

# AIRCRAFT OWNERSHIP

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### I. Introduction

Silver Sky Enterprises Inc. is committed to help our customers make the right decisions when it comes to purchasing an aircraft. Because of our dedication to the needs of our customers we developed a short guide to aircraft ownership. The following sections describe the typical costs of aircraft ownership, types of ownership, and ways to reduce the costs of ownership. Examples in this section assume the following conditions:

1. Light Sport Airplane is purchased at a price of \$90,000 dollars.
2. The typical pilot will average 100 hours flying per year.
3. The pilot or pilots average 300-500 hours total logged flight time.
4. The aircraft will be equipped with basic day/night VFR equipment including a radio, VOR or GPS, transponder, and ELT.
5. Performance and maintenance numbers are based on the AMD CH601XL S-LSA with the Continental O-200 engine. See our comparison chart in [Specifications](#) section.

## II. Cost of Ownership

The following tables show the typical cost of a basic VFR Zodiac CH601XL priced at \$90,000 for a single owner. The first table shows a cash purchase with no financing. The second table shows the costs of the same purchase made with a loan for 90% of the purchase price.

### Zodiac CH601 XL (no financing \$90,000 cash)

COST	YEARLY	MONTHLY	HOURLY
<b>FIXED COSTS</b>			
Insurance	\$2000		
License	\$600		
Hanger	\$1800	150	
Annual Inspection	\$1200		
<b>TOTAL FIXED</b>	<b>\$5,600</b>	<b>\$150</b>	
<b>DIRECT OPERATING COSTS</b>			
Oil Change 50 Hrs			\$6
Engine Overhaul Fund			\$6
Unplanned Maintenance			\$7
Avionics Maintenance			\$3
Fuel (5.5gph X \$4.00/gal)			\$22
Oil			\$0.33
<b>TOTAL DIRECT OPERATING COSTS</b>			<b>\$44.33</b>

**TOTAL ANNUAL COST: One owner to fly 100 hours per year \$10,033**

## Zodiac CH601 XL (Financing 8.5% 20 yr 10,000 down)

COST	YEARLY	MONTHLY	HOURLY
<b>FIXED COSTS</b>			
Insurance	\$2000		
Financing \$80,000	\$8328	\$694	
License	\$600		
Hanger	\$1800	150	
Annual Inspection	\$1200		
<b>TOTAL FIXED</b>	<b>\$13,928</b>	<b>\$844</b>	
<b>DIRECT OPERATING COSTS</b>			
Oil Change 50 Hrs			\$6
Engine Overhaul Fund			\$6
Unplanned Maintenance			\$7
Avionics Maintenance			\$3
Fuel (5.5gph X \$4.00/gal)			\$22
Oil			\$0.33
<b>TOTAL DIRECT OPERATING COSTS</b>			<b>\$44.33</b>

**TOTAL ANNUAL COST: One owner flying 100 hours per year \$18,361**

### III. Owner Options

Aircraft ownership is really no different than owning an expensive car or boat. Today with the advent of the light sport aircraft, aircraft ownership is now within the reach of the middle class. Several light sport aircraft are priced below \$100,000.

There are some slight differences between the purchase of aircraft and a car or boat. In the following sections we will address these differences in general terms since states vary in registration requirements.

If you have never been an aircraft owner or are new to aviation, and considering purchasing a new or used aircraft, there are certain things you need know about the costs of aircraft ownership. As with a car the biggest expense is the initial purchase price, and just like a car when you fly a new aircraft off the lot there is immediate depreciation. Airplanes depreciate differently than auto's. A typical new aircraft will lose up to half it's value in five to seven years at which point the trend is for the value to stay constant or actually increase.

The next biggest expense is insurance which will vary based on the type and value of the aircraft, the pilots experience level, and how the aircraft is used. This is closely followed by maintenance expenses which depend on the frequency of use and if the aircraft is kept hangared.

For the average light sport aircraft priced at \$90,000 dollars expect additional cost for the first year of operation of \$10,000-15,000 for the above mentioned items.

While Silver Sky Enterprises Inc. can provide you access to financing, and insurance through our business partners, we have developed a number of alternative ownership options to help limit the amount of debt our customers take on, thus making ownership more affordable. We want to sell aircraft to anyone who wants to join the ranks of aircraft owners, however, it defeats the purpose if our customers can't fly on a weekly basis because they can't afford fuel. It is for this reason we have develop a full line of ownership options. ***Before deciding on any ownership option, you should consult your lawyer, and accountant for your specific needs.***

This page covers the different types of ownership options in general terms, and assumes a purchase price of \$90,000 dollars. The examples also assume the owner or owners will be the only operators of the aircraft. Silver Sky Enterprises Inc. handles all the purchase paperwork directly with the factory and our escrow company. Funds for all aircraft purchases are placed in escrow until the aircraft is complete and the purchase closed. Our escrow company files all appropriate registration documents upon closing with the Federal Aviation Administration. The new owners are responsible for obtaining state registration as appropriate. Following are the different types of ownership possibilities:

1. Individual and or Joint Ownership
2. Partnership
3. Ownership in a Limited Liability Company
- 4, Silver Shares Program (similar to fractional ownership)
5. Corporate, Educational, or Government Ownership

### **INDIVIDUAL OR JOINT OWNERSHIP:**

For the individual or joint owner (you and your spouse) the purchase is made either with available funds, or a secured loan. Typically the aircraft is the security for the loan.

Most factory direct dealers, or distributors will have you sign a binding purchase order at which time a deposit is required. At the present time Aircraft Manufacturing & Development Company (AMD) requires a non-refundable 10% deposit on all aircraft purchases. Registration and ownership is in your name or you and your spouse.

This type of ownership places the full cost of ownership on the individual owner. It also places any liability in excess of the limits on the insurance policy on the individual, or their estate. ***Before deciding on any ownership option, you should consult your lawyer, and accountant for your specific needs.***

### **PARTNERSHIP:**

A partnership may be an option for two or more close friends or family who want to share the ownership costs of an aircraft. Usually a partnership document is, and should be drawn up specifying the details of the ownership including responsibilities of the partners and identifying the interest each partner has along with any financial obligations toward the operation of the aircraft. Partnerships can be both good and bad depending on the partners you choose. Careful consideration should be given to the selection of partners, and the number of partners. Having too many partners can become unwieldy. Silver Sky Enterprises has pre-made partnership documents that can be used to establish a partnership for the purchase of an aircraft. We recommend those involved in the formation of a partnership take these documents to their lawyer and accountant for review.

Partnerships allow sharing the financial cost of the aircraft, however, it may not protect the partners from liability which might exceed the limits of any insurance policy. Generally, the other partners can be held liable for any excess claims created by one partner

in an accident. ***Before deciding on or signing any partnership documents, you should consult your lawyer, and accountant for your specific needs.***

#### **LIMITED LIABILITY COMPANY:**

A limited liability company (LLC) is made of a number of members who contribute funds or assets for membership units or a percentage interest in the LLC. The LLC purchases the aircraft with the contribution of the members and the aircraft is registered in the name of the LLC. A benefit of an LLC in most cases is the members liability is limited to the amount of their contribution to the LLC. State rules concerning LLC's vary and should be checked with the State's corporation commission or equivalent.

Formation of an LLC requires the establishment of an Operating Agreement which specifies how the LLC is managed (by members or a manager) and procedures for voting, along with how members can assign their interest when they decide to terminate their membership. LLC's normally are not required to have annual meetings like corporations. LLCs are more structured than partnerships, which can help prevent conflicts from arising.

Silver Sky Enterprises has developed an LLC package specifically designed for aircraft ownership. There can be up to thirteen members in this LLC which is designed to have a single manager. ***Before deciding on or signing any Limited Liability Company documents, you should consult your lawyer, and accountant for your specific needs.***

#### **SILVER SHARES PROGRAM:**

Silver Shares is a new program currently under development. Silver Shares allows our customers access to a fractional unit of any new light sport airplane we sell. Silver Sky Enterprises places the aircraft in service for unit owners. Management and scheduling of the aircraft is also done by Silver Sky Enterprises. For more information concerning Silver Shares contact us at [silvershares@silverskyaviation.com](mailto:silvershares@silverskyaviation.com) .

#### **CORPORATE, EDUCATIONAL, or GOVERNMENT OWNERSHIP**

Silver Sky Enterprises provides purchase plans for corporations, educational institutions, and government agencies. Let us meet your organizational needs at affordable pricing. Contact us at [institution@silverskyaviation.com](mailto:institution@silverskyaviation.com) to find out more about programs designed to meet the needs for your organization

### **III. Reducing the Cost of Ownership**

Silver Sky Enterprises works hard finding ways to help our customers keep the cost of owning a light sport aircraft as low as possible. One of the key ways to help reduce the cost of owning any aircraft is through shared or multiple ownership. Several types of ownership listed previously have various savings depending on the number of owners and the tax advantages of the type of ownership.

In order to show how shared ownership can reduce costs we look at four possible scenarios. The first two scenarios illustrates shared ownership costs of a 5 and 10 person partnership, or LLC. The second two scenarios modify the first two by placing the aircraft into a typical leaseback arrangement with a flight school. It is assumed the owners will pay cash for their share. While the number of hours each owner may fly in a given year will vary we are using 100 hours for our example.

## Zodiac CH601 XL (5 Owners contribute \$18,000 each)

COST	YEARLY One Owner	MONTHLY One Owner	HOURLY
<b>FIXED COSTS</b>			
Insurance (total \$2300)	\$460		
License (total \$680)	\$136		
Hanger (total \$1800)	\$360	\$30	
Annual Inspection (total \$1200)	\$240		
<b>TOTAL FIXED</b>	<b>\$1,196</b>	<b>\$30</b>	
<b>DIRECT OPERATING COSTS</b>			
Oil Change 50 Hrs			\$6
Engine Overhaul Fund			\$6
Unplanned Maintenance			\$7
Avionics Maintenance			\$3
Fuel (5.5gph X \$4.00/gal)			\$22
Oil			\$0.33
<b>TOTAL DIRECT OPERATING COSTS</b>			<b>44.33</b>
<b>TOTAL Individual Member (Flying 100 hrs/ year)</b>	<b>\$846</b>	<b>\$30</b>	<b>\$4433.00</b>

**TOTAL ANNUAL COST for one member flying 100 hours per year is \$5639.00**

## Zodiac CH601 XL (10 Owners contribute \$9,000 each)

COST	YEARLY One Owner	MONTHLY One Owner	HOURLY
<b>FIXED COSTS</b>			
Insurance (total \$7,000)	\$700		
License (total \$680)	\$68		
Hanger (total \$1800)	\$180	\$15	
Annual Inspection (total \$1200)	\$120		
<b>TOTAL FIXED</b>	<b>\$1,068</b>	<b>\$15</b>	
<b>DIRECT OPERATING COSTS</b>			
Oil Change 50 Hrs			\$6
Engine Overhaul Fund			\$6
Unplanned Maintenance			\$7
Avionics Maintenance			\$3
Fuel (5.5gph X \$4.00/gal)			\$22
Oil			\$0.33
<b>TOTAL DIRECT OPERATING COSTS</b>			<b>\$44.33</b>
<b>TOTAL Individual Member (Flying 100 hrs/ year)</b>	<b>\$888</b>	<b>\$15</b>	<b>\$4433.00</b>

**TOTAL ANNUAL COST for one member flying 100 hours per year is \$5501.00**

## Zodiac CH601 XL (5 Owners contribute \$18,000 each) Leaseback

COST	YEARLY One Owner	MONTHLY One Owner	HOURLY
<b>FIXED COSTS</b>			
Insurance (total \$7,000)	\$1400		
License (total \$680)	\$136		
Hanger (total \$1800)	\$360	\$30	
Annual Inspection (total \$1200)	\$240		
<b>TOTAL FIXED</b>	<b>\$2,136</b>	<b>\$30</b>	
<b>DIRECT OPERATING COSTS</b>			
Oil Change 50 Hrs			\$6
Engine Overhaul Fund			\$6
Unplanned Maintenance			\$7
Avionics Maintenance			\$3
Fuel (5.5gph X \$4.00/gal)			\$22
Oil			\$0.33
<b>TOTAL DIRECT OPERATING COSTS</b>			<b>\$44.33</b>
<b>TOTAL Individual Member (Flying 100 hrs/ year)</b>	<b>\$2,136</b>	<b>\$30</b>	<b>\$4433.00</b>
<b>INCOME: Leaseback 200 Hrs/year @ \$72/Hour</b>	<b>\$1106</b>		

**TOTAL ANNUAL COST: One member with lease back income and flying 100 hours per year \$5493.**

## Zodiac CH601 XL (10 Owners contribute \$9,000 each) LEASEBACK

COST	YEARLY One Owner	MONTHLY One Owner	HOURLY
<b>FIXED COSTS</b>			
Insurance (total \$7,000)	\$700		
License (total \$680)	\$68		
Hanger (total \$1800)	\$180	\$15	
Annual Inspection (total \$1200)	\$120		
<b>TOTAL FIXED</b>	<b>\$1068</b>	<b>\$15</b>	
<b>DIRECT OPERATING COSTS</b>			
Oil Change 50 Hrs			\$6
Engine Overhaul Fund			\$6
Unplanned Maintenance			\$7
Avionics Maintenance			\$3
Fuel (5.5gph X \$4.00/gal)			\$22
Oil			\$0.33
<b>TOTAL DIRECT OPERATING COSTS</b>			<b>\$44.33</b>
<b>TOTAL Individual Member (Flying 100 hrs/ year)</b>	<b>\$1068</b>	<b>\$15</b>	<b>\$4433.00</b>
<b>INCOME: Leaseback</b> <b>200 Hrs/year @ \$72/Hour</b>	<b>\$553</b>		

**TOTAL ANNUAL COST: One member expenses flying 100 hours/year with lease-back income \$4963.**

All cost and income figures are estimates and actual amounts may vary.