

The Business Plan

for

Fun Flights International Inc.

Caribbean Region

by

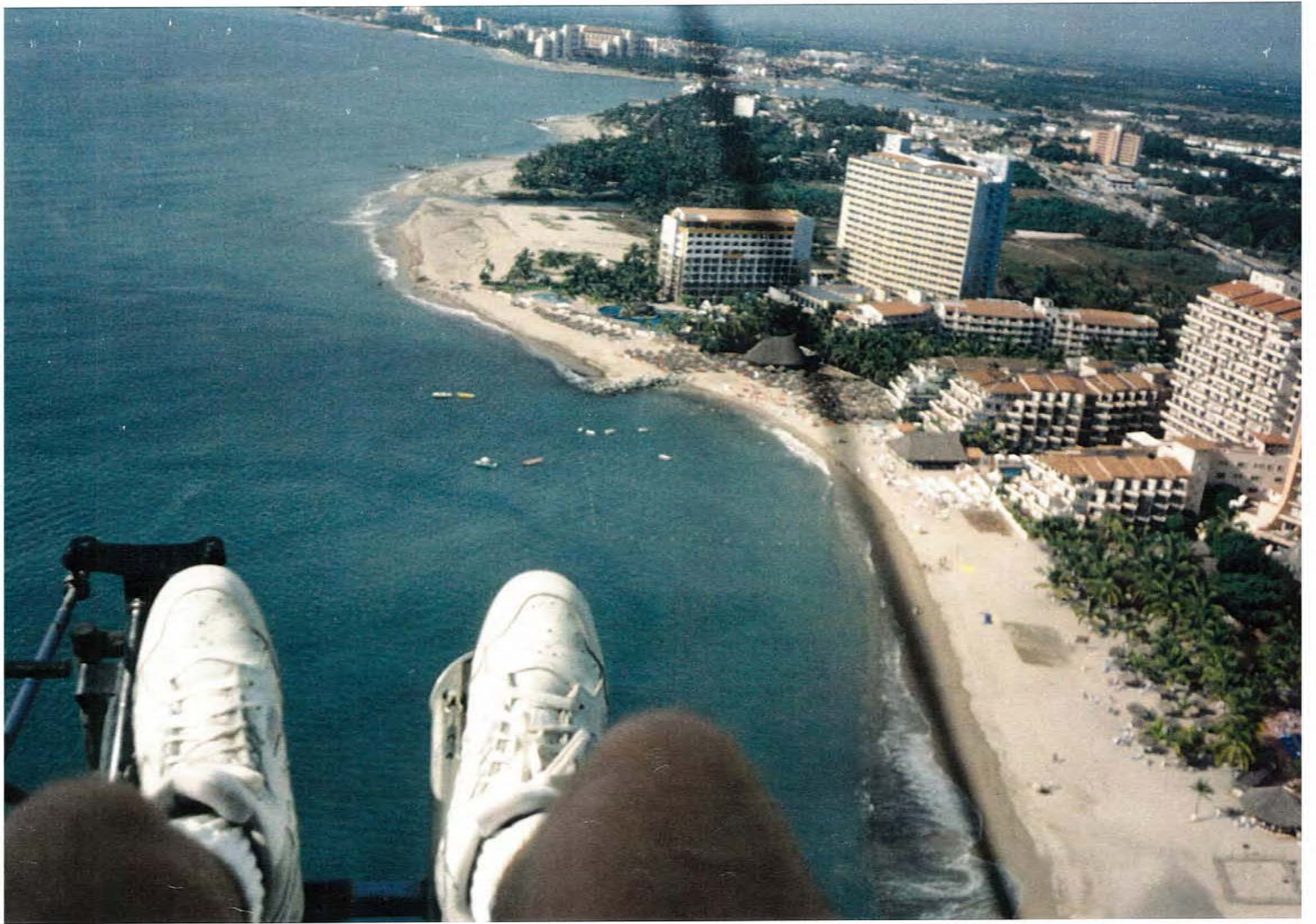
P & G Aviation Inc.

















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Revised: 1996 Toronto, Ontario, Canada

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1. EXECUTIVE SUMMARY

Fun Flights International Inc. (FFI) is an Ontario corporation which is actively involved in the ultralight aircraft industries.

The company has developed a unique program for setting up and operating Fun Flight Centers in the resort areas of the world. These Centers offer rides, tours and charters in two place ultralight aircraft to the vacationing public.

FFI Inc. plans to establish Centers in the Caribbean, Mexican and Pacific Tourism areas. The Business Plan addresses the operations of one Center in the Caribbean region plus relevant information on the parent company.

The company and its members are all professionals in the ultralight industry. The company has accumulated a significant amount of knowledge and expertise in operating ultralight aircraft and businesses and is on the leading edge of this technology.

The company is developing joint ventures as part of its objective of growth and market dominance. Each Fun Flight Center is owned jointly by Fun Flights International Inc. and private investors or groups.

The Plan calls for an investment of \$50,000 (U.S.) to fulfill the Center's stated objectives. The company will contribute to the Center its resources in manpower, and expertise. Investors will acquire 50% of the common stock in the Center for \$50,000.

The Business plan projects actual revenues to be just under \$400,000 U.S. by the end of the first year. Operating profits for a Fun Flight Center are quite impressive.

The Business Plan contained herein demonstrates that seed capital investors will receive a substantial return on investment with significant capital gains and tax benefits.

2. THE INDUSTRY

World Tourism

Inexpensive air travel, car rentals, packaged tours and an ever increasing abundance of quality accommodations have all contributed to making tourism one of the world's largest industries. People from all countries are traveling to tourist areas in ever increasing numbers. With the standard of living increasing in many countries, this trend of unprecedented growth is projected to keep increasing into the foreseeable future. In Japan, with over 135 million people, the average blue collar worker will earn 30% more than his American counterpart by 1990. Another indicator is Boeing Aircraft Company which is just one of many companies building large passenger transport aircraft. Aircraft now on order equal several billion dollars with deliveries stretching into the mid 1990's. Over 30% of Boeing's sales in 1986 were to Asian countries.

In 1986, a record breaking 45 million Americans took out-of-the-country vacations. The Air Transport Association conducted a survey in 1986 which concluded that vacation travelers outnumbered business travelers 54% to 46% respectively. The World Travel Organization estimates that more than 300 million international vacation trips were made last year. All sectors of tourism are expecting strong growth well past the year 2000.

While some vacationers return to the same place annually, many seek out new adventures each year. Many people from northern climates find their place in the sun and are buying homes away from home. New developments of resort hotels and facilities in the tropics are continuing at a strong and steady pace. These highly developed resort areas are now in every part of the world and have become a playground for people of all walks of life.

Serving the Needs of the Vacationing Public

A vacation at a tropical resort is a time to unwind from the stresses of everyday life. It is a time to do new things, seek out new adventures and fill the mind with different and unusual experiences. It is also a time to spend money. Tourists spend more of their disposable income on a vacation than at any other time in the year.

Serving the needs of these vacationers has become a dynamic, growing industry. People on vacation scuba diving, para sail, surf, take cruises and see the sights. They are active, always looking for interesting things to do.

A Unique Opportunity in the Recreational Industry

A dynamic business opportunity now exists within the tourism industry, providing a new and unique service to the millions of people who travel to these resorts each year. Fun Flights International Inc. is now offering this service. By providing a unique service in a specialized market, investors will realize substantial profits.

3. THE FUN FLIGHT CENTER

Overview

Fun Flight Center is primarily a service outlet. It sells touring flights in ultralight aircraft, to people of all ages. Fun Flight Centers are located primarily at tropical resort locations throughout the world. Customers experience the thrill of a lifetime as they cruise a few hundred feet over beaches, coral reefs and secluded islands, enjoying some of the most beautiful scenery in the world.

Centers are centrally located at major resorts, in areas where there is sufficient tourist traffic to support activities on a full time, year round basis. Centers provide the host island or country with an exclusive added attraction to offer their visitors.

The Fun Flight Experience

A Fun Flight ride or tour is designed to fill two specific needs of people on vacation. These are firstly, to gain full value for their limited vacation time by doing unique and unusual things and secondly, to gain a new perspective and enjoy high quality sightseeing at the same time. Centers will offer short excursions up and down the beaches as well as longer charter flights to points of interest in the area. The beauty of these islands can only be fully appreciated from the air. The experience of flying in an ultralight aircraft over beautiful scenery into remote areas of the islands not normally accessible, is truly a memorable one.

To heighten the experience even further each passenger is briefed before the flight with a video explaining what they are about to experience and communicate with the pilot via intercom while on the flight.

To record the event for friends back home and for their own enjoyment passengers can purchase a video of their flight or still pictures taken from a 35mm camera. These cameras are mounted on the aircraft and the pilot photographs the passenger and the scenery in the background.

Novelties and souvenirs such as hats, tee shirts, posters and coffee, mugs, etc. with custom imprints are also for sale at the Center. As the Center evolves Pilot Check Rides will be offered to pilots who want to receive extra training.

Primary flight training for tourists and local residents will also be offered for non-pilots if time allows.

4. PRODUCTS AND PRICING

Products have been developed from studies done on successful dealerships throughout North America. Pricing is based upon rates charged in North America. Rates are established on revenue needed to maintain profit level rather than on what the market will support. Research shows that these rates are considerably lower than what is charged for similar types of services, i.e. para sailing, scuba diving, and sailing. If Fun Flights maintains the pricing structure as outlined, we will be one of the less expensive activities on many of the islands. Rates will be moved up as sales levels are reached and proven to maximize profits.

1. FUN FLIGHTS - A Fun Flight is a flight of approximately 15 minutes in duration. The aircraft will go along the beach or over some of the nearby sights and circle around for a landing. The actual flying time will be about 10 minutes with the balance left for loading, taxing and unloading.

A Fun Flight is the least expensive of all Fun Flight Center flights. It is meant for those who only want a quick thrill and as an introduction to the Tours and Charter flights.

Price - \$30.00 U.S.

2. FUN FLIGHT TOURS AND CHARTERS - A Fun Flight Tour or Charter is an extended flight throughout the island. They will vary in length according to the location and the budget of the customer. The standard tour is 40 minutes. The standard charter will be 1.4 hours of which 1.2 hours will be flying time. Charters will go over or around the island or can be a trip to an adjacent island if distance and time permits. Passengers can schedule flights to remote areas of the island where they can be left to their own adventure and picked up later.

<u>Price - Tour</u>	\$ 65.00 U.S.
<u>Price - Charter</u>	\$125.00 U.S. per 1.4 hours

3. PICTURE PACKAGES - Each Fun Flight Center will offer various still picture packages. A picture package is where a 35 mm camera is mounted on the aircraft. The pilot activates the camera. The customer gets a bird's eye view of the flight.

Each package consists of a roll of 24 exposures. The pilot shoots pictures at various times throughout the flight. He captures the passenger and the scenery in the background as the aircraft banks and turns. The customers take the roll with them when they leave and process the film on the island or when they get back home.

Price \$20.00 U.S. for 24 exposures.

4. VIDEO PACKAGES - On the aircraft is a video camera. It is also operated by the pilot who turns it on throughout the takeoff. Pilots will become accustomed to the angles required to get the best shots so there will be some very dynamic footage of their flying adventure for the folks back home. The advantage with the video is that you can turn the recorder on and tape the flight even though the customer hasn't agreed to purchase the tape prior to the flight. Human nature demands that once they see themselves in the movie they will want to buy the tape. If not, the tape is simply rewound and recorded over for the next customer.

Price \$20.00 U.S. for the video tape

5. SOUVENIRS AND NOVELTIES - When the flight is over, the passengers are lead back to the reception area where they originally bought their ticket. In this reception area will be several souvenirs and novelties made exclusively for Fun Flights customers. These will include:

1. Custom shirts with the logo and various renditions of "I TOOK A FUN FLIGHT IN ' ____ ' ".
2. Posters of the aircraft flying over the beaches with a recognizable landmark in the background. Some hotels will use these for advertising.
3. Hats with an embroidered crest of the aircraft and of the Fun Flight Center logo.
4. A generic video produced in conjunction with the hotels and the tourism department of the island will be sold through gift shops and other stands on the island. The market for these also includes those who did not take a flight with FFI.
5. Various other souvenirs and novelties which fit in with the type of clientele will also be offered.

Pricing Pricing will vary on type and demand. FFC's will receive a minimum of 50% on all items and as much as 200% on many.

5. THE CARIBBEAN REGION

After considerable research Fun Flights International Inc. has decided to base the initial centers in the Caribbean.

The Caribbean region is defined here as Bermuda, all of the islands of the Bahamas and the Caribbean including Antigua, Barbados, Jamaica and Mexico. Based upon tourist visits per year, the region has enough trade for over 50 centers.

The Caribbean region is the most popular vacation spot for North and South Americans. Studies show that this trend will continue for many years because of the close proximity to North America and the conditions in Europe.

The World Travel Organization in a recent study concluded that trips to the Caribbean will increase from 2.7 million visits per year to over 5.2 million in the next 15 years.

Other reasons why the Caribbean has been chosen to launch the initial Fun Flight Centers are:

1. It is already an established tourist center with millions of visitors each year. Turn over is every week and a half on average.
2. There are a substantial number of acceptable sites available. Enough that if one particular site does not prove profitable then the Center can be moved to another nearby island quickly and inexpensively.
3. It is within close proximity to the U.S. and Canada, where most of the equipment will be purchased.
4. There are a number of competing airlines servicing the area providing a choice of several inexpensive travel options.
5. The weather is excellent for flying.
6. Government regulations are favourable in most of the potential sites.
7. The high tourist traffic allows several Centers to be located on neighbouring islands facilitating easier "hands on" set up and management.

MAP OF THE CARIBBEAN

CARIBBEAN DATA SUMMARY

Center Locations

Each Center will be strategically located at key sites in the Caribbean Islands. Sites are selected according to a comprehensive standard established by FFI Inc. More than one operation will be located on an island if the island is large enough and able to maintain satisfactory profit levels. Some islands will require more sites because areas of the island are segregated geographically as well as socially. Convenience is important on many of the islands because of their narrow, two lane roads and slow moving traffic.

6. ADVERTISING AND MARKETING

Past experience with ultralight aircraft flight centers in North America has shown that the ultralight ride is one of the easiest and least expensive products to advertise. Most dealerships do little direct advertising because the product is so visual and easily identified. A flight over the beach in the morning and afternoon is usually all that is needed to fill up the entire day with passengers.

Flight routes will be developed, which will expose the aircraft to the most populated areas of the island. Continual flights over these areas throughout the day, will draw customers from many areas of the island.

In terms of marketing, the Center will distribute a one page brochure throughout the island at hotels, restaurants, airports, taxis and tourist information bureaus.

All Centers will work closely with the major resort hotels on the island. Most hotels have some type of activities desk where a coordinator provides information on what there is to do in the area.

1. The hotels are established. They provide credibility to the Center.
2. They have a means of selling the services.
3. They have a source of customers and a means of advertising effectively.
4. They have influence with state and local authorities.
5. They can benefit directly and realize profit from the relationship;
 - receive a commission and in some cases provide rental of counter, office, docking and lodging facilities;
 - receive a direct benefit by having a service as part of their tour and holiday packages;
 - receive direct advertising benefits by having their name painted on the wings of the aircraft (aerial billboard).

A generic video will be produced. The host hotel and the tourism department of the local government will be asked to participate financially in the project because they would receive substantial benefits from it. The hotel could provide tapes to travel agents and tour operators as a way of promoting the hotel. The tourism bureau would use it to promote the island and its many sights. FFI would gain a generic tape to sell through its outlets and to supply other retail outlets at wholesale. The tape would be used to promote the retail outlets at wholesale. The tape would be used to promote the Center and the Fun Flights and could be played regularly on the hotel's in-house video announcement and movie channel. FFI will attempt to sell the concept in each island. After FFI has produced the first one and developed the format, the cost of production should come down to where it will be hard for the hotel or government to resist.

As a goodwill gesture to the local community and as a means of promoting the tours, each Center will be provided with a limited quantity of "Complimentary Flight Certificates" on a regular basis. These will be given out to a number of groups including:

1. Tour wholesalers
2. Hotel activity desk coordinators
3. Taxi and bus drivers
4. Department of Tourism representatives
5. Other influential people

This program will gain the support of people within the community and stimulate sales. A special fare structure will be developed to encourage the locals to experience a Fun Flight.

The Center will become members of various Groups and Associations within the community such as the Chamber of Commerce. An image of a respectable business will be developed and methodically maintained.

The existing infrastructure will provide adequate opportunities to market Fun Flight Center products and services.

7. COMPETITION AND COMPETITIVE ADVANTAGES

There is no direct competition to FFI. A few private operators have set up on the public beaches but nothing of the scope and nature of the FFI plan. Several reasons for this can be listed.

1. No one manufacturer supplies all the needed equipment to address the needs of the commercial operator.
2. This opportunity is new. The level of technology in the ultralight industry is fresh and able to address the market.
3. Until recently, the various government agencies were unsure as to the viability of using ultralights for commercial purposes.

A few of the more developed islands have helicopter operations offering similar services to tourists and as such represent direct competition. Helicopters cost in excess of \$150,000 each to acquire and are very expensive to operate. Charters are usually much more expensive and therefore these operations represent only a small portion of the market. FFI believes that the uniqueness of the ultralight aircraft will offer enough of a reason to this upscale end of the market that helicopter operations pose no threat to the success of the Fun Flight Center.

Indirect Competition

Indirect competition includes any other activity which competes for the vacationers time and money. FFI Inc. feels that a Fun Flight offers a number of advantages over these other activities.

1. It offers a totally different perspective. You can gain a much better view of the island and its points of interest.
2. It offers the vertical perspective. From 500 ft. up offshore, the customer gets a magnificent view of the beach, shoreline and coastal features.
3. It's faster. You're not limited by roads, traffic jams or wind direction (sailing). You can see more of the island in less time.
4. It requires no physical energy like swimming, scuba diving or water skiing. People of all ages and levels of health can enjoy it.
5. You require no special skills in order to enjoy a Fun Flight.

6. It's not limited to a particular area of the island. You can go where you want to and see things on private beaches and other places where the normal tourist would not have access.
7. It's unusual. Most passengers will never have had a ride in an ultralight aircraft before.
8. It's inexpensive compared to other types of entertainment.

Response to Competition

Fun Flights International Inc. is addressing this market at the present time, however, due to the high degree of profitability, a new contender is always possible. FFI presumes that competition will follow at some time in the future and has established a number of strategies to deal with competition and discourage new entries into the market.

FFI Inc. will establish a Center in each country or island and then follow up by opening a sufficient number of locations to dominate the market for tours on the island. Centers will be strategically located around the island to take up the best locations available.

FFI Inc. will only provide aircraft to Fun Flight Centers which it controls.

The Centers will maintain a high degree of professionalism and standards. The image of the Centers, as well-run operations will be rigorously managed and maintained.

New entry would not be easy for competition. The best locations would be taken. Operation of aircraft, equipment and the Center require training and skills not readily found in the area.

Each government within the area is committed to increasing tourism and a stable economy. They will no doubt monitor business activities and will serve as allies for the business because it builds a stronger tax base. Realizing the capital cost of opening a Center they will possibly limit the number of outlets so as to realize the best tax revenue possible.

8. THE PARENT COMPANY

Fun Flights International Inc. (FFI) is a privately held, Ontario-based limited liability company. The company head office is located in Toronto, Ontario with operational headquarters and assembly facilities located in Toronto.

Fun Flights International Inc. is an international management company. The Company intends to set up and manage Fun Flight Centers in various locations throughout the world.

As operational managers of each Fun Flight Center, FFI Inc. will:

- evaluate potential sites for expansion
- obtain appropriate licenses from state and local governments
- option and contract for location and support services
- purchase needed equipment and coordinate shipment to site
- assemble, test fly and ship aircraft to site
- hire and train all pilots and ground personnel for each Center
- oversee the operations of each branch on a daily basis
- perform all banking, accounting and administrative duties
- maintain acceptable profit margins making modifications as required

FFI will identify potential sites according to a site selection criteria which is exclusive and proprietary to the company. This criteria has been developed by FFI over a number of years and provides the Center with a high probability of success.

FFI has developed an in-depth and proprietary plan for setting up, staffing and opening a Fun Flight Center. This plan facilitates the Center opening in a minimum amount of time reaching profitable status immediately.

FFI operates a central control office (Operations Center) in Toronto, Ontario where all Centers will report their operations. The system is totally unique. Developed exclusively by FFI it is proprietary to the company. The system allows FFI Inc. to maintain central control over its Centers even though they are a considerable distance from each other. This provides greatly increased operational control as well as significantly reduced overhead and administration costs for the Centers. It increases over-all profits for each Center individually. Management and therefore investors are able to get financial and operational status reports.

9. CENTER STRUCTURE AND RELATIONSHIP

Fun Flights International Inc. has developed a program so local investors can participate in the growth and profits of each Center. Each Center is incorporated as a separate company. For example Fun Flights Barbados Inc. or Fun Flights Antigua Inc.

The Center is owned jointly by Fun Flights International Inc. and independent investors who share equally in the profits of the Center.

Fun Flights International Inc. is responsible for the set up, operations and ongoing management of the Center while the investors provide overall assistance and guidance to the Centers specifically on local issues.

Fun Flights International Inc. and the local investors will each have an equal number of members on the board of the Center. FFI will provide to the Board financial statements of the Center as well as an activity report of all operations.

Source and Application of Funding

The Business Plan calls for investors to purchase 50% of the common stock in the Center for \$50,000 U.S.

As the company has no present indebtedness all funds will go directly to the purchase of equipment and supplies as is outlined in the Equipment list. This shows that the funds will go for equipment, set-up and operations.

10. PRINCIPAL AND MANAGEMENT

President and General Manager

FFI was founded by Peter Glaw. Mr. Glaw has over 21 years experience in the ultralight aircraft industry. During that time he has operated a dealership/flight school as well as teaching ground school at community colleges. He has owned and operated a successful ultralight building company and consulted to many others. As a sales and marketing executive he has been responsible for selling aircraft and actively involved in setting up and overseeing ultralight dealerships.

Mr. Glaw is a commercially rated ultralight flight instructor with over 21 years of flying experience and 2,000 hours of flight time in ultralights and conventional aircraft. He will serve full time for FFI.

Senior Pilots and Center Managers

FFI has optioned a number of pilots in preparation for Center staffing needs. The company currently has selected individuals with the training knowledge and experience for launching the next three Centers.



Transport Canada
Aviation

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Aviation

NO. Q256749
N°

Canada

(III) COMMERCIAL PILOT - ULTRA-LIGHT AEROPLANE
PILOTE PROFESSIONNEL - AVION ULTRA-LEGER

(IX) This Licence is valid only for the period specified in the Medical Certificate (Form 26-0055) which must accompany this licence. This licence is invalid if mutilated, altered or rendered illegible. This licence expires three months after certification on the reverse side or upon issue of a new licence, whichever is earlier.

La présente licence n'est valide que pour la période précisée sur le certificat médical (formule 26-0055) qui doit accompagner la présente licence. La présente licence est nulle si elle est mutilée, falsifiée ou illisible. La présente licence expire trois mois après la date d'attestation de la compétence inscrite au verso ou à la date de délivrance d'une nouvelle licence. La première de ces deux dates étant retenue.



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NO. P256749
N°

Canada

(III) PRIVATE PILOT - AEROPLANE
PILOTE PRIVE - AVION

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UNITED STATES ULTRALIGHT ASSOCIATION

A 56021

Airman Date Category-class
PILOT JUL 84 /WSL

Safety Through Education.



AOPA AIR SAFETY FOUNDATION REGISTERED ULTRALIGHT PILOT EXAMINER

Cert. No. 004429

Name Peter Gerhard Glaw
Address 505-256 Mohawk Road East
Hamilton, Ontario CANADA L9A2H8
City St. Zip

This is to certify that the above named instructor has been designated as an AOPA Air Safety Foundation Registered Examiner, and is privileged to recommend that the AOPA Air Safety Foundation accept the registration of ultralight pilots who have demonstrated competency to him/her as set forth in the Federal Air Regulations Part 103 and the associated Advisory Circular, 103-1.



Fédération Aéronautique Internationale
International General Aviation Commission

AIR CREW

Member Nr. : 2582
Pilot certificate Nr. : 56021

PETER GLAW

is a licensed pilot and a fully qualified member of a national F.A.I. Organisation

Expires : 10/31/99
Issued by : NAA / USA



Industry
Canada

Industrie
Canada

CERTIFICATE OF
PROFICIENCY IN
RADIO

CERTIFICAT DE
COMPÉTENCE EN
RADIO

Certificate - Certificat

RADIO TELEPHONE
OPERATOR'S RESTRICTED

Number - Numéro
964201868

Certificate Holder - Titulaire du certificat

GLAW, PETER

Qualifications or Restrictions - Compétence ou restrictions

AERONAUTICAL

Canada

CANADIAN FORCES
CERTIFICATE
OF MILITARY
ACHIEVEMENT



FORCES CANADIENNES
CERTIFICAT
DE RÉUSSITE
MILITAIRE

This is to certify that:
Nous certifions par les présentes que:

452 272 065 PTE GLAW P.G.

has successfully completed the

a complété avec succès le

BASIC PARACHUTIST COURSE 7914

D.S. Wakefield, Captain

COURSE OFFICER
OFFICIER CHARGÉ DU COURS

09 Nov 79

DATE

D.S. Manuel, LCol

COMMANDING OFFICER/COMMANDANT



Transport
Canada

Transports
Canada

Air

Air



Certificate of Training

Mr. PETER G. GLAW (P&G) AVIATION INC.

has satisfactorily completed the

Flight Instructors

Instructional Techniques Course

given at BUTTONVILLE AIRPORT, TORONTO

dated this 21 day of JAN. 1983

W.E. Moore McMullen

Course Director



AOPA
AIR SAFETY FOUNDATION

421 Aviation Way, Frederick, MD 21701

PETER GERHARD GLAW

*is registered in the FAA approved
AOPA Air Safety Foundation Program
as an*

ULTRALIGHT PILOT EXAMINER

this 31ST *day of* JULY 19 84



Ralph F. Nelson

RALPH F. NELSON
Executive Vice President

John Ballantyne
JOHN BALLANTYNE
Director, Ultralight Programs Department

Chartered In 1950 • Dedicated Exclusively To Aviation Safety

BEAVER

SPECTRUM AIRCRAFT INC. manufacturers of the BEAVER line of
Recreational Aircraft hereby acknowledges P. & G. Aviation Inc. as a

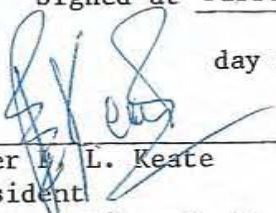
"FULLY AUTHORIZED SPECTRUM DEALER"

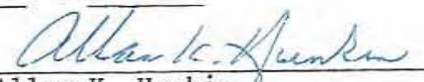
Spectrum also recognizes Peter G. Glaw as having attended
an indepth SPECTRUM DEALERSHIP SEMINAR and by doing so
has shown his dedication to professionalism and customer service in the

RECREATIONAL AVIATION INDUSTRY

Signed at Surrey, British Columbia this twenty-sixth

day of January 19 85


Peter L. Keate
President
Spectrum Aircraft Inc.


Allan K. Hunkin
Dealership Co-ordinator
Spectrum Aircraft Inc.

SPECTRUM
AIRCRAFT INC.



April 19, 1985

To Whom it May Concern,

Peter Glaw is an established leader in the very light aircraft movement throughout North America. He has been involved in the movement since 1980, and was one of the first to operate a successful ultralight aircraft dealership and training centre in Canada.

I have been involved with Mr. Glaw since 1980 and feel that he is a professional in the many areas of running a business, and an aircraft dealership. My financial dealings have always been very positive with his ability to handle financial matters.

As a pilot and flight instructor, Mr. Glaw has extensive experience and he always demonstrates conservative judgement in his handling of aircraft and passengers.

Mr. Glaw, with his professional attitude, and depth of character, comes to you very highly recommended.

Sincerely,

A handwritten signature in cursive script that reads "Allan K. Hunkin".

Allan K. Hunkin
Vice President
Spectrum Aircraft Inc.

AH/du

11. THE ULTRALIGHT AIRCRAFT

Ultralights were developed out of the need for inexpensive sport aviation. They are inexpensive to purchase and operate. The average basic unit costs between \$15,000 - \$25,000 depending on options and are very easy to operate.

Many early models had the appearance of being unusual contraptions but by combining space age technology and advanced aeronautical design, over the last few years, the ultralight has evolved into an extremely strong and durable light aircraft. Some manufacturers have thousands of units in service with thousands of flying hours on the airframes and engines. Ultralight aircraft have become proven and reliable. The ultralight is now evolving into a vehicle capable of light commercial work. Some manufacturers are specializing in units designed for agricultural spraying, police/border patrol, aerial photography/surveying. The principals of FFI are on the forefront of this technology.

The ultralight two place aircraft evolved because of the need for inexpensive flight training for pilots and owners. Several hundred flight schools have been established throughout North America and the world, who use two seat ultralights exclusively for training. As a result the two place ultralight has become a highly durable aircraft, able to withstand the rigor of daily use by inexperienced student pilots. FFI is taking advantage of this development in using ultralights for flight charter aircraft.

The Safety Record

The safety record of ultralights has steadily improved as the movement has evolved. Because the movement was so new and unique any accident received high profile coverage by the media. Better airframes, refinement of the engines and increased pilot training have made ultralight flying a safe and enjoyable experience.

The Canadian Department of Transport concluded a study of ultralight activity in Canada. There are over 2,700 ultralights registered in Canada and about 7,000 pilots flying them. Their study showed that the incident/accident rate had dropped by over 50% in the last three years alone. They concluded that no major change to their policy regarding pilot training and air worthiness was necessary to make the activity any safer.

Safety Procedures

FFI has evaluated many ultralight aircraft designs throughout the last three years and has decided upon a few designs for its Centers which have proven to be safe and reliable.

FFI will maintain a high standard of safety in each operation. This will be accomplished by hiring and training competent pilots, establishing and enforcing safety and maintenance policies and procedures and constant monitoring.

Government Regulations

Governments around the world have recognized the ultralight as a permanent part of aviation. Most, now have regulations regarding operations. The Canadian regulations are generally considered, to be the best in the world. Many countries have adopted similar regulations and are respective of the MOT's opinions.

Through the Ultralight Manufacturers Association air worthiness standards have been established which are compatible with similar standards in the United States and Britain. All manufacturers are required to provide a Certificate of Compliance to the standard which is a legal assurance that the aircraft has been manufacture to a standard. The FAA in the States has accepted the standard and Canada is following.

These facts will provide an advantage to FFI because it is a Canadian company. This gives FFI an advantage in setting up a number of Centers. FFI will act as advisors to these countries giving FFI a substantial strategic advantage.

Sites selected as target sites have been evaluated visa-via regulations and applications are now in process where required. No major difficulties are anticipated with the selected sites.

The Fun Flight Center Aircraft

FFI Inc. has a manufacturer which produce the basic airframe. Supply of aircraft is not perceived to be a major issue. FFI will endeavour to use only one airframe manufacturer for simplicity of parts inventory and maintenance requirements.

Past Experience with the Market - The Introductory Flight

The Federal governments in North America do not allow dealerships to sell rides directly. This is due to the complex requirements regarding air carrier licenses. De-regulation will change this in the future. These departments do however, allow passengers to take an Introductory Lesson before beginning formal flight training.

Dealerships soon discovered that Introductory Flights brought in substantial profits to their operations. The experience of flight in an ultralight aircraft is thrilling and rewarding. Ultralights are slower and generally have better glide ratios than conventional aircraft. Therefore one can fly lower and slower, giving the occupants a view to remember.

The demand for rides is constant no matter how long a dealership is in one location. The popularity of fun flights in ultralight aircraft is universal, covering all economic, ethnic, cultural and geographic boundaries.

Weather Factors

The weather is the only factor in the business which is uncontrollable. However, it is predictable due to the large amount of data available from meteorological departments of air traffic control centers on each of the islands. A criteria has been established by FFI Inc. to assure that branches are opened in areas with the most suitable weather.

Ultralights can fly safely in a considerable amount of adverse weather. A sea breeze of 20 m.p.h. will present no major problem or safety hazard to the aircraft, pilot or passenger.

Extended fair weather flying conditions is another reason FFI is establishing its Fun Flight Centers in tropical areas. It is warm and sunny most of the time with each day providing up to 10 hours of possible flying time. Weather patterns are predictable with shorter off days. Off days will be used for annual maintenance and staff holidays.

Risk Assessment

As it is in any sport activity, the chance of an incident is always present. FFI has considered the potential risks in detail and has taken a number of steps to protect the Center and its parent company. A number of these are:

1. All passengers are briefed and advised that there is some risk when they view the video presentation prior to flight.
2. All passengers sign a waiver of responsibility acknowledging that they have been briefed on the potential risks and that they waive the right to sue. They also agree that local laws apply. These waivers are common practice in the light aircraft industry. They have been tested in court and have held up under legal scrutiny several times even without the briefing procedure stated above.
3. All passengers wear appropriate safety gear namely a helmet.
4. FFI will only hire competent pilots and will put each one through a rigorous orientation and training program.
5. FFI will maintain a high standard of maintenance on each aircraft. Each pilot that is hired by FFI is trained in assembly and maintenance of the aircraft. FFI will use a combination of classroom, and self study manuals, as well as-on-the-job training, which is monitored by a senior employee. The pilots naturally have a vested interest in maintaining their aircraft to a high standard.

FFI has been structured to minimize the effects of any negative event. Risk is considered to be minimal due to the following considerations.

1. Each Fun Flight Center is a separate entity, incorporated in the country in which it operates. Any actions against the Center will be subject to local laws and must be tried there.
2. As there are no fixed assets, FFI can move a Center or under-utilized resources and equipment to a new location with minimal expense or lead time.
3. Excess cash and profits will be transferred to a holding account on a monthly basis. This account will be in a country where FFI and investors do not operate a Fun Flight Center. (i.e. The Caymans)
4. FFI will save harmless any and all investors under separate Agreement.

Response to Lower than Anticipated Sales

FFI Inc. has budgeted 10% of flight sales and 25% on picture/video sales in all branches as an allowance for unexpected costs and/or less than anticipated sales volume. The results of this are reflected in both the Center Projections and the overall projections of FFI. FFI will respond quickly to assure that sales quota is maintained according to the Business Plan.

As a means of expansion and/or to maintain sales quota, Centers will regularly operate out of remote or "satellite" locations. The options are many. A Center might decide to operate from a different location on another part of the island. They might choose to fly to a neighbouring island to take advantage of an area which cannot sustain a Center on its own but still offers substantial volume on a part time basis.

The FFI format for the Fun Flight Centers offers the maximum in flexibility and risk reduction that a business can offer. Each Center has no fixed assets, i.e. buildings, land or non-moveable leasehold improvement or equipment and therefore is relatively easy to move from one Center to another.

If a particular location proves to be unsuitable, the Center will likely first be reduced in size to see if the location can maintain a adequate profit level with fewer aircraft and staff. If profits don't improve after a trial period of 3 - 4 months, the Center will be closed and all assets and personnel will be moved to the closest possible site selected for a new Center. It is FFI policy to always have, at any given time, a minimum of 3 new locations, selected and ready for expansion. The cost of moving a branch will be minimal because personnel will be trained and ready to begin operations as soon as equipment arrives. It is predicted that a branch could be closed and another opened within a few days.

Other Related Products and Services

As each Center evolves, a number of new products and services will be added as they are identified. Two immediate areas of expansion which have not been reflected in the projections are:

Flight Training: Many of the pilots hired by FFI will be trained Flight Instructors who are capable of running courses for vacationers. This will mean increased sales of on-the-average, 6 to 10 hours of rental time being purchased by customers/students at a time. Hotels are always looking for something new and unique to offer customers. The challenge of a hotel in a major resort area like the Caribbean is, "What makes us different from the other hotels in the area?" Hotels and tour operators will be anxious to promote the fact that you can take your vacation and learn to fly at the same time.

Pilot Checkouts: It is normal procedure for pilots to get checked out on each different type of aircraft. This usually requires about 2 hours of flight with an instructor. Between 5% to 10% of all Center customers will have taken some amount of flight training. Many of these will want to get a checkout in the aircraft so that they can add it to their list of aircraft that they are qualified to fly.

Although it is not reflected in the projections, FFI intends to turn over its aircraft every 24-36 months. The reason it is not shown is that because of the value added to the aircraft by FFI. With this value added and the accurate and up-to-date maintenance records on each aircraft, the FFI aircraft will be sold for as much as was paid for it initially. Aircraft don't depreciate like a car or other pieces of equipment. A J3 Piper Cub which sold for \$1,200 in 1938 sells for \$13,000 today.

In addition to the above services FFI will have the opportunity to utilize the aircraft in a number of different ways. There are many areas which can generate profit for FFI. These will have to be given some consideration as the Centers evolve.

1. Aerial Photography platform
2. Beach patrol
3. Coast Guard observation work
4. Harbour service
5. Police traffic control

Fun Flights International Inc. states in its Statement of Purpose that it is an innovative company with serving the customers needs while making a profit as its major purpose. Each of the elements of the program have proven to be individually successful such as the capability of the aircraft and the success of Introductory Flights by ultralight dealers throughout the world. The Company plans to combine these elements with a proven market namely, the substantial demand for recreational tours by the vacationing public.

12. OPERATIONS

The Board of Directors

The Board of Directors of the Center is responsible for the overall management of the Company. The Board is made up of equal numbers representing FFI Inc. and the investors' group.

Corporate Headquarters

Corporate Headquarters for Fun Flights International Inc. are located in Toronto, Ontario. The Company will maintain contact with the Operations Center and will receive reports from the Center as well as reports from individual centers as required. The Company's plan is to establish Centers initially in the Caribbean, then move on to other tourist areas.

Operational Headquarters

Operations for all Centers is controlled and managed from the Company's Operational Headquarters in Toronto. A wide variety of land, sea and air services to all parts of North America and the Caribbean are available. Parts can be received in less than two working days if required.

The Operations facility includes an area large enough for the assembly of two aircraft at one time, plus a parts and maintenance depot, offices for executive staff and support personnel as well as training facilities.

Fun Flight Center Daily Activity Report

The Daily Activity report will be filed by each Fun Flight Center manager. The report will consist of the following items:

1. Sales of all Center products and services
2. Number of flights and who flew them
3. Revenue produced along with a reference number confirming deposit
4. Inventory on hand
5. Status reports
 - Maintenance performed and required
 - Changes to status of Personnel

6. Requirements
 - Inventory
 - Equipment
 - Personnel

Center Cash Management and Auditing

A number of steps will be taken to assure proper management and control of funds collected from sales at each branch. A system of checks and balances will be put in place to assure that all funds are properly accounted for. These include:

1. A sales invoice/waiver will be used to record each sale. These forms will be individually numbered and issued from Operational Headquarters. The form will include the following information:
 - Name, address, phone number of customer
 - Date and time flown
 - Amount collected
 - Actual flight duration time from aircraft hour meter
 - Person who made the sale and pilot who flew it

A copy will go to the following:

- Original - Operational Headquarters
- First Copy - Center Records
- Second Copy - Customer

2. Centers will remit a summary report once a month which will include all the original sales receipts and deposit receipts.

Audits

Headquarters staff will monitor reports and balance once a month after receipt of report pouch from the Centers.

Local management and a designated representative will audit the hour meter on the aircraft and remit a summary report including any exceptions.

A local independent accounting firm will be retained to balance deposits and receipts on a monthly basis.

Note:

1. Center and Team bonuses are paid on revenue and profits from Center records.
2. Commissions wages due to salespersons and pilots are paid from sales invoices.

3. Each aircraft will be equipped with an hour meter and will be monitored regarding fuel used and maintenance
4. Center management is paid bonus on profits.

Equipment

Each center will initially be equipped with one aircraft and related equipment.

Maintenance

Maintenance of aircraft and related equipment will be performed according to a schedule provided by the Operations Center. Staff will be trained at the Operations Center or on the job, under supervision, to perform all maintenance requirements. The Center will draw on a supply of normal parts and supplies located at the Center and upon a larger inventory at the Operations Center. Major repairs such as an engine overhaul will be done at the Operations Center with replacement engines provided to maintain operational status. Daily maintenance activities will be recorded in the maintenance log of each aircraft.

Staffing

A fully staffed Center will have 3 to 7 employees. All pilots will split their duties between flying and management of the Center. The policy of the company is to hire pilots and then train them to become managers according to their abilities and potential.

Fun Flight Center managers will have limited control over their operations. They will report all the Center's activities back to Operations and receiving advice and suggestions from Headquarters. Their emphasis will be on increasing sales and efficiency.

Staffing is not perceived to be a major challenge. There are always a high number of new private and commercial pilots looking for work at any one time. The prospects of being employed, flying in a beautiful resort area of the world and being able to transfer to different areas for variety as well as receiving managerial training and advancement within the organization, will be inviting to many.

FFI Inc. will recruit pilots from throughout North America primarily. Once a Center is established, local pilots will be recruited, whenever possible, from the island where the Center is located. With average per capita incomes of \$1,000 U.S. to \$5,000 U.S. per year and a literacy rate in the 80%-95% range many locals will be trainable for employment with FFI. This will have a very positive effect on profits.

STATEMENT OF MISSION AND PURPOSE

Fun Flights International Inc. will become the world leader in providing high value recreational tours to the public using Ultralight aircraft. The Company will establish and operate profitable Fun Flight Centers and will dominate the regions which it selects.

The Company will serve the customer with the highest quality and safest tours available anywhere and will maintain a professional image at all times.

The Company will hire and train the highest calibre of employees available and will promote from within.

Fun Flights International Inc. will utilize technology to its fullest to establish and maintain the leadership position in the industry.

The Company will adhere to the principals of sound administrative and financial management while maintaining a policy of continual growth and profits for its shareholders.

SOURCES FOR RESEARCH AND INFORMATION

International Civil Aviation Organization (ICAO), Montreal

Canadian Owners and Pilots Association (COPA), Ottawa

Aircraft Owners and Pilots Association (AOPA), Washington, D.C.

International Seaplane Pilots Association (SPA), Washington, D.C.

Caribbean Tourism Research Department

Caribbean Hotel Association Puerto Rico

Fodor's "CARIBBEAN 1987" (book)

Fodor's "BAHAMAS 1987" (book)

Caribbean/Central American Action Committee, Washington D.C.

Department of External Affairs, Ottawa and Barbados

Caribbean Travel and Life Magazine

Various Tourism and Business Development Associations throughout the Caribbean

Various Foreign Embassies and Consulates operating in Canada

Various Cruise Ship Lines, Airlines and Tour Groups

Price Waterhouse "DOING BUSINESS IN" (book series)

World Trade Center, Toronto