



**AIR APPRAISAL**  
C O M P A N Y

**USPAP SUMMARY CERTIFIED  
AIRCRAFT APPRAISAL REPORT**



**2002 CHALLENGER 604 NXXXX SN#XXXX  
PREPARED FOR AIR APPRAISAL COMPANY**

**Prepared By:  
Air Appraisal Company  
PO Box 445  
Victoria, MN 55386  
952-443-1331**

## TABLE OF CONTENTS

<b>CERTIFICATIONS</b> .....	2
<b>AIRCRAFT SUMMARY APPRAISAL REPORT</b> .....	3
<b>SCOPE OF WORK</b> .....	4
<b>AIRCRAFT IDENTIFICATION</b> .....	5
<b>MAINTENANCE STATUS</b> .....	7
<b>PAINT</b> .....	8
<b>INTERIOR</b> .....	10
<b>AIRFRAME MODIFICATIONS</b> .....	12
<b>DAMAGE HISTORY</b> .....	12
<b>ENGINE(S)</b> .....	12
<b>INSTRUMENTATION</b> .....	14
<b>AVIONICS</b> .....	15
<b>ADDITIONAL EQUIPMENT</b> .....	16
<b>DE-ICING SYSTEMS</b> .....	17
<b>CHALLENGER 604 MARKET</b> .....	18
<b>APPROACHES TO VALUE</b> .....	25
<b>ASSUMPTIONS/LIMITING CONDITIONS</b> .....	26
<b>VALUE CONCLUSION</b> .....	28
<b>CERTIFICATE OF APPRAISAL</b> .....	29

**CERTIFICATIONS**  
**Aircraft Appraisal Report - NXXXXX**  
**Conducted in conformity with the**  
**Uniform Standards Of Professional Appraisal Practice**

I certify that to the best of my knowledge and belief:

- A. The statements of fact contained in this report are true and correct.
- B. The reported analyses, opinion, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, unbiased professional analyses, opinions, and conclusions.
- C. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- D. I have no bias with respect to the property that is the subject of this report or to the parties involved with the assignment.
- E. My engagement in this assignment is not contingent upon developing or reporting predetermined results.
- F. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal report.
- G. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- H. I have made an inspection of the property that is the subject of this report.
- I. No one provided significant professional or personal property appraisal assistance to the person signing this certification and report.
- J. I have not provided any services regarding the subject property within the past 3 years.

---

**Rob Adsem**  
**Air Appraisal Company**

**AIR APPRAISAL COMPANY**  
**AIRCRAFT SUMMARY APPRAISAL REPORT**

**Client:** Air Appraisal Company  
**Re:** Sample Appraisal Report  
**Address:** PO Box 445  
Victoria, MN 55386

**Attention:** Rob Adsem  
**Phone:** 513-253-7278

**Effective Date:** *August 19, 2011*

**This appraisal report is intended to be used by:**

*Air Appraisal Company*

This appraisal report is to be held strictly confidential and should not be disseminated to anyone other than the intended users without the client's permission.

The purpose of this appraisal report is to estimate the Market Value of the subject aircraft in U.S. Dollars for financing purposes. For the purposes of this aircraft appraisal report the aircraft is considered to be free and clear of all liens and encumbrances, unless noted within the report.

This aircraft appraisal report is intended to be used by the client for the purpose(s) noted. It should not be used for any other purpose, nor should it be considered valid after the expiration date expressed in the report. The entire appraisal is based on this appraiser's visual inspection of the aircraft and its records on the effective date of this report. This report is not intended to be an evaluation of the mechanical condition of the aircraft, nor is any of the data herein intended to be used for evaluating the mechanical condition of the aircraft.

This appraiser urges the client to engage a FAA licensed A&P mechanic who has knowledge of the aircraft make and model to inspect the aircraft for mechanical defects prior to completing a purchase/finance contract.

## Scope of Work

The scope of work for this assignment includes:

- A. A physical inspection of the subject aircraft identified in the Aircraft Identification Section of this report.
- B. A physical inspection of the aircraft's logbooks and records.
- C. Determination whether the Market, Cost, or Income approach is relevant to the subject aircraft.
- D. Determination of Market Value and Orderly Liquidation Value of the subject aircraft as defined in the Definitions Section of the report.
- E. The appropriate research that included many sources such as recent sales events, aircraft advertised for sale, published value information, and the use of proprietary databases.
- F. The preparation of this summary appraisal report.
- G. The *registered* owner of the aircraft was established using the aircraft's registration and FAA records as verification.

## **Aircraft Identification**



**Make:** BOMBARDIER/CANADAIR

**Model:** CL 604 - Challenger

**Serial No:** XXXX

**Reg. No.:** NXXXXX

**Yr. Mfg.:** 2002

**Type of Aircraft:** Multi Engine Fan Jet

**Airframe Total Time:** 2632 Hrs.

**Time Life Limited Systems:** Yes

**Cycle Life Limited Systems:** Yes

**Airframe Condition:** Excellent

**Comments on Visual Inspection:** The aircraft appears to be very well maintained, with no visual evidence of significant damage repair history. The tires are in very good condition, and there is no evidence of leaking fluid from the engines, wings, or wheel wells. The paint and interior are in excellent condition, showing only slight wear.

**Log Books in Aircraft Appear: Original**

**Airframe Logbook Inventory and Comments:** The aircraft and all available maintenance records were physically examined at the XXX corporate hangar in Las Vegas, Nevada. Aircraft maintenance is tracked with CAMP Systems, and the most recent status report dated June 28, 2011 was made available for review.

Records present include (2) aircraft logs, (2) engine logs, (1) APU log, (2) Flight Journey logs, and numerous additional binders containing certification forms, FAA 337 Forms, wiring diagrams, etc. The documents are stored in the IGT maintenance office in plastic tubs and filing cabinets.

The aircraft data plate was examined, and the serial number was verified. The aircraft is currently operated under FAR Part 91.

Aircraft Logbooks:

- #1 December 19, 2001 – August 18, 2006
- #2 August 18, 2006 – June 20, 2011

Engine Logbooks:

- SN# XXXXXX
- #1 November 14, 2001 – November 8, 2010

- SN# XXXXXX
- #1 November 14, 2001 – November 8, 2010

APU Logbooks:

- SN# P-XXX
- #1 January 23, 2003 – November 26, 2008

Past Registration Numbers:

- NXXX
- NXXX
- NXXX



**Aircraft Registered To:**

XXX  
123 Main Street  
Anytown, MN 55555

**Date of Registration:** 03/27/2007

**Registration Expiration Date:** 01/31/2014

**Location of Registration and Airworthiness Certificates:** In cockpit on bulkhead behind captain seat.

**Location of Aircraft Flight Manual:** In floor storage compartment in the cockpit between pilot seats.

**Location of Weight and Balance, FAA 337 Forms, Equipment List:** Aircraft Flight Manual, in the floor storage in cockpit.

**Maintenance Status**

**Maintenance Inspection Date:** 11/08/2010

**Comments:** The 12 Month, 24 Month, 48 Month, and 96 Month Checks were completed in November 2010 by Duncan Aviation in Lincoln, Nebraska. The 12 Month and 36 Month Inspections are due in September 2011. The 500 Hour APU Check was completed in December 2010 at 1746 hours.

**Inspection Status:**

INSPECTION	INTERVAL	LAST COMPLIED	NEXT DUE
6 MO CHECK	6 MOS	31-MAR-2011	30-SEP-2011
12 MO CHECK	12 MOS	08-NOV-2010	05-SEP-2011
24 MO CHECK	24 MOS	08-NOV-2010	29-SEP-2012
36 MO CHECK	36 MOS	26-NOV-2008	17-SEP-2011
48 MO CHECK	48 MOS	08-NOV-2011	17-SEP-2014
96 MO CHECK	96 MOS	08-NOV-2011	17-SEP-2018
100 HR CHECK	100 HRS	2631 HRS	2731 HRS
400 HR CHECK	400 HRS	2631 HRS	3031 HRS
800 HR CHECK	800 HRS	2229 HRS	3029 HRS
1600 HR CHECK	1600 HRS	1623 HRS	3200 HRS
2400 HR CHECK	2400 HRS	2366 HRS	4800 HRS

3200 HR CHECK	3200 HRS	N/A	3200 HRS
4800 HR CHECK	4800 HRS	N/A	4800 HRS
6400 HR CHECK	6400 HRS	N/A	6400 HRS
LNDG GEAR INSP	96 MOS	08-NOV-2010	17-SEP-2018
LDG GEAR RESTORE	192 MOS	N/A	17-SEP-2018

**Known Airframe Maintenance Issues:** None

**Time Life Limited Systems:** Yes

**Cycle Life Limited Systems:** Yes

**Transponder/Encoder Recertification Date:** 11/08/2012

**Service Bulletin Status:** Service Bulletin compliance is tracked in CAMP.

**AD's Complied With:** Yes

**Estimated Cost for AD's Compliance:** N/A

**Tires Condition:** Good

**Anti-Skid:** Yes

**Paint**

**Exterior Paint Condition:** Excellent

**Repaint Date:** February 9, 2007

**Repainted By:** Duncan Aviation

**Paint Comments:** The paint application is approximately 5 years old. The aircraft was painted by Duncan Aviation using overall Jet-Glo Matterhorn White (570-535), with accent colors in Aristo Blue (572-690), Aztec Silver (P1246), Marlin Blue (P2311), and Nordic Grey (P1174).

The paint is in excellent condition, and appears even newer than 5 years would suggest. There are some very minor flaws noted upon very close scrutiny. The flaws include small chips along airframe seams and some slight cracking around faster and rivet heads. There are some areas that have been touched up using closely matching paint, and these areas are only noticeable upon very close inspection. Any areas of degradation are very slight, and are almost not worth noting. Five year old paint application on business jets generally show more wear than this aircraft. The paint sheen remains glossy and the colors are rich, with no fading noted. The workmanship is excellent, with no signs of application flaws such as pooling, dripping, or overspray noted.



Area of slight cracking and touch-ups



Right wing

## Interior

**Interior Condition:** Excellent

**Cabin Configuration:** Passenger

**Panel Layout:** Good

**Pressurized Cabin:** Yes

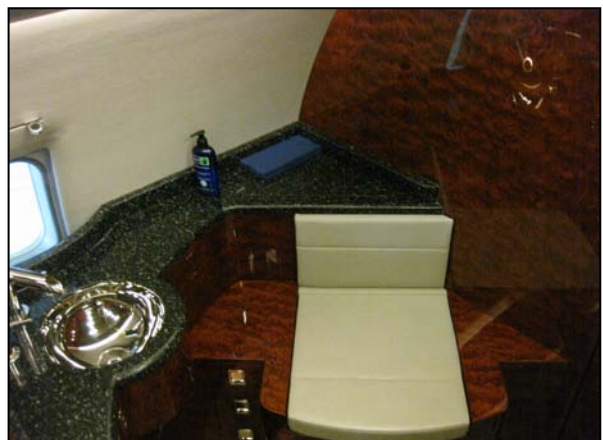
**Window Condition:** Good

**Interior Comments:** The interior was last refurbished in February 2007 by Duncan Aviation. The cabin is configured with available seating for 12 passengers and 2 crewmembers, with 4 individual seats in a club arrangement in the forward cabin, a 4-place conference group arrangement with large folding table in the aft cabin opposite a mid-cabin side facing 4-place divan. The galley is located in the forward cabin, and a lavatory is located in the aft cabin.

Cabin amenities include Airshow 400 with (2) Rosen 24-inch monitors on the bulkheads and (3) Rosen 8.4-inch slim line plug-in monitors, and foldout executive tables.

The interior is in excellent condition, showing only very slight wear. The cockpit is clean and in excellent condition. As with the paint, the interior appears much newer than five years would suggest.





### **Airframe Modifications**

STC SA8101NM-D Navigation Light Relocation  
STC SA8191NM-D Enhanced Auto Throttle  
STC SA8195NM-D Observer Audio Panel  
STC SA8104NM-D Strut and Stair Installation  
STC SA6011NM-D Floor Proximity Lighting  
STC SA2367NM Rosen Cockpit Sun Visors  
STC SA8168NM-D Custom Interior

### **Damage History**

**Current Damage:** None Listed

**Historical Damage:** None Listed

### **Engine(s)**



**Engine Manufacturer:** General Electric

**Model:** CF-34-3B

**Engine Type:** Fan Jet

**Engine Fire Detection:** Yes

**Engine Fire Bottles:** Yes

**Thrust Reversers:** Yes

**Engine #1 Serial No.:** XXXXXX

**Engine Total Time:** 2632 Hrs.

**Time Since New:** 2632 Hrs.

**Engine Overhauled By:** N/A

**Recommended TBO:** On Condition

**Engine #1 Comments:** The CF-34 engines are operated “on condition”, and repairs are addressed when engine trend monitoring analysis indicates performance degradation. A boroscope inspection is required at 3200 hours.

The engine is enrolled in JSSI Platinum engine maintenance program under contract #EN-604-XXXX.

**Engine #2 Serial No.:** XXXXXX

**Engine Total Time:** 2632 Hrs.

**Time Since New:** 2632 Hrs.

**Engine Overhauled By:** N/A

**Recommended TBO:** On Condition

**Engine #2 Comments:** The CF-34 engines are operated “on condition”, and repairs are addressed when engine trend monitoring analysis indicates performance degradation. A boroscope inspection is required at 3200 hours.

The engine is enrolled in JSSI Platinum engine maintenance program under contract #EN-604-XXXX.

**APU Honeywell GTCP36-150(CL)**

**Serial No.:** P-XXX

**Engine Total Time:** 1786 Hrs.

**Engine Total Cycles:** N/L

**Comments:** The APU is enrolled in Honeywell MSP engine maintenance program under contract #X.

### **Engine Modifications**

None Known or Reported.

**Known Engine(s) Issues:** None known or reported

## Instrumentation

**Dual Panel:** Yes

**Panel Configuration:** Good

**Panel Condition:** Good

**IFR Equipped:** Yes

**EFIS Equipped:** Yes

**Comments:** The aircraft is equipped with the Collins Pro Line 4 Integrated Avionics System with a 6-Tube EFIS display. Also included is an Enhanced Auto Throttle system. All instrument glass is clear and in good condition. There is no damage noted to any controls, indicators, or gauges.



## Avionics

**Type of Avionic: ADF**

**Mfg:** COLLINS/ROCKWELL/ROCKWELL COLLINS

**Model:** ADF 462

**Quantity:** 2

**Type of Avionic: ALTIMETERS, RADIO & RADAR**

**Mfg:** COLLINS/ROCKWELL/ROCKWELL COLLINS

**Model:** ALT 55B

**Quantity:** 1

**Type of Avionic: COCKPIT VOICE RECORDER SYSTEMS**

**Mfg:** FAIRCHILD

**Model:** A100S

**Quantity:** 1

**Type of Avionic: DME**

**Mfg:** COLLINS/ROCKWELL/ROCKWELL COLLINS

**Model:** DME 442

**Quantity:** 2

**Type of Avionic: FLIGHT MANAGEMENT SYSTEMS**

**Mfg:** COLLINS/ROCKWELL/ROCKWELL COLLINS

**Model:** FMS 6000

**Quantity:** 2

**Type of Avionic: GPS**

**Mfg:** COLLINS/ROCKWELL/ROCKWELL COLLINS

**Model:** GPS 4000S

**Quantity:** 2

**Type of Avionic: GROUND PROXIMITY WARNING SYSTEMS/GPWS**

**Mfg:** BENDIX/KING/ALLIED SIGNAL/HONEYWELL

**Model:** KMH 920

**Quantity:** 1

**Type of Avionic: INERTIAL NAVIGATION SYSTEM**

**Mfg:** LITTON

**Model:** LTN 101

**Quantity:** 2

**Type of Avionic: INTEGRATED FLIGHT CONTROL SYSTEMS**

**Mfg:** COLLINS

**Model:** FCS 4000

**Quantity:** 1

**Type of Avionic: NAV/COMM**

**Mfg:** COLLINS/ROCKWELL/ROCKWELL COLLINS

**Model:** VHF 422C

**Quantity:** 2

**Mfg:** COLLINS/ROCKWELL/ROCKWELL COLLINS

**Model:** VIR 432

**Quantity:** 2

**Type of Avionic: TCAS**

**Mfg:** COLLINS/ROCKWELL/ROCKWELL COLLINS

**Model:** TTR920

**Quantity:** 1

**Type of Avionic: TELEPHONE**

**Mfg:** AIRCELL SYSTEMS

**Model:** AXXESS

**Quantity:** 1

**Type of Avionic: TRANSCEIVERS (HF XCVR)**

**Mfg:** COLLINS/ROCKWELL/ROCKWELL COLLINS

**Model:** HF 9000

**Quantity:** 2

**Type of Avionic: TRANSPONDERS**

**Mfg:** COLLINS/ROCKWELL/ROCKWELL COLLINS

**Model:** TDR 94D

**Quantity:** 2

**Type of Avionic: WEATHER RADAR**

**Mfg:** COLLINS/ROCKWELL/ROCKWELL COLLINS

**Model:** TWR 850

**Quantity:** 1

The avionics installed in this Aircraft Are Considered To Be Average when compared to other aircraft of the same make, model, and year.

**Additional Equipment**

**Dual Controls:** Yes

**Type:** Yoke

**Stall Warning System:** Yes

**Stick Shaker:** Yes

**Rotating Beacon:** Yes

**Strobe Light:** Yes

**Taxi Lights:** Yes

**Navigation Lights:** Yes

**Long Range Fuel:** No

**Total Fuel Capacity:** 2962 Gallons

**Single Point Refuel:** Yes

**Toilet:** Yes

**Cabinetry:** Yes

**Other Equipment:** Mid-Continent Controls Aux Audio/Video Port with USB Charger Panel.

## De-Icing Systems

**Known Ice System:** Yes

**Ice Lights:** Yes

**Type of De-Ice:** HWING

**Boots Condition:** N/A

**Prop De-Ice:** No

**De-Ice Type:**

**Windshield De-Ice:** Yes

**Windshield Wipers:** No

**Pitot Heat:** Yes

**Comments:** The aircraft is equipped with alloy leading edges, which are deiced using engine bleed air. The leading edges are in excellent condition, with no dents present.



## Challenger 604 Market

### Description:

The Bombardier Challenger 600 series is a family of business jets designed by Bill Lear and produced first by Canadair until that company was bought by Bombardier Aerospace in 1986.

The aircraft was an independent design by Bill Lear in 1976, who had resigned as Chairman of Lear Jet seven years previously. Originally dubbed the LearStar 600, Lear sold exclusive rights to produce and develop the design to Canadair, who renamed it the CL-600 Challenger.

While similar in general configuration to Lear's previous designs, notable changes were made that distinguished the new aircraft from the Learjet, including the use of a widened fuselage that allowed a 'walk-about cabin', a feature not shared by any other business aircraft of the time. The Challenger was also one of the first business jets designed with a supercritical wing.

On November 8, 1978, the prototype aircraft took off at Montreal, Canada. The second and third prototypes flew in 1979. A test flight on April 3, 1980 in the Mojave Desert resulted in disaster, the aircraft crashing due to a deep stall, killing one of the test pilots (the other test pilot and the flight test engineer parachuted to safety).

Despite the crash, both Transport Canada and the Federal Aviation Administration in the United States certified the aircraft in 1980, albeit with restrictions to pilots including a limited maximum take-off weight. A program to reduce the aircraft's weight was then implemented to improve the aircraft's range.

Challengers can be identified visually by their distinctive fowler flap design, where the fairings can be seen below the wings, a sight much more common on commercial airliners.

### *Variants*

CL-600  
CL-601  
CL-604  
CL-605

\*Bombardier Challenger 600, [http://en.wikipedia.org/w/index.php?title=Bombardier\\_Challenger\\_600&oldid=443350326](http://en.wikipedia.org/w/index.php?title=Bombardier_Challenger_600&oldid=443350326) (last visited Aug. 24, 2011).

**Market:**

The total Challenger 604 fleet is comprised of **365** aircraft manufactured from **1996 to 2006**. Jetnet lists **50** used Challenger 604 aircraft currently listed for sale on the open market, representing 14% of the fleet. Year models offered range from **1996 to 2006**. Research indicates that asking prices range from **\$7,995,000 to \$15,750,000**. The average asking price, based on **17** available prices, is presently **\$10,792,000** with the average model year being **2000**. Overall, asking prices have continued to trend significantly downward over the past 12 months, decreasing approximately **15%** during this time period.

According to Jetnet, there have been a total of **38** full sale transactions in the past 12 months. **18** of these transactions originated from an end user. It appears that **23** transactions have occurred over the last 12 months which include true, full-sale transactions of used aircraft **to** an end user, which is the most useful indicator of market sales for this type of appraisal assignment. For transactions that have been completed over the past year, the average time on market has been approximately **284** days. Currently available aircraft for sale range from **20 days to 1174** days on market with an average of **338** days.

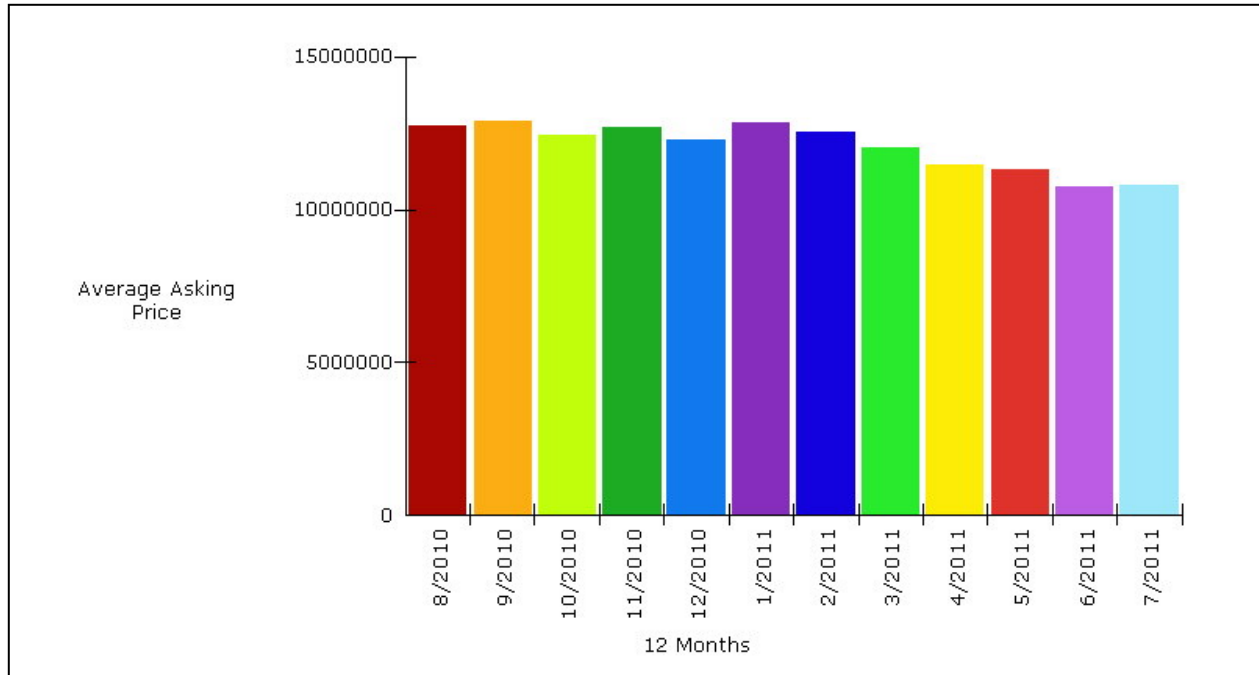
Reasonable exposure time to the market (as defined in the “Definitions” section below) for a 2002 model Challenger 604 aircraft with below average total airframe time, engines enrolled in an engine maintenance program, and in above average overall condition, would be approximately **130** days if priced between **\$11,000,000 and \$12,000,000**.

**Subject Aircraft Prior Sales:**

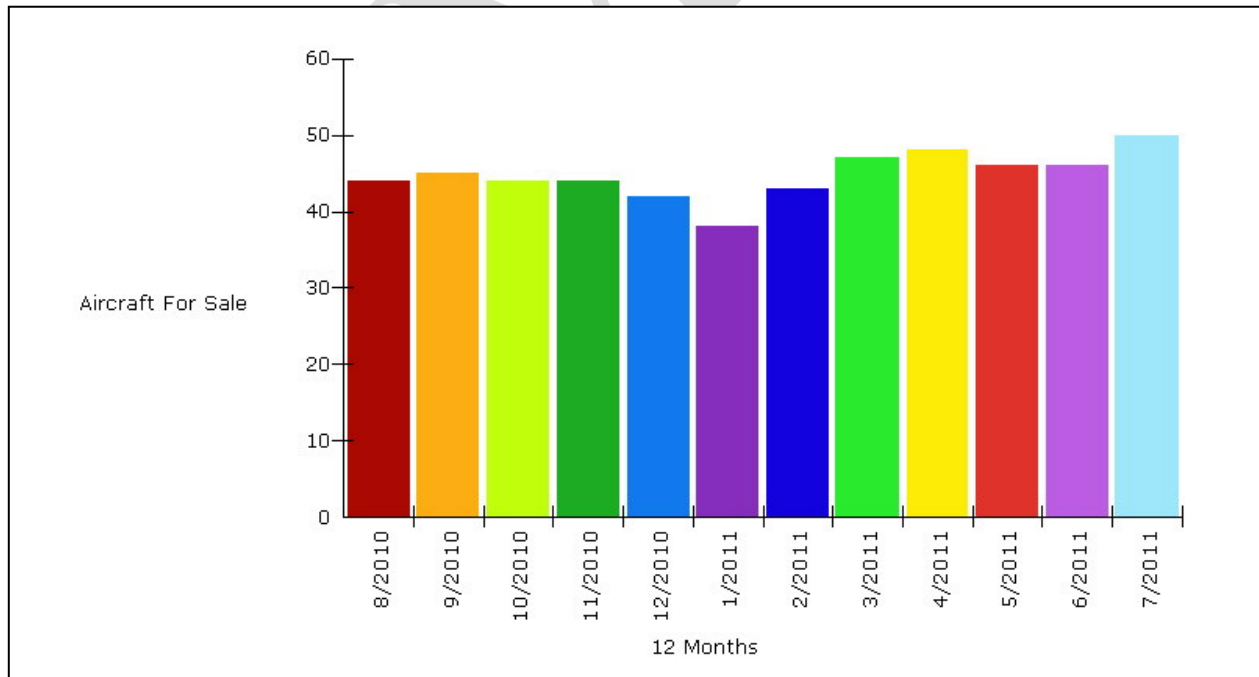
The subject aircraft of this report *has not* been involved in a sale in the past 12 months. The current operator registered the aircraft on March 27, 2007.



**CHALLENGER 604 AVERAGE ASKING PRICE – 12 MONTHS**



**CHALLENGER 604 MARKET AVAILABILITY – 12 MONTHS**



*\*Graphs Courtesy of Jetnet*

## Aircraft Blue Book Comparison Chart – Summer 2011 Vol. 11-2

(This information is for comparison purposes only)

	<u>RETAIL</u>	<u>WHOLESALE</u>
<b>Blue Book Average Value</b>	<b>\$11,400,000</b>	<b>\$10,118,000</b>
<b>Add/Deduct For:</b>		
<b>Airframe Time Calc*</b>	+\$570,000	+\$570,000
<b>Engine Time Calc**</b>	<u>+\$800,000</u>	<u>+\$800,000</u>
<b><i>Book Value****</i></b>	<b><i>\$12,770,000</i></b>	<b><i>\$11,488,000</i></b>

\* Calculation is based on percentage deviation of at least 10% from fleet average airframe time of 490 hours per year. Value adjustments are based on the Airframe Time/Value chart in the Blue Book. The subject aircraft is 43% below fleet average, so a significant positive adjustment has been made.

\*\* Blue Book makes an adjustment to engine value by adding or subtracting \$100 per hour/engine of deviation from mid-time of 4000 hours.

\*\*\*\* Blue Book value does not account for damage history, missing logbooks, or quality of maintenance history. The value for aircraft modifications is not included in this analysis.

## Vref Aircraft Value Reference Calculation

**2011 – Volume 2**

(This information is for comparison purposes only)

<b>2002 CHALLENGER 604</b>		
<b>Adds/Mods/Deducts</b>	<b>Retail Value</b>	<b>Wholesale Value</b>
<b>Base</b>	<b>\$11,250,000</b>	<b>\$9,945,000</b>
<i>Adds/Deducts:</i>		
AFTT	+\$282,846	+\$282,846
ENGINES	\$0	\$0
AUTO THROTTLES	+\$200,000	+\$170,000
150 APU	+\$100,000	+\$70,000
<b><i>Value</i></b>	<b><i>\$11,832,846</i></b>	<b><i>\$10,437,846</i></b>

**NAAA Appraisal Computation**

**\*Average Green Airframe Value** **\$7,274,275**

**Additions**

<b>Add for Airframe Condition</b>	<b>\$1,164,000</b>
<b>Add for Airframe Low Total Time</b>	<b>\$0</b>
<b>Add for Annual and Mandatory Inspection</b>	<b>\$100,000</b>
<b>Add for Exterior Paint Value</b>	<b>\$56,000</b>
<b>Add for Interior Value</b>	<b>\$600,000</b>
<b>Add for Airframe &amp; Engine Modifications</b>	<b>\$0</b>
<b>Add for Engine(s) Residual Value</b>	<b>\$2,200,000</b>
<b>Add for Avionics Value</b>	<b>\$1,166,000</b>
<b>Add for Additional Equipment</b>	<b>\$0</b>
	=====
<b>Total Additions</b>	<b>\$5,286,000</b>

**Deductions**

<b>Deduct for Airframe Condition</b>	<b>\$0</b>
<b>Deduct for Airframe High Total Time</b>	<b>\$0</b>
<b>Deduct for Damage History</b>	<b>\$0</b>
<b>Deduct for Airframe/Engine Maintenance Items</b>	<b>\$0</b>
<b>Deduct for Exterior Paint/Interior Value</b>	<b>\$0</b>
<b>Deduct for AD's Estimated Cost for AD Compliance</b>	<b>\$0</b>
<b>Deduct for Estimated Cost to Repair Avionics</b>	<b>\$0</b>
	=====
<b>Total Deductions</b>	<b>\$0</b>

***Based on the above, the Market Value of NXXXXXX is:*** ***\$12,560,275***

\*The Green Value as defined in this report is the base value assigned to a basic airframe with all accessories and equipment removed. The total aircraft value is arrived at by adding or subtracting for aircraft components, equipment, furnishings, damage history, etc.

The NAAA uses the above computation technique to arrive at the aircraft Market Value. Values used come from the NAAA proprietary database which uses recent market sales data points.

## Aircraft Comparison Chart

(This information is for comparison purposes only)

### Make: BOMBARDIER

	Aircraft #1	Aircraft #2	Aircraft #3	Subject A/C	
Year	2002	2002	2002	2002	
Model	604	604	604	604	
Serial Number	XXXX	XXXX	XXXX	XXXX	
Asking/Sold Price	\$12,100,000	\$11,000,000	\$10,000,000	\$11,650,000	
Airframe Time	Higher	Higher	Higher	XXXX	
Engine(s) SMOH	Higher	Higher	Higher	XXXX	
Engine Program?	Yes	No	Yes	JSSI Platinum	
Days Listed For Sale	<150	<150	>150	<150	
Avionics	Comparable	Comparable	Comparable		
<i>Adjust For:</i>					
Airframe Time*	+\$194,000	+\$239,000	+\$841,000		
Engine SMOH**	+\$0	+\$394,000	+\$0		
150 APU	+\$0	+\$0	+\$0		
Model Year	+\$0	+\$0	+\$0		
Enhanced A/T	+\$50,000	+\$50,000	+\$50,000		
Paint/Interior	+\$50,000	+\$50,000	+\$50,000		
Price Correct***	-\$847,000	\$0	+\$500,000		
<b>Value Adjusted to Subj. Aircraft****</b>	<b>\$11,547,000</b>	<b>\$11,733,000</b>	<b>\$11,441,000</b>		
<b>Subject Appraised Value</b>					<b>\$11,570,000</b>

\* Adjustment made to value in order to compare with Subject Aircraft airframe total time. Adjustments based on Vref published numbers.

\*\* The Subject Aircraft is enrolled in JSSI Platinum Engine Program. Because Comp#2 is not on an engine program, an adjustment to value is required.

\*\*\* This adjustment is based on our research regarding the difference between asking prices and actual sales prices for this particular aircraft model. The percentage deduction increases with longer DOM and higher asking price. It could also be a correction for a liquidation-type sale of the subject aircraft or due to rapidly changing market conditions.

\*\*\*\* Adjustments are made to the Comparable model, not the Subject aircraft. This number equates to what the Subject would be valued at if it were equipped the same as the Comp.

The comparables used in the analysis above were chosen due to the similarity to the Subject Aircraft, and because they represent today's typical Challenger 604 market. The specifications used are based on publicly advertised information, and the accuracy of the information has not been verified. This comparison was made under the assumption that the comparable aircraft are accurately represented. All 3 comparables represent actual sales that have occurred within the past 6 months.

## **DEFINITIONS**

**APPRAISAL:** The act or process of developing an opinion of value; an opinion of value.

**APPRAISER:** A person who performs valuation services competently and in a manner that is independent, impartial, and objective.

**ASSUMPTION:** Information that is taken to be true.

**CLIENT:** A party or parties who engage an appraiser for a specific assignment.

**CONFIDENTIAL INFORMATION:** Information that is identified as confidential by a client when it is provided to the appraiser, which is not available from any other source.

**EXTRAORDINARY ASSUMPTION:** An assumption, directly related to a specific appraisal assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

**GREEN AIRFRAME VALUE:** A credible value of the basic airframe with no components considered on an aircraft being traded in the retail aircraft market whole and in an airworthy condition or with airworthiness issues that are specified and considered with regards to their effect on value. On some aircraft the Green Airframe Value may be a negative number which signifies that the airframe has less value than the logical sum of its major components.

**MARKET VALUE:** The most probable price that property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeable, and assuming the price is not affected by undue stimulus.

**HIGHEST AND BEST USE (as used in this report):** The reasonably probable and legal use of personal property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

**INTENDED USE:** The use or uses of an appraiser's reported appraisal and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.

**INTENDED USER:** The client and any other party as identified, by name or type, as users of the appraisal report by the appraiser on the basis of communication with the client at the time of the assignment.

**ORDERLY LIQUIDATION VALUE (OLV):** The price that would be agreed upon between a willing buyer and a seller who is compelled to sell on a specific date given a reasonable period of time to find a purchaser, in an appropriate marketplace with knowledgeable buyers, with the buyer assuming all costs of removal, with all sales made free and clear of all liens and encumbrances.

**EXPOSURE TIME:** The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market.

## **APPROACHES TO VALUE**

The ***Market, Income, and Cost Approaches*** have been considered in the determination of the value of the subject aircraft.

The ***Market, or Sales Comparison Approach***, uses comparable aircraft to the subject of the report, which have recently sold, or are currently offered for sale. The comparable aircraft are adjusted in value for differences from the subject aircraft. The adjusted market comparables are used to arrive at a value based on current market conditions. Common value adjustments in this approach specific to aircraft include (but are not limited to):

- Airframe Total Time
- Engine Time Since New/Overhaul
- Installed Equipment/Avionics
- Airframe/Paint/Interior Condition
- Damage History
- Year Model

The Market Approach is the most reasonable and commonly used approach to value when appraising aircraft. Most models of aircraft have an available and active market in which to trade.

The ***Cost Approach*** begins with the current cost of Reproduction Cost New, or Replacement Cost New of the subject aircraft. All forms of depreciation are then applied to this cost in order to arrive at a current value. Although the Cost Approach can be effectively used in some aircraft appraisal situations, it is generally only rarely traded or original aircraft that are considered appropriate for this approach.

The ***Income Approach*** uses Net Operating Income produced by the aircraft and a Capitalization Rate in order to arrive at a current value. This approach rarely applies to aircraft because it is difficult to know the extent as to the income derived directly from the operation of the aircraft and not the business entity itself.

***After due consideration it has been determined that the Market Approach is the only relevant method for conducting this appraisal.***

The information contained in this report is private, confidential, and may be protected by attorney/client/work-product privilege. It is intended only for the use of the individual named above, and the privileges are not waived by virtue of this having been sent by mail. If the person actually receiving this report or any other reader of the report is not the named recipient or the employee or agent responsible to deliver it to the named recipient, any use, dissemination, distribution, or copying of the communication is strictly prohibited. If you have received this communication in error, please immediately notify us by return e-mail and/or telephone and destroy this original report.

## **ASSUMPTIONS/LIMITING CONDITIONS**

The information herein has been prepared from many sources and believed to be correct. Air Appraisal Company does not warrant the accuracy of the source material.

The aircraft and logbooks were physically inspected.

### **The following extraordinary assumptions were made:**

- *All aircraft records were assumed to be authentic and unaltered unless specific comments indicate otherwise. Signatures attesting to, and inspections detailed therein, were assumed to be entered by persons designated and appropriately licensed to make the entries.*

**AD compliance was attested to by referencing the date of last annual inspection or other appropriate inspections.**

**No hypothetical conclusions were made.**

The appraiser hereby certifies that he has no personal interest in the aircraft identified in this appraisal, nor any bias toward any of the parties who may be involved in the resulting transaction coincident to this report. The appraiser's fee is not contingent upon a predetermined value being reported or a percentage of the value being reported.

**The Market, Income, and Cost Approaches have been considered to determine the value of the subject aircraft. After due consideration it has been determined that the Market Approach is the only relevant method for conducting this appraisal. The Cost and Income approaches were deemed to lack relevance with regard to this aircraft because this type of aircraft is priced based on market activity.**

**The highest and best use of this aircraft has been considered. The aircraft was manufactured as a corporate transportation vehicle, and it has been and is being used for that purpose.**

All values expressed in this report are in U.S. Dollars unless otherwise stated.

The effective date of this report is **08/17/2011**. The value expressed in this report is valid on the effective date of this report. The report was written on **08/22/2011**.

This appraisal report may be used for the stated purpose exclusively and only in its entirety. Appraisal procedures, research methodology, market selection, and the resulting value conclusions can vary with the various purposes and functions of appraisal assignments.

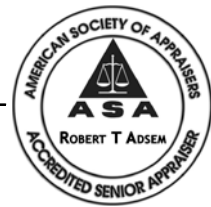
Therefore, this report, the markets selected, and the value conclusions are intended solely for the stated purpose and function. They are invalid for any other purpose or function.

In the event of error or omission, the liability of Air Appraisal Company, if any, is limited and may not, in any event, exceed the amount paid for the appraisal. Further, Air Appraisal Company accepts no responsibility for usage of this form unless signed by an officer of the company.

**This aircraft, NXXXXX, was personally inspected on 08/17/2011 by Rob Adsem, Accredited Senior Appraiser with the American Society of Appraisers, and Senior Appraiser with the National Aircraft Appraisers Association, at McCarran Airport, located in Las Vegas, Nevada, Clark County.**

---

**Rob Adsem, ASA**  
*Accredited Senior Appraiser ASA*  
*Senior Certified Appraiser NAAA*



*Air Appraisal Company*  
*PO Box 445*  
*Victoria, MN 55386*  
*952-443-1331*  
[www.airappraisal.com](http://www.airappraisal.com)

## **VALUE CONCLUSION**

Based on the physical inspection of the aircraft and logbooks, and using the *Market Comparable Sales Approach* to value, with supporting information from the NAAA database, Aircraft Bluebook Price Digest, Vref Online, and other available sources, the following is my opinion of value:

<i>*Market Value of NXXXXX</i>	<b><i>\$11,570,000</i></b>
<i>*Orderly Liquidation Value of NXXXX:</i>	<b><i>\$10,297,000</i></b>

\*Market Value was arrived at by using the Market Comparison Approach. A total of 8 closely comparable aircraft that have been recently sold were used in the comparison process. Adjustments were made to the comparables in order to more accurately estimate the value of the subject in the current marketplace. Price guides and software were used in the appraisal process as a reference; however the Market Comparison Approach provides the most accurate picture of today's market.

After review, the price guides appear to indicate higher values than the Market Comparison approach suggests. Because actual sales are a much better indicator of the current market, the price guides were not relied upon.

Market research indicates that the Challenger 604 market has lost significant value over the past 12 months. Since the beginning of 2011, average asking prices have decreased by approximately 14%.

# *Air Appraisal Company Certificate of Appraisal*

A visual inspection of the aircraft and log books was performed August 17, 2011 on the aircraft NXXXX in Las Vegas, Nevada. It is the opinion of this appraiser that the Market Value of the above aircraft is:

***\$11,570,000***

This appraisal is valid when accompanied by appraisal work sheet number #20110817NXXXX and signed by the Aircraft Appraiser listed below.

**SIGNED**

**Rob Adsem, ASA**  
*Accredited Senior Appraiser ASA*  
*Senior Certified Appraiser NAAA*

