

JET GROUP BUSINESS AVIATION, INC


Oakland, California, USA

New Business Proposal

Contact Info



Corporate



TABLE OF CONTENTS

INTRODUCTION	3
CURRENT STATE OF BUSINESS AIR TRAVEL	3
A Challenge In Need of a Solution	
Research Findings By Industry Analysts	
More than the Current Air Transport Model is Needed	
New Fixed Base Operation in South Korea	
PROPOSED BUSINESS MODEL	6
The Solution	
Steps to Undertake to Accomplish the Plan	
Summary of Benefits to Affluent and Business Air Travelers	
Initial Routes	
Route Group 1	
Route Group 2	
Route Group 3	
Route Group 4	
Flight Times (Gate-to-Gate)	
REGULATION AND CERTIFICATION	8
WHY SOUTH KOREA AS KEY OPERATIONAL BASE	9
COMPANY HISTORY AND MANAGEMENT TEAM	9
History of JetGroup	
JetGroup's Asia Aviation Business Initiative Management Group	
JetGroup Associates and Resources	

INTRODUCTION

JET GROUP BUSINESS AVIATION, INC. (JetGroup), is a Nevada based company that has been operating in the business aviation industry since 2001 throughout the Western United States. It maintains its flight operation center at the Oakland International Airport. The combined aviation business experience of the three member management team involved in the current Asia initiative is 40 years. JetGroup has developed a business strategy to relieve a particular stress point that exists in business air travel around Asia, and post particularly flying between South Korea and China, Taiwan, Hong Kong, Japan, Vietnam, etc. We believe that JetGroup has the knowledge, experience and resources to implement the strategy successfully. Nevertheless, operational approval from appropriate government bodies is required for such success.

Simply said, JetGroup has determined it's desire to provide a unique executive business air travel service between South Korea and surrounding Asian countries.

CURRENT STATE OF BUSINESS AIR TRAVEL

A Challenge In Need of a Solution

JetGroup has identified a growing challenge and trend throughout developed Asian countries involving air travel for business people. It is not unusual for a business executive to travel from one country to another on a weekly basis. Many of the distances covered are relatively short (less than 3 hour flights). Because these are international flights, the business person must go through the burdens imposed by customs and immigration—both going and coming home. The other burden that is well known and practically accepted as normal is the process and time for each passenger to get through security. The time for all these steps, when added to the flight time, can make a mere 1,000 kilometer trip turn into an entire day's process. That means a business executive, who's time is very valuable, will spend two days just for travel, even if just for a half a day of business.

The following are the estimated numbers of business and affluent passengers within 3 hours air travel time (17 different cities) from South Korea that JetGroup has determined likely travel several times per year, that fit the criteria of the above issue and are in need of our solution:

- ◆ South Korea business/affluent travelers going to and from China: 450,000 (based on 45,000 S. Korean companies that have facilities and plants in China multiplied by an average of 10 people per company.
- ◆ Business and affluent South Korean citizens living in South China making trips home to S. Korea: 1.5-2 million.
- ◆ Taiwan business/affluent travelers going to and from China: 1.2 million (120,000 companies x

- ◆ Japan business/affluent travelers going to and from China: 200,000 (20,000 companies x 10).
- ◆ Number of business and affluent passengers traveling between S. Korea and other Asian countries have not been determined at this time.
- ◆ Minimum total market demographics based on above numbers: 1,850,000 frequent business and affluent travelers.

Research Findings By Industry Analysts

International Air Transport Association (IATA) issued a 20-year passenger growth forecast in 2014. They report that global passenger numbers is expected to more than double from 3.3 billion in 2014 to 7.3 billion in 2034. (That presents an annual average growth rate of 4.1%.) Additionally, China is expected to overtake the U.S. as the world's largest passenger market (defined by traffic to, from and within) by 2030. By 2034 China's passenger traffic (in/out/within) should increase from 856 million in 2014 to 1.3 billion in 2034. This puts China in the lead for the fastest air travel growth in the world. South Korean's air transport in and out of China presents a significant part of that growth.

Global Blue, experts in the study of foreign traveller's shopping, indicates a boom of Chinese passengers flying to South Korea with no end in sight of the trend. There was a +67% increase in the number of passengers from China to S. Korea in just one year, from 2013 to 2014 (4.3 million to over 7 million). *Global Blue* forecasts that number to exceed 10 million by 2018.

SkyTrax, an airport rating company, indicates that many of the airports in China where business travelers' frequent, tend to have low reviews and ratings by the passengers in regard to some of the most important airport terminal features, such as the security, immigration and customs procedures. For example, even though *SkyTrax* gives Beijing Capital International Airport a fairly high overall quality rating of 4 out of 5 stars, their security line process rates only 4 out of 10, based on passenger reviews. Guangzhou Baiyan International Airport rates only 2 stars overall and a terrible 3 out of 10 rating for it's slow and difficult security process.

More than the Current Air Transport Model is Needed

Neither government or private programs of "pre-check/pre-screen" security (e.g., Global Entry, SENTRI, Nexus and TSApre) have proven widely successful. There continues to be passenger complaints that such systems don't always save time as promised or other complaints on general system failures. In some cases, so many passengers have enrolled in a program that those security queues become too long and thus lose the "expedited" purpose. These systems have been and continue to be tested primarily in the U.S. and not available in all Asian countries. In effect, as masses of travelers sign up for these programs, the affluent or business traveler loses advantage.

Airlines Cannot Solve the Problem: Although some airlines have tried to make business travel easier, they are limited in their solutions.

- ◆ First, airlines are heavily regulated. This means they cannot avoid the long and difficult security processes. All their passengers, whether business executive or not must go through the same customs and immigration processes. A business traveler can select first class to have a more comfortable trip, but that doesn't solve the misery of all the other steps of international travel.
- ◆ Second, the airline business model is not easily changeable. Established airlines do not respond quickly to needed changes, and, as long as their model seems to work for them they are not motivated to change.

Private Aircraft Ownership and Charter Are Very Limited Solutions and Not Practical: Use of private aircraft for business has a long and successful history in the U.S. However, the same cannot be said for Korea, China, Taiwan, Japan and other Asian countries. Private air travel has traditionally been frowned upon by most Asian businesses as too ostentatious. That's beginning to change, but only slowly. Private jet use is typically broken down into two categories:

- ◆ There are Aircraft owned and used by companies and individuals themselves. This includes fractional ownership, such as NetJets. That form of travel has the least rigorous regulation, but requiring the highest capital cost and too expensive for all but the largest of companies. And, even in those cases companies reserve the use of such aircraft for their VIP's.
- ◆ The other form is air charter, which includes renting an aircraft and crew for a particular destination or by the hour. For charter operations in the U.S. (and most other countries) regulations are more stringent than private aircraft use, but not nearly as strict as air carrier rules. This still presents a fairly expensive mode of travel for the average company manager or executive and not cost effective for frequent trips. Charter is best used when there is a need to move 6 or more people together to a single destination, remain for a short duration (e.g., a single day) and return together.

Even if private jets are used by companies, there remains a problem when going in and out of China. It may be true that China has led the way in Asia with embracing all forms of air travel, including that by private business jet. Many wealthy Chinese people are buying jets, and there is no end in sight. However, China's military still remains in control of the Chinese airspace. They do not want private aircraft moving about when and where they wish, even though that is one of the biggest advantages to owning such aircraft. For the time being, the Chinese military will make private jet travel in China a frustrating process at best.

New Fixed Base Operation in South Korea

The construction of South Korea's first fixed base operation (FBO) is under way at Seoul's Gimpo (Gimpo) International Airport. FBOs are traditional gateways for private air travel. This is a good sign for things to come in that it shows South Korea is now embracing private aircraft ownership and use. However, the typical user of such a facility are the wealthy and company VIPs. While a good FBO is critical to JetGroup's success, the challenge outlined above will not be solved by simply constructing an FBO to attract private aircraft.

PROPOSED BUSINESS MODEL

The Solution

Fortunately, there is an answer to getting S. Korean, Japanese and Taiwanese business people in and out of China and other Asian countries quickly and with the utmost style and comfort. This involves creating a hybrid between an airline style model and private jet aircraft, and then offering to exclusive business club participants. In other words, JetGroup will use jets that are traditionally configured for private use and setup with an airline first/business class style interior. Examples of some models that could be used initially are Gulfstream jets, Global Express and similar. Instead of offering these planes for charter, we will establish scheduled routes and sell single seat tickets as the airlines do. The difference will be in how those routes are established, how the travelers are acquired and ticketed, and the physical operation of the airplanes and terminals. Such a hybrid will not need the airline terminal or government provided security. Instead, just as private aircraft do, these planes will operate from FBOs in the General Aviation areas of airports and make use of private security systems (as approved by the government).

Business people traveling in this manner can expect to save many, many hours from time wasting lines and hassles with security, immigration and customs. Those things will be handled just as swiftly and efficiently as if that person were traveling in his/her own private jet. The seat cost will be similar to business or first class on common carriers, but with more luxury, amenities and exclusivity.

This hybrid involves rethinking both operations and regulations. Thus, government cooperation is paramount.

An associate of JetGroup has already accomplished this hybrid (airline/private jet) certification from the Federal Aviation Administration in the U.S. for a very small operation in the use of a single jet on a scheduled route between Oakland, California and the Hawaiian Islands. Details of this and how S. Korea can go about the same method of certification is discussed in the section, "Regulation and Certification."

Steps to Undertake to Accomplish the Plan

The solution incorporates the following requirements:

1. Analyze and establish the desired initial intended routes, airport hub and support facilities.
2. First, enter into a Memorandum of Understanding with the Korea Office of Civil Aviation (KOCA) or it's superior. Later, obtain governmental permissions from S. Korea as a hub of operations, and from each country of intended routes, starting with China, Taiwan and Japan.
3. Work with Avjet Asia and Korea Airport Corporation for use of their new FBO at Gimpo (Gimpo) International Airport in Seoul (scheduled to open in April 2016) as an initial base of operations.

3. Establish key partnership(s) in China and work with Aviation Industry Corporation of China (AVIC), Commercial Aircraft Corporation of China (Comac) and Civil Aviation Administration of China (CAAC) to set up Chinese partner facilities, acquire route approvals from Chinese military and create immigration and customs procedures. (Although the Chinese military maintains ultimate control, recent governmental changes at CAAC taking effect in January, 2016, will make it easier for private companies to secure routes and landing rights.)
4. Create exclusive business travel club and enroll companies throughout S. Korea and other countries as they see the benefit of this form of travel.
5. Capitalize the operation once there is firm government commitment to work with us in achieving the goal.

Summary of Benefits to Affluent and Business Air Travelers

In summary, this aviation travel model will provide the following benefits to air travelers:

1. Extremely shorter travel times (at least cut in half).
2. Red carpet private aircraft departure/arrival lounges and terminals.
3. Multi-jurisdiction respected and highly private pre-screen security profile for each member, similar to that used by world traveling VIPs on private jets.
4. Smooth, hassle-free security, customs and immigration.
5. Private jet luxury and amenities at first or business class fares.
6. Entire aircraft devoted to business and luxury travelers.
7. Private business club membership system for ticketing as well as business networking and creating smooth security and immigration operations. Club membership also provides members with special tours and excursions as well as personal charter of aircraft in the fleet during non-scheduled service times.
8. Unique SmartPhone and Tablet App driven reservation system that includes options such as schedule and seat availability notification, automatic seat reservation fill, ticket auction services, ticket transfer, optional social media for business and travel networking, and more.

Initial Routes

Based on a preliminary study, JetGroup has determined the following destinations to be ideal candidates for setting up the first routes with Kimpo (Gimpo) airport serving as the hub.* The routes are classified into four groups based on average distances and each of the four groups having approximately the same flight time (gate-to-gate time):

Route Group 1

(Distance in Kilometers)

Dalian (494), Dandong (386), Qingdao (581), Shenyang (581), Weihai (420), Yantai (494)

Route Group 2

Beijing (990), Hangzhou (1014), Nanjing (953), Shanghai (866), Tianjin (866), Osaka (917), Tokyo (1239)

Route Group 3

Taipei (1485)

Route Group 4

Guangzhou (2044), Hong Kong (2092), Shenzhen (2092)

Flight Times (Gate-to-Gate)

Group 1	0.8 hours	(average 500 kilometers)
Group 2	1.6 hours	(average 1000 kilometers)
Group 3	2.5 hours	(average 1500 kilometers)
Group 4	3.0 hours	(average 2000 kilometers)

*Final route decisions will require a more detailed market study along with government input and approvals.

REGULATION AND CERTIFICATION

The Federal Aviation Administration (FAA) in the U.S. has three general groups of certification categories for three types of aircraft operations. (Of course, there are many sub-categories and exceptions, but those are not relevant to this report for the time being.) The first, and least rigorous is found at Title 14 of the Code of Federal Regulations (CFR), Part 91, which regulates the operation of privately owned and operated aircraft. This includes fractionally owned airplanes and those operated by companies or organizations for their owners, members, associates and employees. Part 135 of 14 CFR regulates all commercial aircraft operations that are not common or public carriers, such as airlines. Thus, all charter operations fall under the more stringent Part 135. With a Part 135 Certification one cannot operate or sell individual seats on a scheduled route. That form of operation is considered common carrier and requires a Part 121 certification, which is what the airlines are required to obtain. Naturally, Part 121 requirements are the most arduous for safety reasons.

Typically, Part 121 operations (or similar common carrier operations in other countries) involve a considerable amount of public/government support, such as use of airport terminals, use of government provided security systems, route and gate allocation approvals and even subsidies. These provisions are based on an assumption that the travel service offered by each airline is open to the public and thus considered public transportation. Historically, this has been the case. The model that JetGroup presents is an exception. The passengers will be members of a private association of travelers and therefore not part of the public sector. However, since the business involves pre-established scheduled routes sold on a per-seat

basis, the assumption is made that certification similar to the U.S. version of Part 121 will be required in each jurisdiction in which JetGroup will operate. Nevertheless, the intention is to operate from FBOs rather than airline terminals, which is considered unusual for an air carrier. This has already been achieved by at least one company in the U.S. They received a Part 121 certification from the FAA, but operate from an FBO and provide the same red carpet service as part 135 charter operations do, including private security screening as approved by the government.

WHY SOUTH KOREA AS KEY OPERATIONAL BASE

JetGroup has selected South Korea as its first choice to locate its base of operations for this business endeavor. There are several compelling factors that makes South Korea the best choice:

- ★ South Korea is the leading Asian country as a developed nation, highest demographic of educated people, and they put a high value on leading technologies and innovation.
- ★ South Korea excels in every industry they support. We believe they are now focusing their attention on the private aviation sector and will embrace it and support it with the same eagerness as their other industries.
- ★ South Korea is considered an upscale country with citizens that are proud of their heritage and nation. This personal culture creates a very positive business culture and makes for success.
- ★ South Korea is a stable Asian country economically and socially, and enjoys good trade relations with its neighbors.
- ★ South Korea has excellent aviation regulations and shares JetGroup's safety commitment by making aircraft and air travel safety a priority.

COMPANY HISTORY AND MANAGEMENT TEAM

History of JetGroup

Jet Group Business Aviation, Inc. was founded by [REDACTED] [REDACTED] and incorporated in 2001, which then continued the aviation business [REDACTED] had already started. JetGroup ultimately managed the flight departments and aircraft for a dozen companies at one time. This involves everything from purchasing the aircraft on behalf of the company to hiring and maintaining the flight crew, dispatching the flights and the crews, maintaining the aircraft by hiring mechanics and maintenance crews, writing safety and operational protocols, etc. In

addition, JetGroup has operated Part 135 (charter) and Part 145 (maintenance) facilities. JetGroup continues to operate and manage several business jets, and to provide consultancy and brokerage services in the aviation industry.

JetGroup's Asia Aviation Business Initiative Management Group

■■■■■, a native of South Korea, having five years experience with JetGroup and specifically with its Asia aviation research and development project, has four decades of successful multi-national businesses involving several South American countries, South Korea and the U.S.

■■■■■, the founder of JetGroup, is both a certified aircraft mechanic and pilot. He began his aviation career working on airliners and quickly advanced to Director of Maintenance and later Director of Operations. This experience led to starting his own business aviation management and consulting business by 1992. His background, both as an individual and with JetGroup, includes operation of Part 121 (airline) maintenance facility; operation of Part 135 (commercial and charter aviation) facilities from “A to Z”, including writing operation manuals; operation of Part 145 facilities (aircraft maintenance facilities); managing flight operations; brokering aircraft; and managing entire flight operations for up to 12 different companies at one time, each company owning several aircraft. His specific aircraft experience is vast, including models by Boeing, McDonnell Douglas, Gulfstream, Bombardier, Global Express, Challenger, Falcon, Lear, Cessna Citation, etc. He also has helicopter management experience. ■■■■■

■■■■■ has used his education degree in business and vast experience to turn JetGroup into a very successful enterprise, poised to now take on a new project—this S. Korean/Asia aviation project.

Joel Ward, has been a pilot for 39 years. For his own businesses, he has owned and operated various business aircraft for most of that period. In 2008 Mr. Ward became associated with JetGroup as Director of Sales and Business Development. He has a background in business startups as both consultant and principal, with emphasis in capital structuring and strategic planning.

JetGroup Associates and Resources

The above management team and JetGroup have established and enjoy key relationships over many years that remain eagerly available to assist with this business strategy once we have indication that South Korea wants this business model and desires to work with JetGroup to accomplish the goal. The people and companies JetGroup will call upon are leaders and experts in various specialties of the aviation field.