlimited potential)
2. Population projections show continued growth in the northwest section of St. Louis and St. Charles County, away from St. Louis Regional Airport.
3. Financial
   c) Strong public opposition to continued funding of airport through taxes
   d) Sold off possible revenue generating properties for one time profit.
4. Other
   a) Economic downturn
   b) Events of September 11th