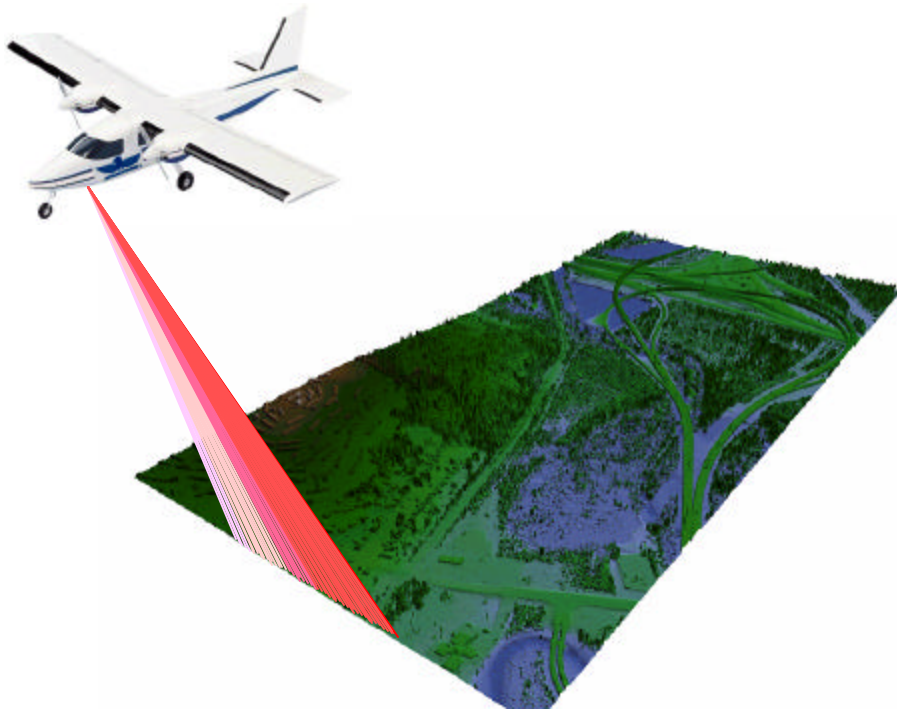




# LIDAR*SHARE*

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The Benefits of Ownership at a Fraction of the Cost



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# Fractional Ownership Plan

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## INTRODUCTION

Fractional Ownership Plans have been a mainstream of the aviation industry for the past fifteen years. Industries burdened by high fixed cost assets, high fixed costs of asset ownership, and rapid technological innovation are prime candidates for managing assets through fractional ownership. These plans are similar to time sharing a condominium – but are more flexible and offer larger potential cost savings to customers. Fractional ownership's advantages are threefold – first, there are significant cost-savings relative to purchasing service; second, fractional ownership plans are specifically tailored to the anticipated individual customer demand, allowing owners to achieve high utilization rates on their fractional asset; and finally, the risk of technological obsolescence is significantly curtailed, since a much smaller investment needs to be recouped on a fractional share.

## THE DECISION CRITERIA

Evaluating between service, fractional ownership and full asset ownership involves many different factors, ranging from strategic to financial concerns. Moreover, assessing the benefits of each involves critical decisions regarding product mix, and the size and volume of expected project work. Understanding the trade-offs between each and the financial implications of each choice is critical in making a decision on which alternative to pursue.

- **PURE SERVICE**

The benefits of purchasing laser mapping services may be obvious- projects are conducted on a turn-key basis, and the final deliverables are warranted to meet the contracted specifications. Moreover, supply is tailored precisely to the project demands of customers- and customers are at no risk of excess capacity and low utilization rates, since projects are only performed when they are contracted for. This means that costs of projects can be accurately managed and costs are highly predictable – and technology obsolescence is not an issue. These benefits, however, come at an obvious cost, since turnkey services are offered at higher rates than the in-house cost of performance. While standard pricing is difficult to estimate in the laser mapping industry, typical industry service costs for the following “hypothetical” projects is useful:

Project Size	Small (10,000 acres)	Medium (100,000 acres)	Large (1,000,000 acres)
Type of Data	2' Contour Interval	2' Contour Interval	2' Contour Interval
Flight Time	3.5 Hours	15 Hours	75 hours
Total Price	\$ 19,900	\$ 84,000	\$ 470,000
Price per Acre	\$1.99	\$0.84	\$0.47

*Note: Total cost is exclusive of ground survey required, typically priced at \$1,800 per day; projects are assumed to be rectangular in shape, with low/moderate vegetation and terrain. Deliverables are for bare earth Digital Elevation Models (DEM's).*





# Fractional Ownership Plan

- **AIRBORNE 1's FRACTIONAL OWNERSHIP PLAN**

Airborne 1's Fractional Ownership Plan is tailored to meet the requirements of customers with a projected 15-75 (or more) flight hours per year (depending on project sizes), but who do not have sufficient project volume to justify investment into a standalone laser mapping operation.

Under a fractional ownership plan, customers purchase an actual fraction of a laser system, which can be shown as an asset on the balance sheet of the owner, and depreciated just like any other asset. The total amount of annual usage allocated depends on the size of the fraction purchased- for example, if a 1/8<sup>th</sup> fraction is purchased, the user has access to 1/8<sup>th</sup> of the system's capacity (on an annual basis) for a period of 5 years.

Ownership of a fractional share consists of three cost components- first, an **initial investment** covering the cost of the fractional laser system share; second, a **monthly service fee** for the costs of managing the fractional asset, such as the cost of the system operator, system storage, performance of calibration flights, system insurance, ferrying costs to project locations, overhead expenses, and extended warranties covering the laser system. The third cost component is a **per-hour flight fee**, which covers the costs of the aircraft and crew (if the fractional owner uses Airborne 1's aircraft).

The following summarizes the costs related to Airborne 1's fractional ownership plan:

Fractional Share	Percent System Owned	Total Acquisition Cost	Monthly Mgmt Fee, H/W Bundle Only*	Monthly Mgmt Fee Full Service	Occupied Flight Hour Fee	# of Allocated Days/Yr	Estimated Flight Hours Per Year
<b>1/16</b>	6.25%	\$ 96,416	\$ 1,256	\$ 3,984	\$ 495	<b>18.5</b>	70
<b>1/8</b>	12.50%	\$ 184,191	\$ 2,488	\$ 7,837	\$ 495	<b>37.5</b>	140
<b>3/16</b>	18.75%	\$ 271,068	\$ 3,732	\$ 11,754	\$ 495	<b>56.25</b>	210
<b>1/4</b>	25.00%	\$ 356,132	\$ 4,935	\$ 15,415	\$ 495	<b>75</b>	280
<b>5/16</b>	31.25%	\$ 439,383	\$ 6,167	\$ 19,266	\$ 495	<b>93.75</b>	350
<b>3/8</b>	37.50%	\$ 520,822	\$ 7,401	\$ 23,122	\$ 495	<b>112.5</b>	420
<b>7/16</b>	43.75%	\$ 600,448	\$ 8,541	\$ 26,425	\$ 495	<b>131.25</b>	490
<b>1/2</b>	50.00%	\$ 678,262	\$ 9,691	\$ 29,786	\$ 495	<b>150</b>	560

\* For a detailed itemization of the differences between hardware bundle and full service, please see attachments.

As highlighted by the chart, a fractional purchaser of a 1/16<sup>th</sup> purchase would have access to the laser system (and operators) for 18.5 days per year, with a purchaser of 1/2 of a system entitled to 150 days per year. The amount of available flight hours per year for a single system is in the range of 1,120 hours per year, to allow for necessary work interruptions as a result of ferry time, system calibration time, shipping days, as well as weather days. The amount of total "button on time" during which the system is collecting data is estimated at 1 hour per 2 hours of flight time, which is a reflection of time spent in aircraft "turns", as well as climb, descent and local ferry.

The expected cost of data collection for each fractional share is highly dependent on the specific project mix requirements of each customer; as well as the size of the fractional share



# Fractional Ownership Plan

purchased. The following graphic illustrates the expected “capacity” for data collection for each fractional share, as well as the associated cost of data collection per acre.

Fractional Share	# of Allocated Days	Estimated Flight Hours/Yr	Estimated Collection Hours/Yr	Max Annual Acres Surveyed Per Year	Average Acres Surveyed Per Year	Collection Cost/Acre Minimum	Collection Cost/Acre Small Projects
1/16	18.5	70	35	1,890,000	210,000	\$ .054	\$ .484
1/8	37.5	140	70	3,780,000	420,000	\$ .053	\$ .476
3/16	56.25	210	105	5,670,000	630,000	\$ .053	\$ .473
1/4	75	280	140	7,560,000	840,000	\$ .052	\$ .470
5/16	93.75	350	175	9,450,000	1,050,000	\$ .052	\$ .467
3/8	112.5	420	210	11,340,000	1,260,000	\$ .052	\$ .464
7/16	131.25	490	245	13,230,000	1,470,000	\$ .051	\$ .461
1/2	150	560	280	15,120,000	1,680,000	\$ .051	\$ .458

The amount of data collected for each hour of flight varies considerably depending on the specific project mix between small/large projects. The average number of acres surveyed with each fractional share is reflective of small projects; with the number of acres surveyed rising dramatically as larger projects are flown for each fractional share. The figures cited for the maximum number of acres surveyed reflect the manufacturers stated specifications for data collection, at maximum altitudes and optimal operating conditions. The collection costs per acre indicated in the chart are inclusive of **ALL monthly management fees, ALL occupied flight hours, and the total acquisition cost of the fractional share (amortized over 5 years)**.

While the fractional ownership plan highlights the cost of data collection, additional costs apply for processing data to final deliverable. Fractional owners can opt for a turnkey solution, where Airborne 1 processes collected data for final deliverables (applying an hourly rate for its processing staff); or fractional owners can opt for a full technology transfer option, whereby Airborne 1 transfers intellectual property to fractional owners, enabling in-house processing of laser data at the fractional owner’s facility. This option includes transfer of software keys required for all post-processing of laser data; and a full training program to support the fractional owner’s in-house data processing operations.

## **THE CASE FOR FRACTIONAL OWNERSHIP**

The benefits of owning a fractional share are evident in comparing the cost of purchasing service to those incurred by a fractional owner. As an illustration, a fractional purchaser of a 1/16<sup>th</sup> share can expect the following returns on investment compared to a pure service purchaser:



# Fractional Ownership Plan

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Fractional Share Purchase: 1/16<sup>th</sup>  
Number of Flight Hours: 70 Hours

## PROJECT COST ANALYSIS: THE BENEFITS OF FRACTIONAL OWNERSHIP

### SERVICE COSTS

**Small (10,000 acres)**  
2' Contour Interval Data  
Flight Time/Project: 3.5 Hours  
Number of Projects: 20  
Total Flight Hours: 70  
Total Service Price: \$398,000  
**Price/Project: \$19,900**

### FRACTIONAL OWNER

**Small (10,000 acres)**  
2' Contour Interval Data  
Flight Time/Project: 3.5 Hours  
Number of Projects: 20  
Total Flight Hours: 70  
Total Acquisition Cost: \$96,416  
Processing Cost<sup>1</sup>: \$105,000  
Total Project Cost: \$201,416  
**Cost Per Project: \$10,071**

### SERVICE COSTS

**Medium (100,000 acres)**  
2' Contour Interval Data  
Flight Time/Project: 15 Hours  
Number of Projects: 4 +  
Total Flight Hours: 70  
Total Service Price: \$392,000  
**Price/Project: \$84,000**

### FRACTIONAL OWNER

**Medium (100,000 acres)**  
2' Contour Interval Data  
Flight Time/Project: 15 Hours  
Number of Projects: 4 +  
Total Flight Hours: 70  
Total Acquisition Cost: \$96,416  
Processing Cost: \$68,250  
Total Project Cost: \$164,666  
**Cost Per Project: \$35,286**

These cost benefits of fractional ownership to purchasing service are consistent across the spectrum of fractional shares/project mix, until the efficiencies of full system ownership (in the range of 450 – 528 flight hours) are achieved. In fact, positive return on investment (ROI) is achieved in as little as 21 hours of flight (annually) for small projects (1/16<sup>th</sup> share); 16 hours of flight (annually) for medium projects (1/16<sup>th</sup> share); and 75 hours of flight (annually) for large projects (1/8<sup>th</sup> share).

For further information on Airborne 1's Fractional Ownership Plan, please contact us by phone at (310) 414-7400, by e-mail at [fractional@airborne1.com](mailto:fractional@airborne1.com), or fill out our Fax Back Form and fax it to (310) 414-7409 (see next page for more details).

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<sup>1</sup> Processing costs are dependent on project mix, as well as labor cost per hour; the following assumptions are made for the amount of time required to process projects once learning curves are mastered:

Small Projects:	20 hours of data processing per hour of data collection
Medium Projects:	13 hours of data processing per hour of data collection
Large Projects:	8 hours of data processing per hour of data collection

Processing costs assume that a fully burdened labor rate of \$75 per employee, which is highly client dependent.

# Simply fax this completed form to (310) 414-7409.

**Tell me more about Airborne 1's fractional ownership experience.**

I am interested in the following LiDAR sensor:

ALTM 2050       ALTM 3100       Other: \_\_\_\_\_

**Please provide your contact information below:**

NAME		TITLE	
COMPANY		TYPE OF BUSINESS	
ADDRESS			
CITY	STATE	ZIP CODE	
PHONE	FAX	E-MAIL	

**If you would like to refer someone to Airborne 1's Fractional Ownership Program, please complete the following:**

NAME OF REFERRAL		TITLE	
REFERRAL'S COMPANY		TYPE OF BUSINESS	
REFERRAL'S ADDRESS			
CITY	STATE	ZIP CODE	
PHONE	FAX	E-MAIL	

Contact my referral directly.       Call me first.

Do you have any comments about your referral?

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Please fax the completed form to: (310) 414-7409 • Or contact us at: (310) 414-7400  
Or mail to: Airborne 1 Corporation 300 N. Sepulveda Blvd., Suite 1060, El Segundo, CA 90245

