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Air Service Gives Small Business Lift

By Anne Bond Emrich

GRAND RAPIDS — Two years ago Northern Air decided to upgrade and expand on its existing “fractional air” service and Standard Federal Bank stepped up with a financial package to help make it fly.

Northern Air began selling fractional shares of used jets in 1999, then took the service a level higher in the fall of 2002 with the launch of a fractional jet ownership company called The Company Jet and a fleet of new \$5.5 million, eight-seat Cessna Citation Bravos.

The service gives companies on-demand access to the jets through the purchase of fractional shares of the aircraft.

The business has really taken off, according to Chuck Cox, president of The Company Jet, Northern Air and Northern Jet Management.

The Company Jet’s core fleet now includes eight Citation Bravos, of which three are already sold in shares. Another Citation Bravo joins the lineup in December, and the company plans to put in an order for a 10th one this summer.

When a company buys a fractional share, it owns a corresponding portion of the aircraft. A 12.5 percent share of the plane, for example, entitles its owner to 100 hours of use per year, Cox said.

Shareholders also pay a monthly management fee and a per-hour fee to use the plane.

The company has shareholders in Chicago, Wisconsin, South Bend, northern Indiana, northwest Ohio and all of Michigan’s lower peninsula, Cox said.

“We’re getting a tremendous response to the program, primarily because it was designed for business. Demand is increasing monthly as the word gets



BUSINESS JOURNAL PHOTO/MICHAEL BUCK

David Moored, left, and Chuck Cox of The Company Jet.

out there.

“It’s very affordable for business. If a company takes four or more people on the airplane, the cost compares very favorably with the cost of a straight coach ticket on an airline.

“What they’re buying is the time savings and the ability to do things that they can’t do on the airlines anymore, such as fly to three different destinations in one day and still make it home in time for dinner.”

That would be difficult to swing on a commercial airline, given airline schedules and new airport security measures, he said.

There are some federal tax advantages to owning a fractional share, as well, because of new bonus depreciation rules, noted David Moored, CFO of The Company Jet, Northern Air and Northern Jet Management.

The Jobs and Growth Tax Reconciliation Act of 2003 effectively allows a 60 percent first-year bonus depreciation on new aircraft and fractional shares of new aircraft purchased this year. Moored noted that Congress is talking about extending the write-off to next year, as well.

He said the 60 percent write-off kind of equals the playing

field between first-class business travel on the airlines and the fractional share mode of travel.

“A lot of customers fly five or six of their people at a time, and you can cost justify that pretty quickly.

“And with a fractional jet, you get to go to a lot more airports. So the real savings are in time.”

He noted that The Company Jet has a software program that instantly tracks the dates of air travel, the reason for the trip and who was on board, so clients always have that information readily available for auditing purposes. When the tax advantages and time savings are figured in, Moored said, fractional ownership really makes sense for companies that spend \$100,000 or more a year on air travel.

Standard Federal Bank helped get The Company Jet off the ground by financing purchase of the Citation Bravos and has played a continuing role in providing companies with financing for fractional shares.

The bank will put together a loan for a fractional share and finance it over a number of years, said Tom Lomonaco, senior vice president of Standard Federal, West Michigan.

He said it’s a different type of

lending and a different type of business that Standard Federal has gotten really comfortable with.

“We have a special short term facility where we pay for the plane when it’s delivered and then they’ll keep reducing that balance based on the sale of the shares.

“We were able to put together a complete financing program for the business, including working capital funds and funds for aircraft purchases and all their depository accounts and so forth.

“It’s been a real win for us, as well as Northern Air. We have financed several of the shares and have gained new customers in the area by doing that.”

As far as Lomonaco is concerned it’s a win-win for middle-tier companies, too, because the service offers the convenience and efficiency of traveling by corporate jet.

The Company Jet is a unique business in West Michigan, Lomonaco remarked.

“There is no other customer that we have, or no other company in this marketplace that is doing exactly what they’re doing,” he said.

“And I think we’ve been very innovative to really gain the expertise in this industry and to be able to finance it in an efficient manner.”

The Company Jet flies to destinations anywhere in North America, Canada and Mexico.

Cox noted that the smaller jets can fly into nearly 5,000 airports, whereas the airlines service about 500 airports. **BJ**

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