

EXPERT REPORT OF DANIEL M. KASPER

SUBMITTED ON BEHALF OF

CENTRAL TEXAS AIRBORNE SYSTEMS (CTAS)

IN THE MATTER OF

Kalitta Air, L.L.C., v. Central Texas Airborne Systems, Inc.

DECEMBER 23, 2003

EXPERT REPORT OF DANIEL M. KASPER

I. Background and Qualifications

1. My name is Daniel M. Kasper. I am Managing Director and head of the Cambridge, Massachusetts office for LECG (“LECG”). LECG is a firm that provides expert analysis and management consulting in economics, accounting, and finance. My business address is 350 Massachusetts Avenue, Suite 300, Cambridge, Massachusetts 02319. I have over 20 years of consulting experience at LECG as well as Coopers & Lybrand, L.L.P. and Harbridge House, Inc., where I worked prior to joining LECG. I previously served on the faculty of the Harvard Business School and, before that, on the faculty of the University of Southern California Graduate School of Business Administration. In 1993, I served as one of 15 voting members of the U.S. National Airline Commission, a body created by an act of Congress to evaluate and make recommendations on how to improve the performance of the U.S. airline and aerospace industries.
2. I have frequently consulted and testified as an expert on airline and aviation industry matters, including the air cargo industry, in state and federal courts as well as for legislative bodies, Executive Branch agencies, and international organizations. Before joining Harbridge House, I served at senior level positions at the United States Civil Aeronautics Board, including more than three years as Director of International Aviation. In the latter capacity, I was responsible for formulating and implementing the Board’s policies with respect to fares and rates,

international aviation negotiations, competition, and regulatory policy for international airline services, including air cargo. I have authored two books on aviation as well as numerous articles, case studies, and research papers on various aspects of transportation and government policy. I earned my M.B.A. and J.D. degrees from the University of Chicago. A copy of my curriculum vitae is provided as Appendix 1. My professional fees for this matter are \$450 per hour. I have been assisted in the preparation of this report by members of the professional staff at LECG, for which the company will be compensated at their normal hourly rates. A list of my deposition and trial testimony is provided as Appendix 2. A list of the materials received to assist my preparation of this Report is provided as Appendix 3. Additional materials considered in the preparation of this Report are provided as Appendix 4.

3. I have been retained by Sedgwick, Detert, Moran & Arnold LLP, attorneys for Central Texas Technologies Airborne Systems, Inc. (“CTAS”) in this civil litigation. I have been asked by counsel for CTAS to evaluate and offer expert opinions regarding the damage claims put forward by Kalitta Air LLC, formerly American International Airways (“AIA/Kalitta”). This report is a summary of my opinions on these issues and the bases for these opinions, as supported by the work I have performed or supervised to date. My investigation and consideration of these issues is on going. Accordingly, my opinions are subject to revision based on the work I may complete or supervise in the future.

II. Summary of Opinions

4. The estimate of damages by plaintiff's expert Robert A. Rock ("Rock") is inflated as a result of a number of significant errors and omissions, including the use of 1996 rather than 1997 as the base year for his damage calculations.
5. Rock's damage estimates are also inflated by his reliance on assumptions regarding AIA/Kalitta's likely performance, including unrealistically high estimates for revenues and fleet utilization, that are inconsistent with actual industry conditions and/or the company's own performance.
6. In addition, Rock's damage estimates are inconsistent both internally and with key economic and industry factors.
7. Finally, Rock's damage estimates are inflated by his use of excessively high multiples resulting from his inappropriate choice of "comparable" air cargo companies.

III. Significant Errors and Omissions Substantially Inflate Rock's Damage Estimates

a) Use of The Wrong Base Year

8. Rock's damage estimates are inflated by his use of 1996 rather than 1997 as the base year for his analysis. 1997 is the most recent year for which actual AIA data are available and therefore provides a more current and realistic starting point for

estimating the damages, if any, incurred by AIA/Kalitta. Moreover, AIA incurred financial losses in 1997 for reasons unrelated to the two aircraft affected by the Airworthiness Directive (“AD”). As a result, Rock’s use of 1996 rather than 1997 as the base year for his projections results in excessive -- and misleading -- damage estimates. Thus, simply using 1997 rather than 1996 as the base year for Rock’s model (i.e., making no other changes) would result in a substantial reduction in Rock’s projected damages.

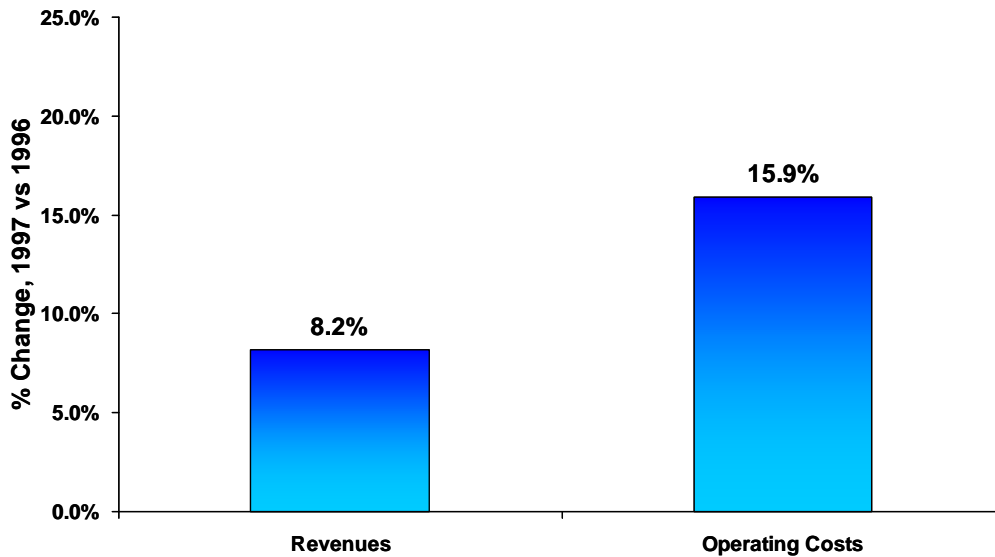
9. Using 1996 as the base year for his damages allows Rock to ignore the fact that AIA’s financial performance had significantly deteriorated from 1996 to 1997, as a result of factors other than the AD.
 - a. Rock’s own Exhibit X shows that for first nine months of 1997, AIA had an operating loss of over \$9 million, versus an operating gain of over \$12 million during the first 9 months of 1996, a deterioration of over \$21M.
 - b. Likewise, AIA’s net income for the first 9 months of 1997 fell by nearly \$28 million compared to the first 9 months of 1996.
 - c. Simply using 1997 rather than 1996 as the “base” year would eliminate Rock’s projected damages in his “Modified No Growth” Scenario.¹

10. In addition, using 1996 rather than 1997 as a base year and projecting hypothetical results from that point forward enabled Rock to ignore in his damage

¹ I understand that Professor Blaydon has done this calculation and it confirms this conclusion. See Expert Report of Colin C. Blaydon.

estimates the inconvenient fact that from 1996 to 1997, AIA's costs increased almost twice as fast its revenues.²

FIGURE 1: CHANGE IN AIA OPERATING COSTS AND REVENUES, 1997 VS 1996



Notes: Data is for January-September of each year. Costs include Flight, Maintenance, Fuel, Depreciation, SG&A and Provision for doubtful accounts. Revenues include Air Transportation Services, Maintenance and Other.

Source: Expert Report of Robert Rock, Exhibit X.

11. Among the factors contributing to AIA's deteriorating cost position that Rock fails to take proper account of were the costs of modifying and integrating the L-1011's into the fleet, costs that substantially exceeded AIA's projections.³ In addition, as a result of a substantial surplus of pilots (resulting from AIA's decision to add pilots in advance of having aircraft available for those pilots to fly), AIA's pilot costs were considerably in excess of the pilot costs incurred by

² Rock's own exhibits show that AIA's flight, maintenance and SG&A costs per block hour increased 16.6% in the first 9 months of 1997 compared to the first 9 months of 1996 (see Exhibit X). This compares to an increase of only 3.9% in AIA's Air Transportation Services revenue per block hour over that same time period.

³ Source: AIA 0016555 and AIA 74697.

its competitors. In 1996, for example, AIA's average cost for a B727 crew was \$470 per block hour, nearly twice that of Evergreen's \$267 per block hour.⁴

12. The effect of using 1996 rather than 1997 as the "base year" was to substantially inflate AIA/Kalitta's purported lost profits and, hence, its damage claims.

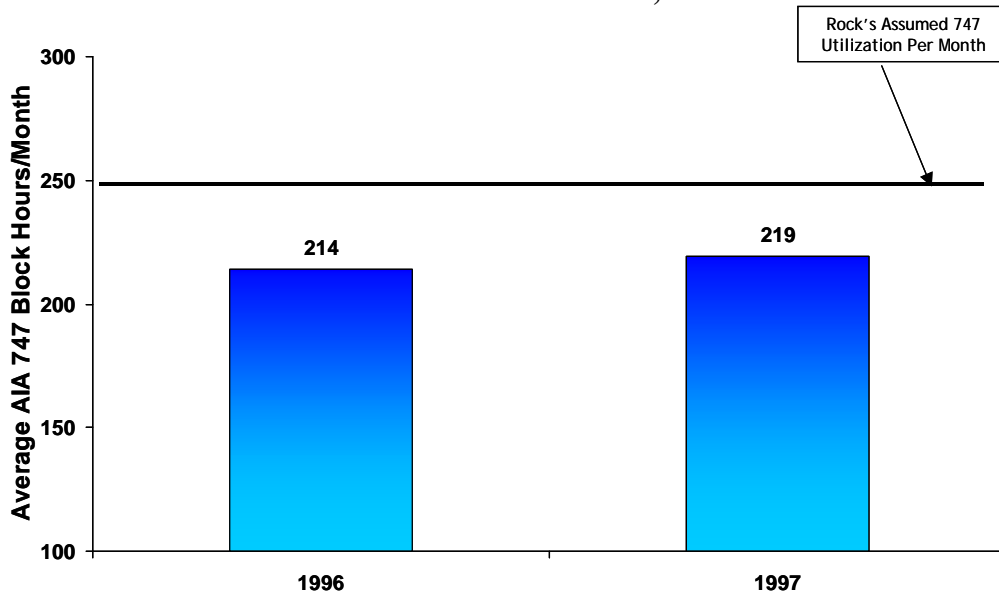
b) Rock Also Relied on Unrealistic Assumptions Regarding B747 Utilization

13. The damage forecasts contained in Rock's "Modified No Growth" and "Growth" scenarios are also inflated by his reliance on other assumptions that are erroneous, unrealistic or unsubstantiated. To begin with, the appropriate utilization rate for computing AIA/Kalitta's foregone flying opportunities (and lost profits, if any) is *not* the average for all 747s in its fleet. Rather, it is the utilization realized by the two marginal 747s in its fleet since that reflects the availability of potentially profitable flying opportunities available to AIA/Kalitta. But even in terms of average utilization rates, Rock's assumption that 701CK and 706CK would operate an average of 250 monthly block hours (3,000 annual block hours) is inconsistent with – and considerably higher than -- both AIA's and Kalitta Air's actual B747 utilization rates. As shown in Figure 2, AIA's B747 average fleet utilization during 1996 and 1997 was far below the 250 hours per month assumed by Rock.⁵

⁴Source: Expert Report of Daniel M. Kasper, In the matter of GATX/Airlog and GATX Capital Corporation vs. Evergreen International Airlines, et. al, December 23, 1999, paragraph 108.

⁵ Moreover, the appropriate utilization rate for computing AIA/Kalitta's foregone flying opportunities is the utilization realized by the two marginal 747s in its fleet rather than the average for the entire fleet. In 1997,

FIGURE 2: AIA B747 UTILIZATION, 1996 & 1997



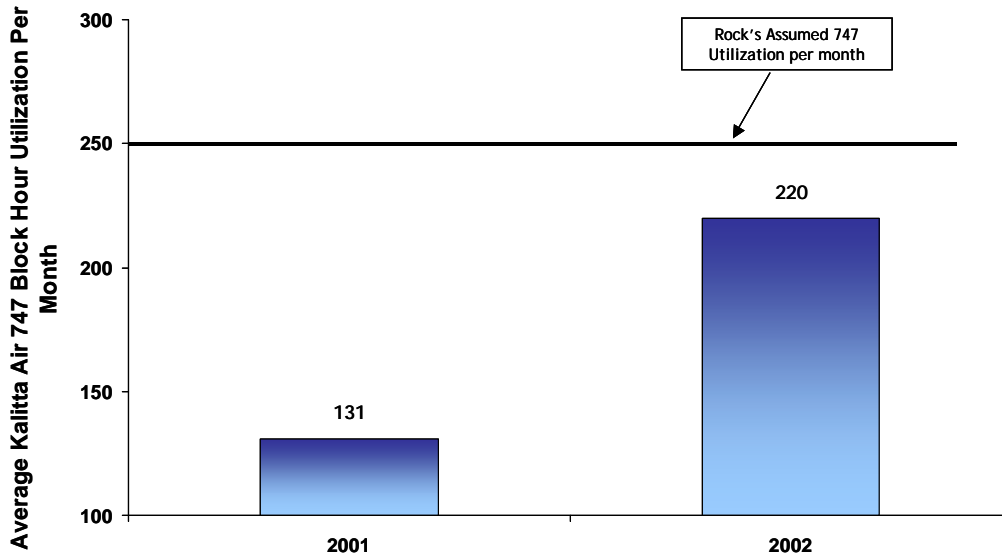
Notes: Averages are for 702CK, 703CK, 704CK, 707CK, 708CK and 709CK. 1996 values assume 703CK and 704CK entered into service in March.

Source: AIA 74696 and AIA 70165.

14. Likewise, Kalitta Air's average month B747 utilization during 2001 and 2002 was also far less than 250 hours per month. As shown in Figure 3, Kalitta Air's average B747 block hour utilization of 131 hours/month in 2001 was nearly 50% below the level assumed by Rock. Likewise, Rock's assumed a B747 utilization rate of 250 hours per month for 2002, which exceeded Kalitta Air's actual utilization by 30 hours per month.

the marginal two 747s in AIA's fleet (703CK and 704CK) flew an average of 118 and 140.5 block hours per month respectively. Source: AIA 74696.

FIGURE 3: KALITTA AIR B747 UTILIZATION



Sources: US DOT T100 International Segment and T100 Domestic Segment Databases, Expert Report of Robert J. Rock, Exhibit VIII.

Notes: Assumes 60 day start-up period for 747s added to Kalitta LLC fleet.

15. Moreover, the utilization actually achieved by Kalitta’s B-747 fleet in 2002 – 220 block hours per month -- is also the utilization rate projected by Kalitta Air in an application filed with the U.S. Department of Transportation (DOT). In that filing, Kalitta forecast block hour utilization for its three 747 aircraft of between 214 and 223 block hours per month.⁶

16. In summary, Rock’s assumed utilization of 250 block hours per month is unrealistically high. Not only is it unsupported by AIA’s and Kalitta Air’s actual performance, but it is inconsistent with Kalitta’s own utilization forecasts for its B747 freighter aircraft. As a result, Mr. Rock’s assumption of 250 block hours per month is nearly 28% higher than the actual monthly average utilization

⁶ Source: “Motion to Amend Application and Joint Submission of Kittle Hawk International, Inc., Conrad A. Kalitta and Kalitta Air, LLC”, Docket OST-00-7588, Department of Transportation, Appendix 6.

realized by AIA and Kalitta Air for the four years that data is available.⁷ Consequently, the projected revenues relied upon by Rock to estimate lost profits substantially overstate the actual revenues that could have been earned by 701CK and 706CK, as well as additional B747 freighters.

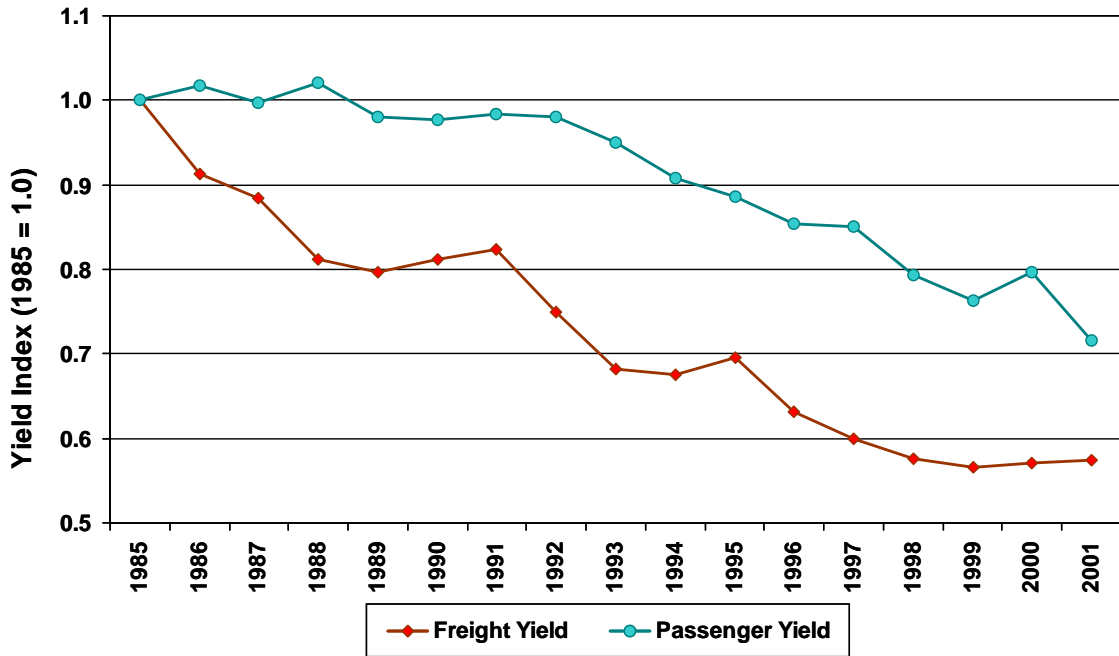
c) Rock's Average Revenue Per Block Hour For B747s Is Also Overstated

17. Rock's assumption that Kalitta would have earned \$5,000 per block hour for B747s (e.g., 701CK and 706CK) in each year between 1996 and 2003 is inconsistent with the strong downward trend in Aircraft, Crew, Maintenance and Insurance ("ACMI") rates that has impacted the air cargo industry, particularly since 2000. Rock's revenue assumptions are thus inconsistent with—and unsupported by—industry data.

18. As illustrated by the following figure, industry cargo yields have fallen by over 40% since 1985, far faster than the decline in passenger yields.

⁷ The average utilization of AIA's 747 fleet in 1996 and 1997 was 214 and 219 hours respectively. The average utilization of Kalitta Air's 747 fleet in 2001 and 2002 was 131 and 220 hours respectively. Taking the simple mean of these four years yields an average of 196 hours per month. Sources: AIA74696, AIA 70165, U.S. DOT T100 Database and Expert Report of Robert Rock, Exhibit VIII.

FIGURE 4: INDUSTRY CARGO AND PASSENGER YIELDS



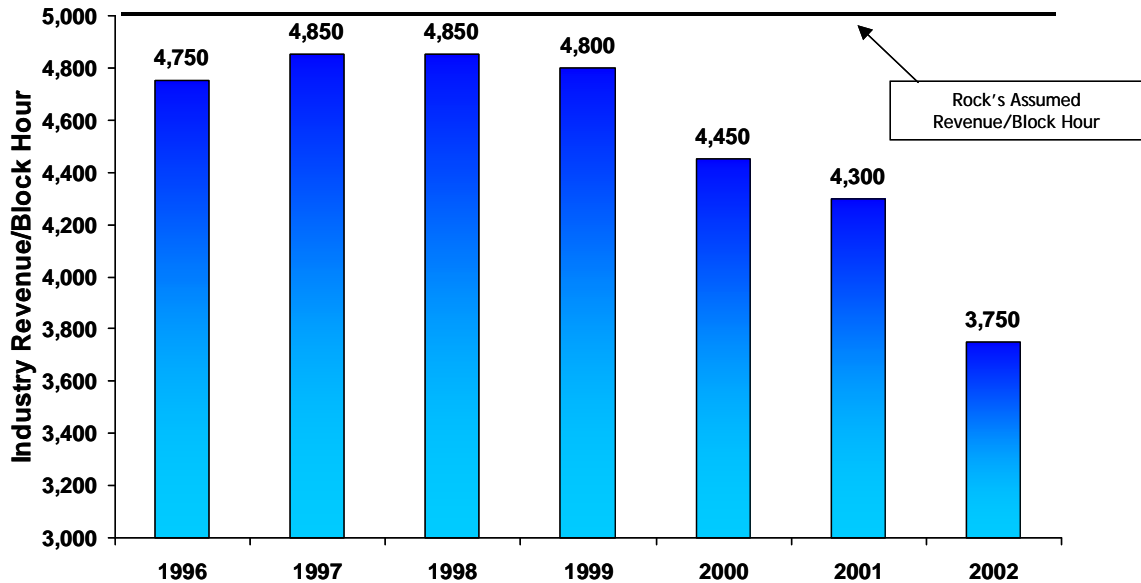
Source: "World Air Cargo Forecast 2002/2003", Boeing Commercial Airplane Group.

19. Moreover, Rock’s assumption that Kalitta would have earned an average of \$5,000 per block hour for 701CK and 706CK (as well as any additional 747 freighters added to its fleet in each year between 1996 and 2002) is speculative and inconsistent with actual industry rates over Rock’s damage period. As shown in Figure 5 below, industry-wide ACMI rates for B747-100 and 200 aircraft ranged from a high of \$4850/block hour in 1997 and 1998 to a low of \$3750/block hour in 2002 period.⁸ In no year during that period did the rates for such aircraft average \$5000/block hour, the rate relied upon by Rock in his damages estimate. Thus, Rock’s assumption that Kalitta could have received an average rate of \$5,000 per block hour *every year* completely ignores the dramatic

⁸ The average ACMI rates for the 747-100F from 1996 to 2002 were: \$4,100, \$4,200, \$4,400, \$4,300, \$3,900, \$3,800 and \$3,000. The average ACMI rates for the 747-200F from 1996 to 2002 were: \$5,400, \$5,500, \$5,300, \$5,300, \$5,000, \$4,800 and \$4,500. Source: Air Cargo Management Group.

decline in B-747 ACMI rates that has occurred beginning in 2000, and causes him to substantially overestimate Kalitta's projected revenues.

FIGURE 5: INDUSTRY BOEING 747 ACMI RATES



Notes: Simple average of industry ACMI revenue/block hour for Boeing 747-100F and Boeing 747-200F. Carriers include Air Atlanta Icelandic, Air Hong Kong, AIA, Atlas Air, CAL-Cargo Airlines, China Airlines, Evergreen International, Kalitta Air, Korean Air, Martinari, MASKargo, MK Airlines, Nippon Cargo Airlines, Northwest Airlines, Polar Air Cargo, SAHA Air, Saudi Arabian, Southern Air/SAT.

Source: Air Cargo Management Group

20. Rock's average revenue assumption of \$5,000 per hour is also significantly higher—even in 1996 and 1997 when rates peaked—than the rates being earned by AIA's direct competitors. For example, Evergreen's ACMI rates ranged between \$4,495 and \$4,619 per block hour during 1996 and 1997.⁹

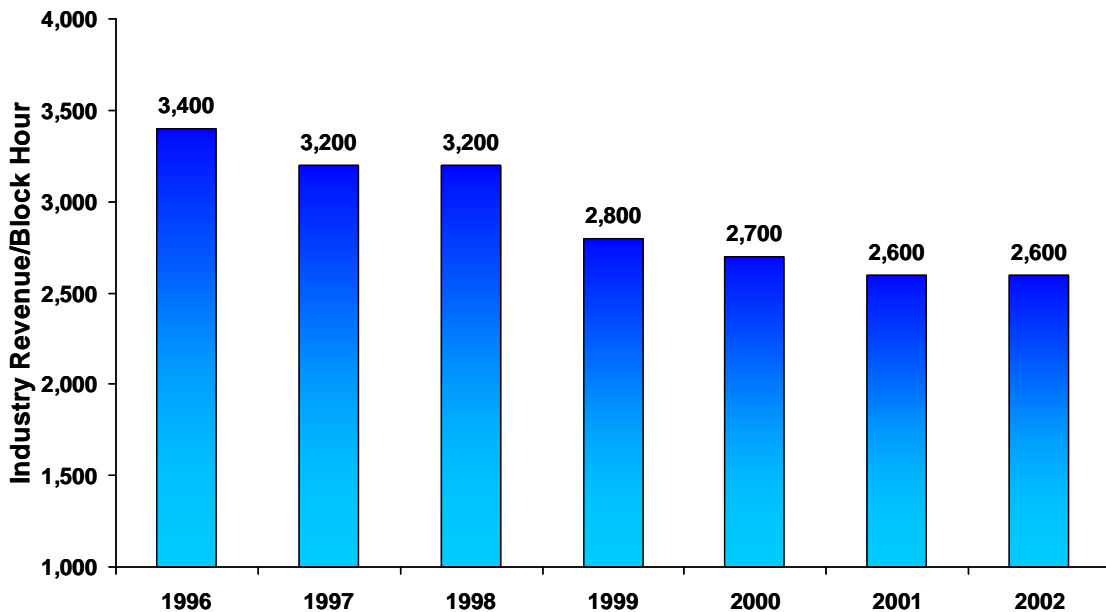
⁹See Expert Report of Daniel M. Kasper at Par. 113 and Expert Report of George E. Miller, on behalf of Evergreen International Airlines, in the matter of GATX Airlog Company, et al. v. Evergreen International Airlines, November 15, 1999.

d) Rock's Revenue Estimates For Kalitta's Other Aircraft Are Also Excessive

21. In addition to overestimating average revenue per block hour on Kalitta's 747 fleet, Rock also overestimates the revenue generating potential from the rest of AIA's fleet. In doing so, Rock fails to account for not only for the well-documented decline in industry-wide ACMI rates but also for changes in AIA's fleet that substantially reduced its revenue generating potential.

22. As shown in Figure 6, ACMI rates for the L-1011-200F aircraft—of which AIA operated five in 1996—fell 24% between 1996 and 2002.

FIGURE 6: INDUSTRY ACMI RATES FOR L-1011 CARGO AIRCRAFT

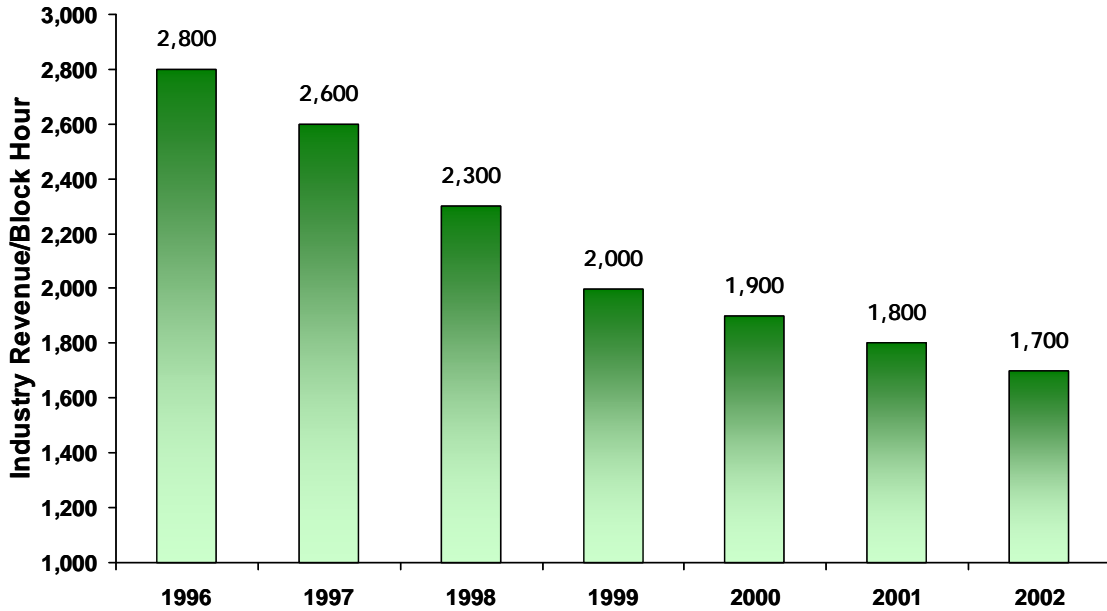


Source: Air Cargo Management Group

Notes: L-1011 200F.

23. Likewise, industry-wide ACMI rates for the DC-8 aircraft—the largest single aircraft type in AIA’s fleet in 1996—declined even more sharply between 1996 and 2002, falling nearly 40%.¹⁰

FIGURE 7: INDUSTRY ACMI RATES FOR DC-8 AIRCRAFT



Source: Air Cargo Management Group

Notes: Rates are based on DC8-70.

24. Notwithstanding the dramatic decline in ACMI rates, Rock assumed a constant revenue contribution for AIA’s “base fleet.”¹¹

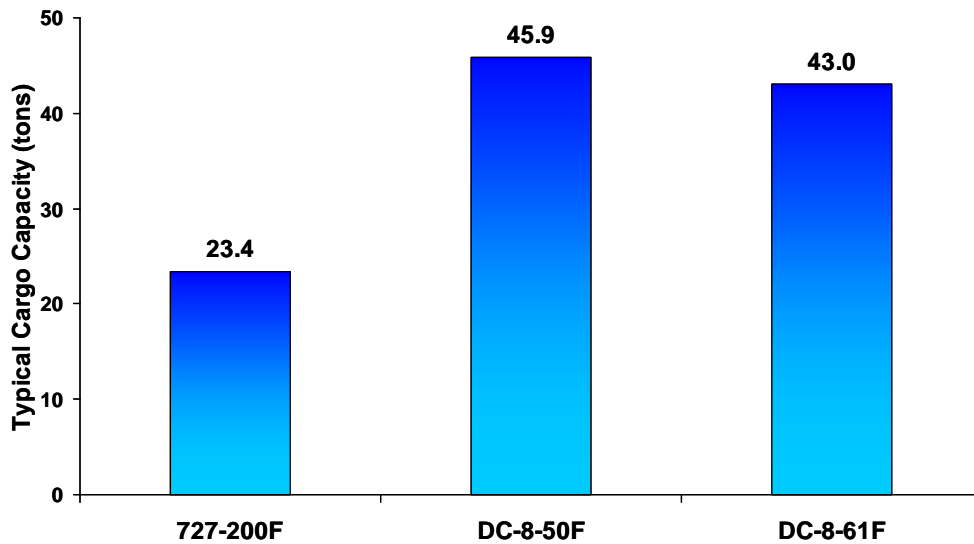
25. In addition, Rock further overstates what AIA’s “base revenues” would have been by failing to account for planned changes in AIA’s fleet, changes that resulted in a substantial reduction in AIA/Kalitta’s revenue generating capability. In particular, Rock fails to make the adjustments necessary to properly account for the planned replacement of thirteen DC-8-61 and DC-8-50s with the same

¹⁰ Data in Figure 7 are for the DC8-70 aircraft. AIA’s fleet at year end 1996 consisted of 9 DC-8-50Fs, 5 DC-8-61Fs,

¹¹ Source: Expert Report of Robert Rock, Exhibit IV, page 2 of 6.

number of 727-200 advanced aircraft.¹² Rock simply assumed that the B-727s would make the same revenue contribution as the larger, more capable DC-8s they were assumed to replace. But in comparison to the DC-8-50 and 61 series, the 727-200F has a substantially smaller payload as well as a significantly shorter range. Figure 8, illustrates, the typical cargo capacity (in tons) of the 727-200F is roughly half that of the DC-8 aircraft it would have replaced. Likewise, the range of the replacement 727-200F aircraft is also roughly half that of the DC-8.¹³ Thus, although replacing DC-8s with smaller B727s could be expected to reduce AIA's revenues, Rock held these revenues constant.

FIGURE 8: TYPICAL CAPACITY OF SELECT CARGO AIRCRAFT



Source: Damage Assessment Based on Lost Profits of American International Airways' N701CK and N706CK, SH&E, February 21, 2001, Page 14.

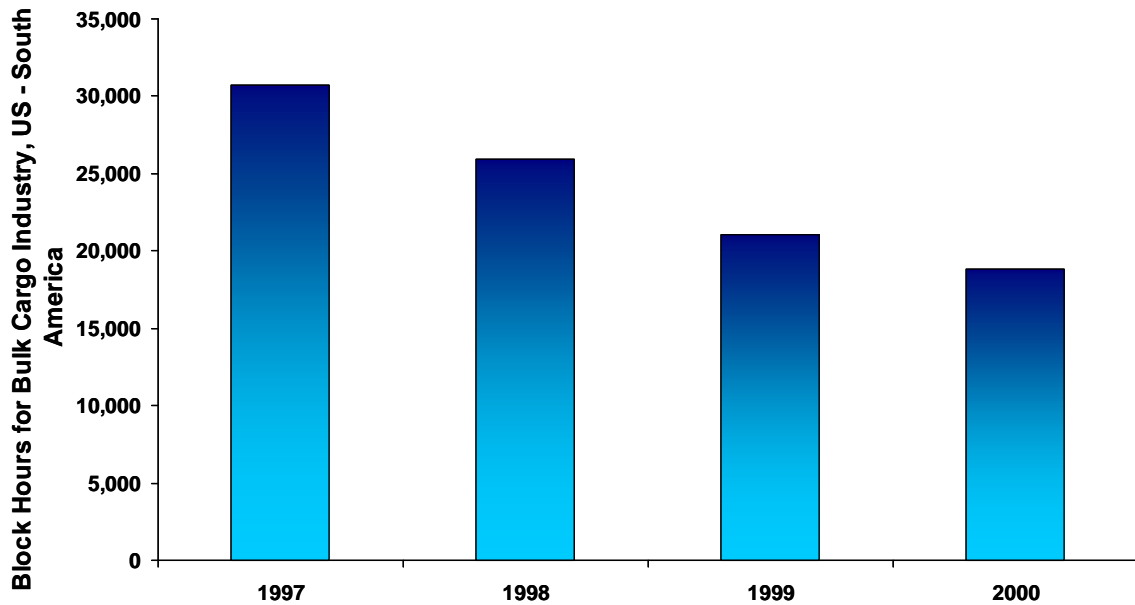
¹² Source: Expert Report of Robert J. Rock, Exhibit V (page 6 of 6) note 1.

¹³ Source: Damages Assessment Based on Lost Profits of American International Airways' N701CK and N706CK, SH&E, February 21, 2001, Page 15.

26. Rock's revenue projections likewise fail to take account of significant downturns in the bulk cargo industry since 1996 and the effect those downturns have had on air cargo industry revenues.

- a. Rock's forecast fails to account for the decline in cargo traffic to Asia and Latin America following the financial crises of 1997 and 1998.

FIGURE 9: BULK CARGO BLOCK HOURS, U.S.-LATIN AMERICA



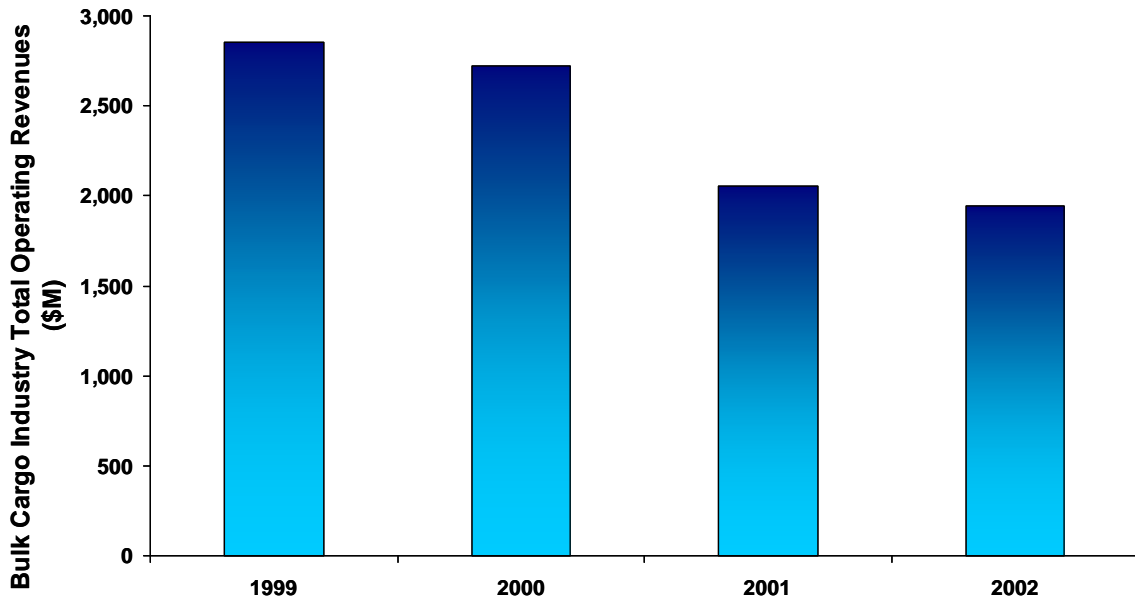
Notes: The bulk cargo industry includes the following carriers - Air Transport International, American International Airways, Amerijet International, Arrow Air, Atlas Air, Challenge Air Cargo, Evergreen International, Gemini Air Cargo, Kitty Hawk Air Cargo, Polar Air Cargo, Southern Air Transport, and Tower Air. Data represent cargo services between the US and South America.

Source: US DOT Onboard International Database.

- b. Rock's forecast also fails to account for the large, adverse effects of 9/11 and the recent recession on revenues and profits in the air cargo industry.

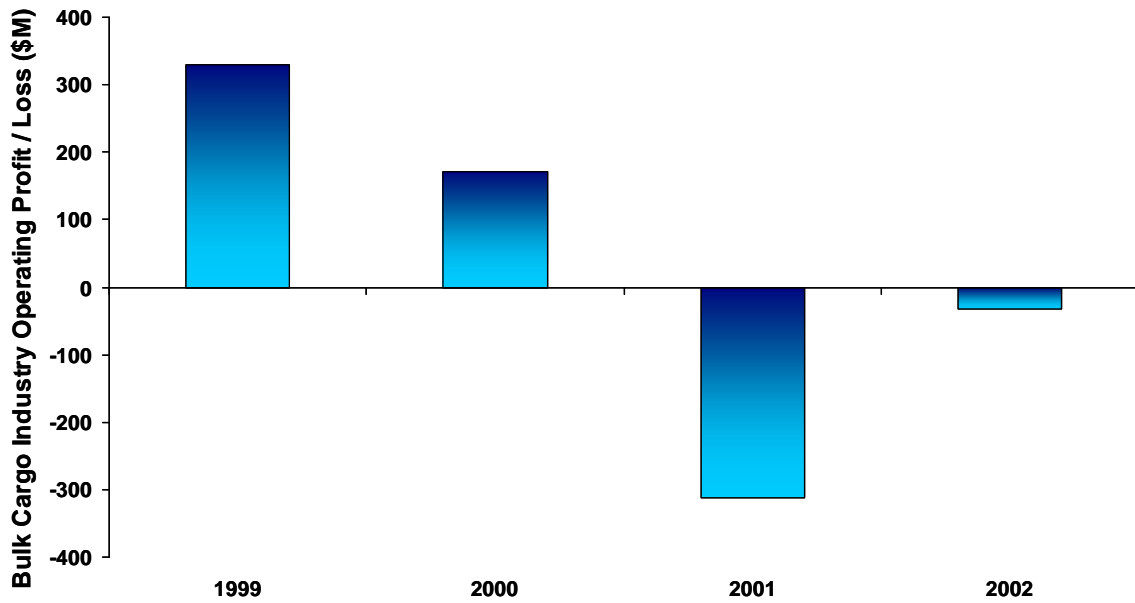
As shown in the following two figures, those effects have been substantial.

FIGURE 10: BULK CARGO OPERATING REVENUES, 1999-2002



Notes: The bulk cargo industry includes the following carriers - Air Transport International, American International Airways, Amerijet International, Arrow Air, Atlas Air, Challenge Air Cargo, Evergreen International, Gemini Air Cargo, Kitty Hawk Air Cargo, Polar Air Cargo, Southern Air Transport, and Tower Air.
Source: US DOT Form 41 Database.

FIGURE 11: BULK CARGO INDUSTRY OPERATING PROFIT/LOSS, 1999-2002



Notes: The bulk cargo industry includes the following carriers - Air Transport International, American International Airways, Amerijet International, Arrow Air, Atlas Air, Challenge Air Cargo, Evergreen International, Gemini Air Cargo, Kitty Hawk Air Cargo, Polar Air Cargo, Southern Air Transport, and Tower Air.
Source: US DOT Form 41 Database.

- c. Similarly, Rock assumes that AIA would not only have survived, but that it would have been highly profitable during a period when a large number of bulk cargo carriers were forced to reorganize or liquidate under bankruptcy protection. The list of such carriers includes Kitty Hawk, Southern, Fine Air, and Atlas—a carrier that Kalitta once held out as an example of what AIA would have become.¹⁴

27. Finally, Rock's assumption that incremental B747s added to Kalitta's fleet would generate an annual profit contribution of \$6 million (3000 hours per year x \$5000 per block hour - \$3000 in direct operating costs) is fundamentally inconsistent with the dramatic decline in B747 prices identified in Rock's report.¹⁵ It is a fundamental principle of economics that the value of an asset is a function of its ability to generate positive cash flows. Hence, the sharp decline in the prices of B747s--that Rock relies upon to generate his lost profit estimates for AIA/Kalitta--necessarily implies a similarly large reduction in the expected revenues available to bulk air cargo carriers. Yet in projecting AIA/Kalitta's revenues, Rock simply ignored both the market collapse and the devastating implications of that fact on his damage estimates—a classic example of trying to have one's cake and eat it, too.

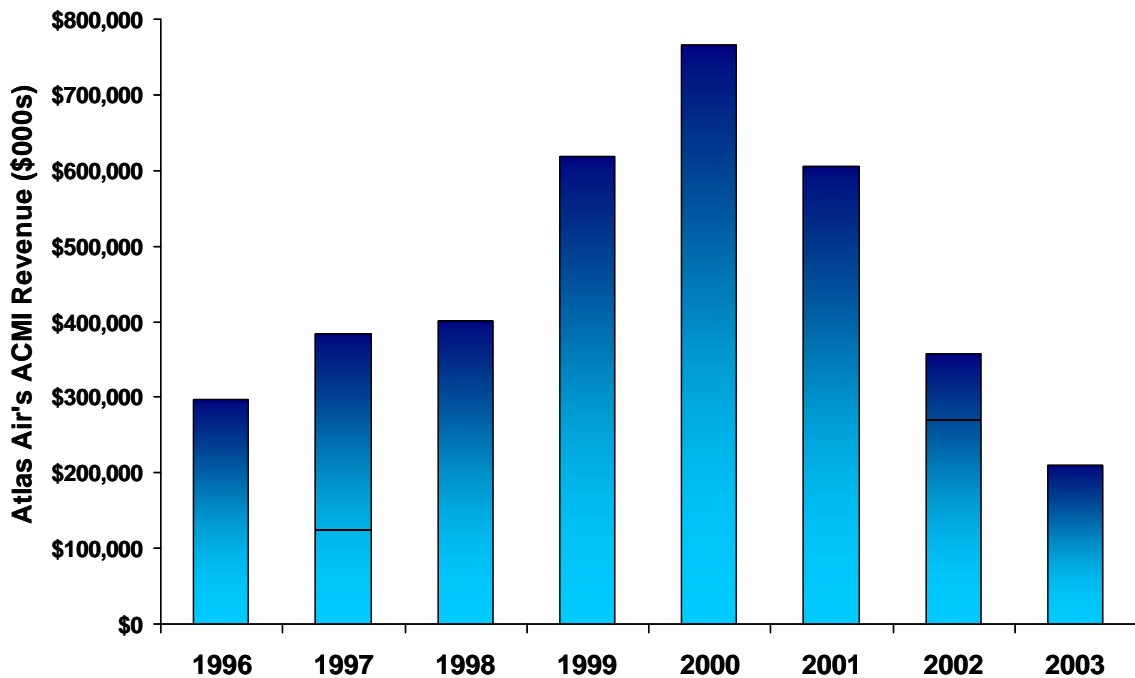
¹⁴ Source: "Damages Assessment Based on Lost Profits of American International Airways' N701CK and N706CK", SH&E, February 21, 2001, page 22.

¹⁵ According to Rock, Kalitta's average acquisition costs for B747 freighters fell from roughly \$30 million to less than \$5million, a reduction of nearly 85%. Source: Expert Report of Robert Rock, Exhibit III and page 5.

e.) **Atlas Air Illustrates The Crisis That Engulfed Bulk Cargo/ACMI Carriers**

28. Another telling piece of evidence that the ACMI cargo market has been far less robust than Mr. Rock assumes is provided by the financial travails of Atlas Air, a carrier which plaintiff's own experts had previously held out as the "benchmark" for what Kalitta Air could have become "but for" the issuance of the AD.¹⁶ Although Atlas Air's ACMI revenues grew rapidly between 1996 and 2000, they have collapsed almost as quickly so that Atlas' ACMI revenues for 2002 were less than their 1997 revenues, as shown in Figure 12.

FIGURE 12: ATLAS AIR ACMI REVENUES



Source: 1996-2001 annual data from company's 10-K forms. 2002 and 2003 data from 8-Q forms.
Notes: 2003 data represents first 9 months of 2003 only.

29. Atlas Air's financial performance began to deteriorate in early 2001 as "cargo industry participants felt the effects of a worldwide recession particularly evident

¹⁶ Source: Damages Assessment Based on Lost Profits of American International Airways' N701CK and N706CK, SH&E, February 21, 2001, Page 22.

in the U.S. market.”¹⁷ Thus, even before the events of September 11th, Atlas Air’s block hour production had begun to fall sharply -- by 23% in the second quarter of 2001 versus the same period from 2000.¹⁸ In response to the collapsing demand for air cargo services, Atlas Air furloughed 105 crew members, took six of its Boeing 747s out of service and made them available for sale during the second quarter of 2001.¹⁹

30. Following the events of September 11th, the already declining air cargo market plummeted even further. In an August 2002 SEC filing, Atlas noted that its ACMI revenues had declined by an additional 20.8% in the second quarter of 2002 from the same period in 2001,²⁰ a decline of almost 40% from the same quarter in 2000. Moreover, Atlas indicated that it had been unable to sell the six Boeing 747s put up for sale one year earlier, a result the company attributed to “poor economic conditions, particularly following the September 11th terrorist attacks.”²¹ In addition, the company was also forced to record a \$7.9 million impairment charge reflecting depressed aircraft prices “as a result of further market value erosion caused by excess B747 freighter capacity.”²²

31. As a result of the deteriorating market conditions for Boeing 747 bulk cargo services that began in 2001, particularly in the ACMI segment, Atlas Air’s

¹⁷ Source: Atlas Air Form 10K, 2001.

¹⁸ Source: Atlas Air Form 10K, 2001.

¹⁹ Source: Atlas Air Form 10K, 2001.

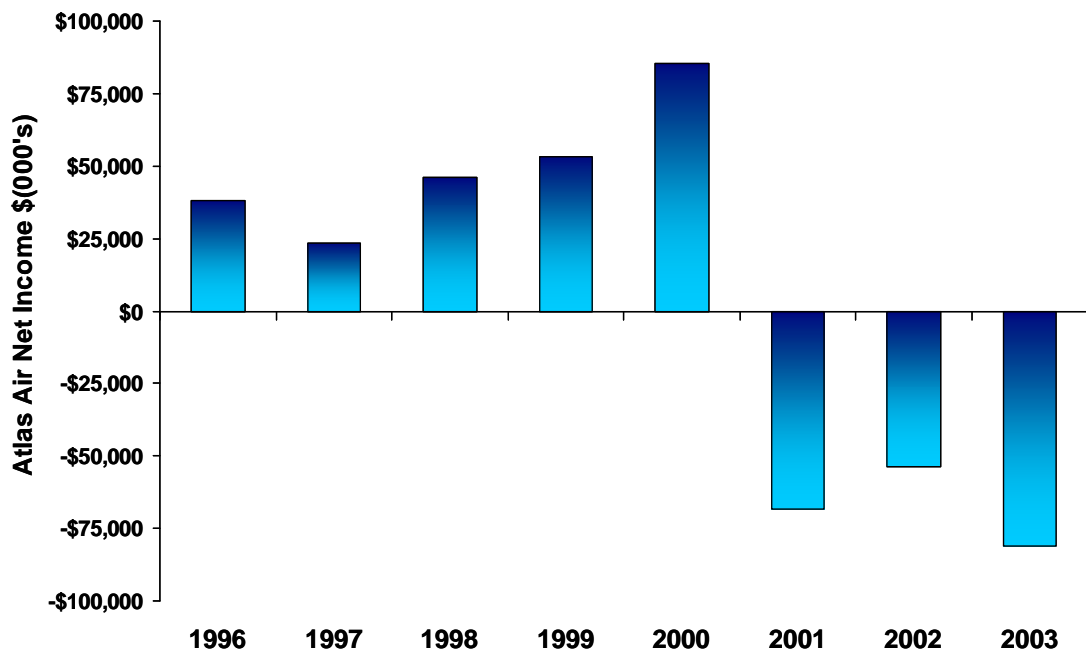
²⁰ Source: Atlas Air Form 10-Q, June 30, 2002.

²¹ Ibid.

²² Ibid.

operating income dropped sharply and the company generated a substantial overall (net) loss, as shown in Figure 12. According to one industry source, “The exclusive ACMI contract in many parts of the world is dead, and in other parts of the world is dying.”²³ As a result, the losses suffered by Atlas have continued to the present day, forcing Atlas to suspend debt payments²⁴ and announce that it will file for Chapter 11 bankruptcy.²⁵

FIGURE 12: ATLAS AIR NET INCOME



Source: 1996-2001 annual data from company's 10-K forms. 2002 and 2003 data from 8-Q forms.
Notes: 2003 data represents first 9 months of 2003 only.

32. Moreover, Atlas was one of many ACMI carriers to suffer serious financial problems during this period. “Atlas Air is not the only cargo carrier these days scurrying to offset a rapidly shrinking wet-lease customer base. The worse market

²³ Source: “Loads of Trouble”, *Flight International*, March 5, 2002.

²⁴ Source: “Atlas Air Worldwide Provides Fourth-Quarter Update”, Company Press Release, February 28, 2003.

²⁵ Source: See Atlas Air Form 8K, December 11, 2003 and “Atlas Air Worldwide Holdings Provides Financial and Restructuring Update,” Company Press Release, December 12, 2003.

conditions in at least a decade have set off a wave of cuts and consolidation among a group of around 20 mostly little-known jet operators. Freighters ranging from 727s to 747s have been parked, expansion plans shelved, and many companies are seeking joint ventures or new investors.”²⁶

33. Notwithstanding the collapse of the ACMI market, however, Rock based his damage projections on the assumption that AIA would have continued to profitably provide ACMI service, an assumption that not even Kalitta appears to share. In statements Kalitta Air filed with the U.S Department of Transportation, Kalitta acknowledged that the ACMI business model—the very operating model that Rock bases his damages estimates on—“has failed.”²⁷

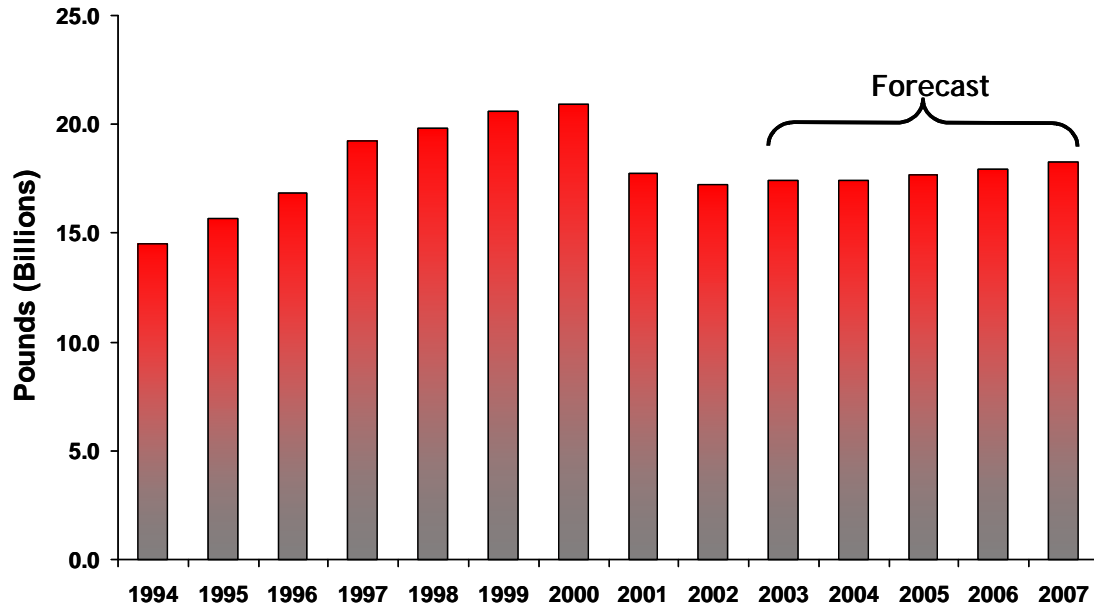
e) Rock’s Analysis Fails To Take Account of Other Market Conditions

34. Rock’s analysis also fails to take account of other important factors affecting market conditions in bulk air cargo markets. For example, in assuming that AIA would have been able to operate profitably, Rock’s analysis fails to reflect the fact that U.S. domestic demand for bulk air cargo has dropped sharply since 2000.

²⁶ Source: “Loads of Trouble,” *Flight International*, March 5, 2002.

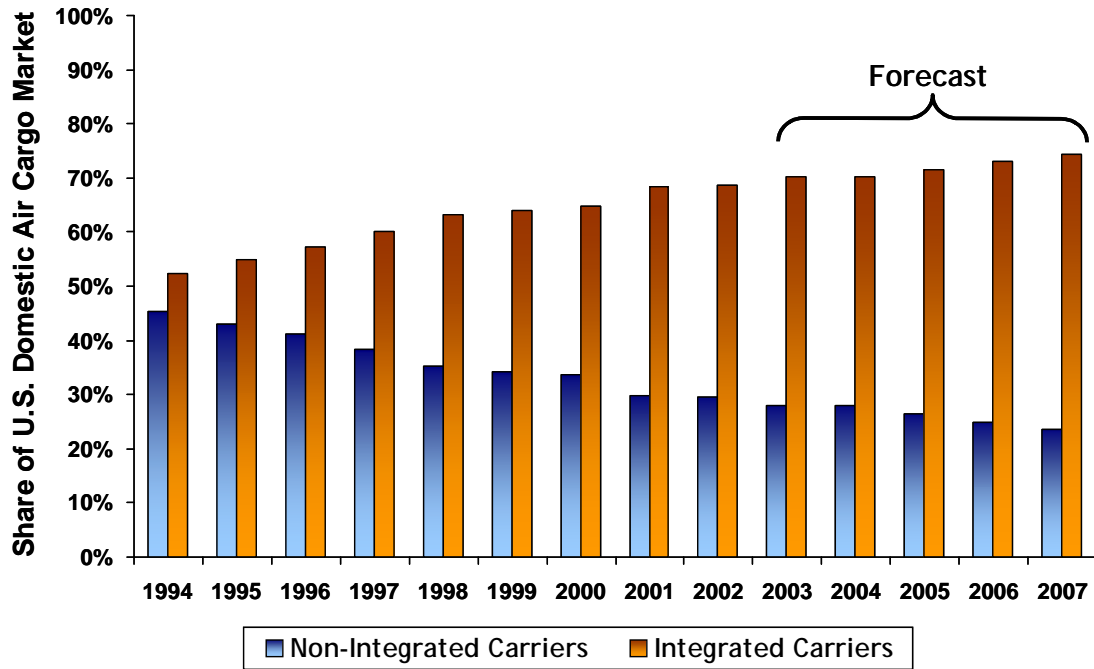
²⁷ Source: “The Atlas Business Model is an ACMI one, and it has failed,” Rebuttal exhibits of Kalitta Air, LLC, DOT Docket OST-2002-14049, Exhibit KA-RT-1, page 12 of 16.

FIGURE 13: U.S. DOMESTIC AIR CARGO SHIPMENTS



35. Rock's forecasts do not take account of the fact that non-integrated carriers such as AIA/Kalitta have continued to suffer a substantial and consistent loss of market share to integrated carriers such as FedEx and UPS.

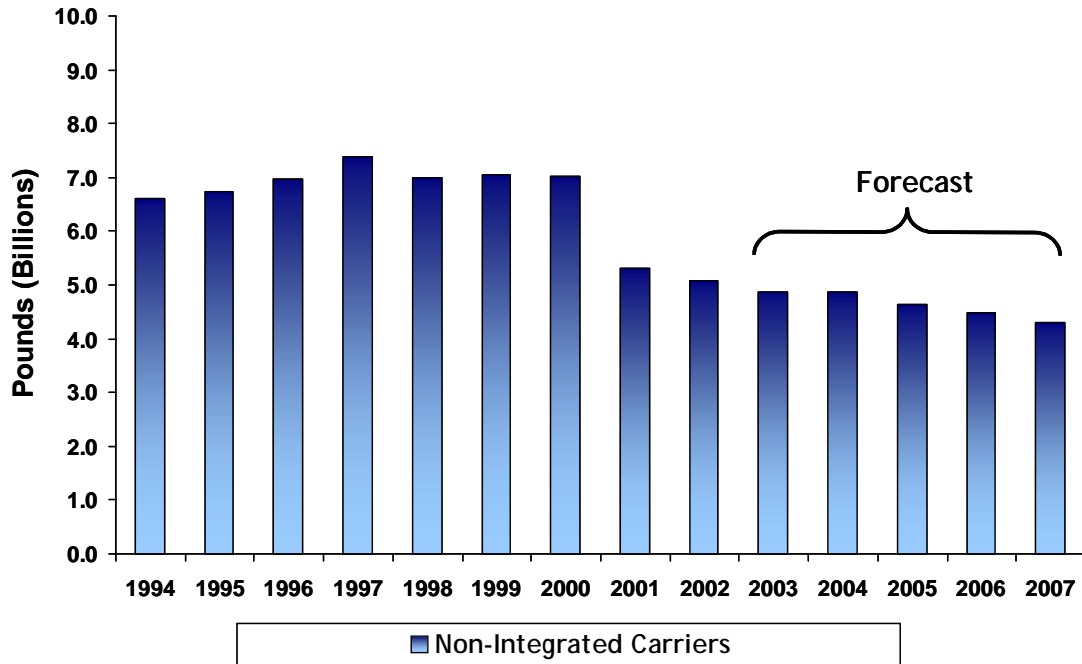
FIGURE 14: SHARE OF U.S. DOMESTIC CARGO SHIPMENTS



Source: The Colography Group

36. Nor does Rock's analysis reflect the fact that domestic cargo shipped on non-integrated air carrier has declined significantly since 2000, a decline that is projected to continue, as shown on Figure 15.

FIGURE 15: TOTAL U.S. DOMESTIC AIR CARGO SHIPMENTS BY NON-INTEGRATED CARRIERS

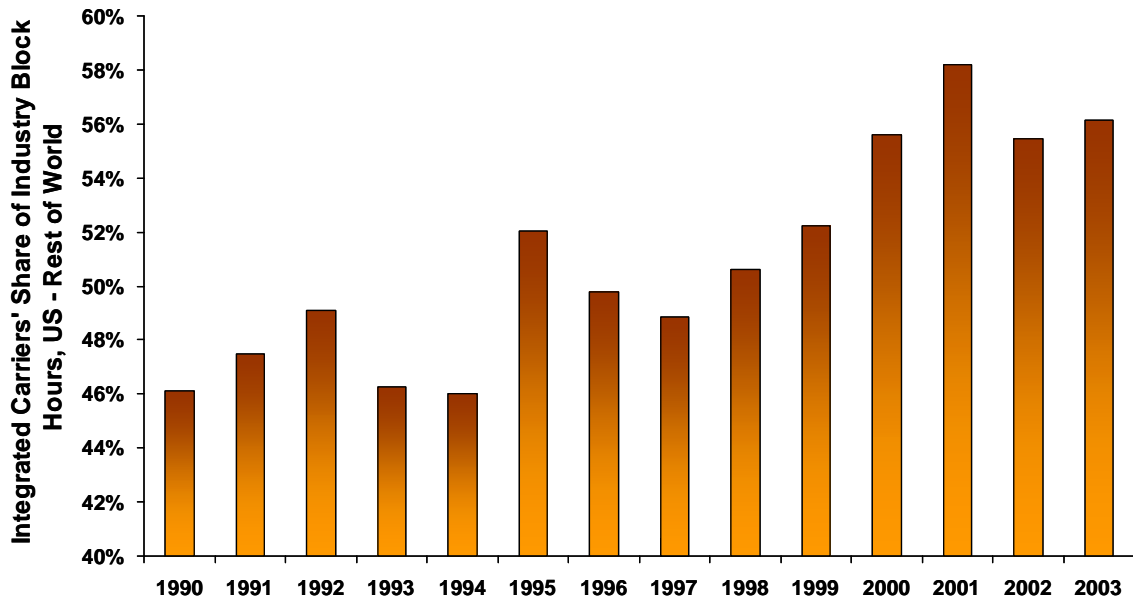


Source: The Colography Group

37. Rock’s analysis indicates little awareness of the fact that non-integrated carriers such as AIA/Kalitta have also lost share to integrated carriers in international markets, as well. Nor do his estimates reflect the fact that “2001 was an extraordinarily depressed one in terms of Asia-North American (off 15.9%) and Intra-Asia (off 6.5%) air freight.”²⁸

²⁸ Source: Direct Exhibits of Kalitta Air, LLC, DOT Docket OST-2002-1409, Exhibit KA-300, page 2 of 5.

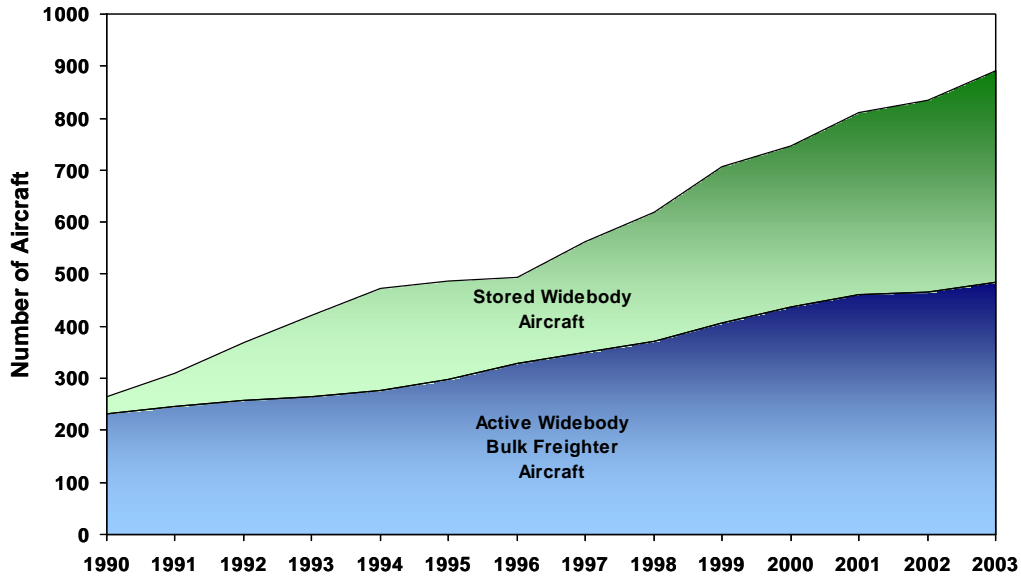
FIGURE 16: SHARE OF INTERNATIONAL BLOCK HOURS BY INTEGRATED CARRIERS



Notes: Integrated carriers include UPS, Federal Express, DHL, Emery Worldwide, and Airborne Express. Non-Integrated carriers are all other carriers that provide cargo operations. Data represent cargo services between the US and all international destinations.
Source: US DOT Onboard International Database.

38. Rock's revenue (and damage) estimates are also inconsistent with the abundance of freighter capacity during his claimed damage period. As shown in Figure 17 below, there has been a substantial increase in the number of both active and stored widebody aircraft since 1996.

FIGURE 17: STORED AND ACTIVE WIDEBODY AIRCRAFT



Notes: Widebody freighter aircraft include B747-100/200/300/400, B767-200/300/400, Airbus A300/310, DC-10, MD11 and L-1011. Bulk freighters exclude overnight package carriers and government/military operators. Figures are as of October 1st of given year.

Source: BACK Aviation Solutions Database.

The increase in capacity has led to a substantial capacity “overhang” for widebody freighters and has contributed to the significant price reductions illustrated in Figures 5-7, above.

39. In addition, Rock simply assumes that Kalitta would have avoided the losses incurred by Kitty Hawk, Atlas and other ACMI carriers that were forced to write down the value of their aircraft (and other assets) in Rock’s damage period.

- a. Thus, Rock’s forecast ignores the fact that, if Kalitta had retained control of AIA, he would have suffered steep declines in asset values comparable to those incurred by other cargo airlines beginning in 2001. Because Kitty Hawk purchased AIA from Kalitta (in November of 1997), however, those losses were incurred by Kitty Hawk rather than Kalitta. The magnitude of

the massive decline in aircraft values is illustrated by the dramatic drop in the market prices Kalitta actually paid for freighters—declining from \$30M to \$4-\$5M for 747-200 freighters).

- b. Although Rock takes full advantage of the decline in freighter prices in his estimate of Kalitta’s costs going forward (by assuming the purchase of B747’s at post-9/11 prices), Rock ignores the fact that if Kalitta/AIA had been acquired by Kitty Hawk, Kalitta/AIA, too, would have been forced to incur substantial operating losses and asset write-downs, losses that were ultimately borne by Kitty Hawk.

40. In addition, Rock failed to account adequately for measures that were or should have been taken by Kalitta to mitigate any damages. For example,

- a. Rock failed to offset against Kalitta’s damage claims the economic value of spare parts and engines from 701CK and 706CK that Kalitta did, or should have, realized;
- b. In addition, Rock failed to offset against Kalitta’s damage claim the value of the payment Kalitta received from GATX in related litigation.

IV. Rock’s Damages Claims Are Inflated by the Inclusion of Inappropriate “Comparable” Carriers

41. As part of his methodology for projecting the hypothetical value of AIA/Kalitta, Rock relies on a multiplier derived from a list of what Rock calls “comparable”

carriers.²⁹ But in doing so, Rock includes in his list of “comparable carriers” a number that are not truly comparable and that do not therefore provide a reliable basis for computing an appropriate multiplier. For example, Rock’s list of comparables includes three large, integrated carriers—FedEx, UPS and Airborne—that Kalitta’s own application to the U.S. DOT acknowledges are distinct types of carriers with fundamentally different business models than Kalitta’s.³⁰ Likewise, in a presentation to Moody’s on November 4, 1995, AIA stated that UPS, FedEx and Roadway Global Air are “[p]rincipally small package carriers; not really competitors.”³¹

42. AirT is not a reliable comparable for AIA/Kalitta. AirT’s primary business is providing overnight package delivery for FedEx using small turboprop aircraft. In addition, AirT provides aviation ground support equipment. Neither AIA nor Kalitta Air provide such services or products.

43. Moreover, CNF is not a reliable comparable for AIA/Kalitta. The majority of CNF’s revenues are derived from its less-than-truckload (LTL) trucking business, not from bulk air cargo operations. In addition, although CNF previously owned Emery Air Freight, the latter’s business was principally as an integrated air freight carrier (such as FedEx or UPS), not as a bulk cargo carrier. In any event, Emery

²⁹ Expert Report of Robert Rock, page 8.

³⁰ After describing AIA (in 1997) as “the largest ‘non-integrated’ cargo air carrier in the United States,” Kalitta noted that “*This category excludes the “integrated” carrier/delivery services, such as Federal Express, UPS and Emery*” Source: AIA 0018372.

³¹ Source: American International Airways, Inc. Presentation to Moody’s, November 4, 1995. AIA 0018354.

discontinued all aircraft operations in 2002 and laid off its remaining airline personnel.

44. A third “comparable” used by Rock, Airnet, also does not provide bulk cargo services. Its fleet consists entirely of Lear Jets and small turboprop aircraft, and in 2002, over two-thirds of Airnet’s revenues were derived from the transporting of bank checks.³²

V. Conclusion

45. For the reasons described in detail above, errors and omissions in Mr. Rock’s damage analysis have caused him to grossly overestimate the damages, if any, suffered by Kalitta due to the issuance of the A.D. affecting two B747 aircraft then in AIA’s fleet. As a result, I do not believe Rock’s analysis provides a reliable basis for determining the existence or amount of any damages.

³² Source: Airnet 2002 Annual Report.

A handwritten signature in black ink, appearing to read "Daniel M. Kasper", written over a horizontal line.

Daniel M. Kasper

December 23, 2003

APPENDIX 1: CURRICULUM VITAE OF DANIEL M. KASPER

DANIEL M. KASPER
LECG, LLC
350 Massachusetts Avenue
Suite 300
Cambridge, MA 02139

EDUCATION

BA, Political Science, UNIVERSITY OF KANSAS
Masters in Business Administration, UNIVERSITY OF CHICAGO
Juris Doctorate, UNIVERSITY OF CHICAGO

PRESENT POSITION

LECG November 1997-present
Managing Director, Cambridge, MA Office

At LECG, Mr. Kasper has focused his practice on the transportation industry. He has provided consulting services as well as expert economic analysis and testimony for a variety of clients in both the private and public sectors in the aviation, rail, trucking and maritime industries.

PREVIOUS EXPERIENCE

COOPERS & LYBRAND, Consulting 1993-1997
Partner and Chairman Transportation Industry Program

Mr. Kasper headed C&L's Transportation Industry Program where he directed a number of engagements involving domestic and international transportation clients in both the private and public sectors. He also appeared frequently as an expert witness before Federal courts, regulatory agencies, and the Congress of the United States.

UNITED STATES NATIONAL AIRLINE COMMISSION, 1993
Member

In 1993, Mr. Kasper was appointed and served as one of fifteen voting members of the US National Airline Commission, a body established by Congress to examine and make suggestions for strengthening the U.S. airline and aerospace industries. The Commission submitted its Report and recommendations to the President and Congress in September of 1993.

HARBRIDGE HOUSE, INC. 1983-1993
Vice President, Director and Head of the Transportation Practice

Mr. Kasper managed the firm's transportation practice and was responsible for a wide array of projects involving domestic and international transportation issues. He also served as an expert witness in numerous proceedings before Federal and state courts, regulatory agencies and legislative bodies.

UNITED STATES CIVIL AERONAUTICS BOARD, 1979-1983

Director of International Aviation

From January 1980 through September 1983, Mr. Kasper served as Director of International Aviation, the Board's primary advisor and chief line officer for all matters involving international aviation. During his tenure as Director, Mr. Kasper was instrumental in developing and implementing a pro-competitive U.S. international aviation policy.

Executive Assistant to Civil Aeronautics Board Member

From July through December of 1979, Mr. Kasper served as chief staff advisor to Board Member and Vice-Chairperson Elizabeth E. Bailey. In that capacity, he was responsible for reviewing all matters pending before the Board and advising Ms. Bailey on proper disposition of those matters. Matters dealt with by the Board during that period included a number of proposed airline mergers, the allocation of takeoff and landing slots, potential barriers to entry posed by control of gates at congested airport facilities, retail marketing of air transportation, pricing policy, and a request for antitrust immunity by the International Air Transport Association.

HARVARD UNIVERSITY, BUSINESS SCHOOL, 1976-1981

Faculty

At Harvard Business School, Mr. Kasper specialized in two principal areas: the impact of alternative forms of government regulation on the management and performance of business organizations and on the study of national economic policies and strategies. Mr. Kasper authored a number of case studies on various aspects of the transportation and telecommunication industries.

While at Harvard, Mr. Kasper was a member and active participant in the Harvard Regulatory Reform Project conducted under the auspices of the Kennedy School of Government. He also consulted with firms in the telecommunications and computer industries to help them anticipate and prepare for the impact of telecommunications deregulation on their businesses.

UNIVERSITY OF SOUTHERN CALIFORNIA, 1971-1976

Faculty

While at USC, Mr. Kasper developed, administered and taught courses dealing with the control of business activities by means of direct government regulation, the enforcement of private contracts, and through the use of tort law. His research focused on the regulation of transportation, telecommunications industries and workplace safety. He also served as a member of the Faculty Senate.

BOOKS

- 1) *Deregulation and Globalization: Liberalizing International Trade in Air Services*, Ballinger Publishers, Cambridge, MA, 1988.
- 2) *The US Regional Airline Industry to 1996: Markets, Competition, and the Demand for Aircraft*, The Economist Publications, London & New York, 1987.

PROFESSIONAL AFFILIATIONS

Member of the Illinois Bar

Member of the California Bar

Member, American Bar Association

December 2003

APPENDIX 2
EXPERT ANALYSES/TESTIMONY OF DANIEL M. KASPER 1997-PRESENT

In Re Atlantic Coast Airlines Holding v. Mesa Air Group Inc., Antitrust Litigation

Expert report on airline industry economics and competition, The United States District Court For The District of Columbia, 2003.

In Re UAL Corporation, et al, Bankruptcy Litigation

Expert report on airline industry economics and competition, The United States Bankruptcy Court for the Northern District of Illinois, Eastern Division, 2003

GATX/Airlog Co. and GATX Capital Corp v. Evergreen International Airlines, Inc. et al

Expert analysis and testimony (deposition and trial) regarding damages claims arising out of alleged flaws in the conversion of certain aircraft from passenger to cargo configuration. Northern District of California, No. C-96-2494, 2001

In Re: Northwest Airlines Corp, et al, Antitrust Litigation

Expert analysis and deposition testimony in a suit challenging certain airline pricing practices. Eastern District of Michigan, Master File No. 96-74711, 2000.

Continental Air Lines, Inc., et al v. United Airlines, et al

Expert analysis and testimony in an antitrust case regarding the economic rationale for -- and the impact on airline competition of -- certain cooperative activities among airlines serving Dulles International Airport. Eastern District of Virginia, Civil Action No. 00-68-A, 2000.

Strotek Corporation v. Air Transport Association of America, et al

Expert analysis and testimony regarding the economic basis of allegations that defendants had engaged in a conspiracy in restraint of trade in violation of the Sherman Act. Federal District Court, Reno, NV, No. CV-N-96-00742-ECR (RLH), 2000.

U.S.-U.K. Alliance Case

Expert analysis and written testimony on behalf of American Airlines and British Airways on antitrust and aviation policy issues raised by the proposed alliance of these two carriers. OST-2001-11029.

Computer Reservations System (CRS) Regulations, Supplemental ANPRM

Provided expert analysis and comments on a range of antitrust, economic, competition, and public policy issues with regard to the electronic distribution of air transportation generally, and with respect to Orbitz in particular. Dockets OST-97-2881, 97-3014 and 98-44775, September/October 2000.

United Airlines, Inc. v. Mesa Airlines, et al

Expert testimony regarding damages as well as the structure and operation of hub and spoke route systems, airline competition and pricing, and the nature and performance of regional airlines. Federal District Court, Denver. Case No. 97C-4455, 2000.

In Re: USDOT Proposed Policy Statement on Unfair and Exclusionary Competitive Practices (Predatory Pricing)

Prepared expert economic analysis and written testimony assessing the economic rationale and probable effects of a proposal by the U.S. Department of Transportation to impose new pricing and capacity regulations on certain airlines in an effort to prevent what the Department considered to be predatory conduct. USDOT, Docket OST-98-3713, 1998-99.

AirTran Airlines, Inc. f/k/a ValuJet Airlines, Inc. v. Sabre Tech, Inc. and Sabreliner Corporation

Expert analysis and testimony regarding damages suffered by ValuJet as a result of the crash of VJ flight 592. Circuit Court of St. Louis County, State of Missouri #97CV-003725, 1998.

Pan Am Corp, et al. v. Delta Air Lines

On behalf of the defendant in breach of contract suit, provided expert analysis and testimony as to the economic, strategic and financial factors that led to the failure of Pan American Airways and as to the validity of damage claims arising from that failure. Federal District Court, SDNY, 93 Civ. 7125(RPP), 1994.

Northeast Express, et al v. Northwest Airlines

Expert analysis of: (a) the factors contributing to the bankruptcy of plaintiffs including the adverse competitive and financial effects of decisions by plaintiffs' management; and (b) damage claims made by plaintiffs. Case Nos. 94-20409, 94-20410, United States Bankruptcy Court for the District of Maine, 1996.

American Airlines and Allied Pilots Assn.

Expert testimony on economic and competitive conditions in the airline industry and competitive and economic implications arising from the introduction of regional jet aircraft service. Before the Presidential Emergency Board, Presidential Emergency Board 233, Washington, D.C., 1997.

In Re: USDOT/FAA Policy Regarding Airport Rates and Charges

Prepared expert analysis and written testimony with regard to the economically appropriate standards for reviewing rates and charges imposed by commercial airports on airlines and other airport users. Docket OST-29303, 1997-98.

City of Fort Worth v. City of Dallas, Continental Airlines, Inc. et al

Expert analysis and testimony on the probable economic impact on the City and DFW Airport from expanded service at Dallas Love Field. Tarrant County State Court, Cause No. 48171109-97. 1999

Eurioste et al. v. Continental Airlines

Analysis and expert testimony on the economic and competitive factors underlying Continental's decision to close its hub and cut back its employment at Denver. Federal District Court, Denver, Civil Action No. 95-WM-2112, 1998.

Pollack, et al v. Continental Airlines, Inc.

For Continental, expert analysis and testimony on the economic and business bases for a decision to outsource certain ground handling functions at Seattle, WA. Federal District Court, Seattle, 1997.

United Airlines, et al. v. American Airlines and the City of Miami

Expert analysis and testimony on the economic, competitive, and public policy implications of the financing of major terminal improvements at Miami International Airport. U.S. Department of Transportation, Washington, D.C., 1997.

In Re: Travel Agency Commission Antitrust Litigation

Expert economic analysis and testimony regarding economic conditions, competition and the financial performance of the airline industry as well as competitive considerations that precipitated the initial airline's unilateral decision to change commission rate paid to travel agents and the subsequent decisions by other airlines to match that change. Federal District Court, Minneapolis, MDL Docket No. 1058, 1996-97.

Canadian Airlines/American Airlines, et al

Expert testimony before the Canadian National Transportation Commission in its investigation of a major investment by American in Canadian Airlines. Hearing before the Canadian National Transportation Commission, 1995.

Air Transport Association of America, et al v. City of Los Angeles, Department of Airports and the Board of Airport Commissioners

Expert economic analysis and testimony regarding the appropriateness of the landing fees imposed on the users of Los Angeles International airport. US Department of Transportation, Docket Nos. OST-97-2329 (50176) and OST-95-474.

December 2003

APPENDIX 3: LIST OF DOCUMENTS RECEIVED

Bates Number		Document Description
Beginning	Ending	
00000001	00000021	Financial Statements & Auditor's Report -1992,1991
00000022	00000035	Financial Statement & Auditor's Report -1994,1993
00000036	00000056	Confidential Draft of D&T Independent Auditors Report
00001567	00001568	Letter from Rick Hatton
00001647	00001647	Statement of Economic Impact
00002290	00002290	Correspondence re. Interflight Services, Inc.
00002294	00002295	Petition to Repeal AD 95-15-12
00010036	00010046	Lending Fees
00010049	00010051	Trip Sheet, N701CK
00010052	00010056	AIA Insurance Premiums on 701CK and 706CK
00016523	00016536	Management's Discussion and Analysis of financial condition and results of operations
00016537	00016550	Various Financial Reports
00016555	00016555	Summary of estimated 1996 aircraft costs per hour
00016573	00016575	Memo re. Bond Offering Status
00016576	00016580	Forecast Documents sent to Furman Selz
00016581	00016582	L-1011 Appraisal
00016583	00016584	Memo re proposed Debt Offering
00016590	00016603	AIA Preliminary time & Responsibility Schedule. Rule 144a Offering
000165S5	00016589	August 15,1995 Meeting Outline
00016604	00016606	Debt Offering - Aircraft Considered for Public Debt Offering
00016607	00016609	Letter re. Value of equipment
00016610	00016614	ProTech Advisors, Inc. Opinion Letter
00016615	00016616	Furman Selz correspondence re appraisals
00016619	00016623	Debt Offering - "Fair Rental Value" (ProTech Letter)
00016624	00016625	Debt Offering - Use of Engines to be transferred to Limited Partnership and Grantor Trust
00016626	00016629	Aircraft Appraisals
00016630	00016639	Various Financial Reports
00016645	00016648	1996 Forecast documents
00016649	00016653	Various Financial Reports
00016654	00016661	1996 Forecast documents
00016667	00016669	Letter to Furman Selz
00016670	00016670	Memo re use of proceeds

00017040	00017041	FINOVA correspondence
00017042	00017042	Memo re Hush Kit - FINOVA
00017043	00017043	Letter to FINOVA re N7O1CK & N706CK Payments
00017044	00017045	Schedule of Debt Payment Deferred
00017046	00017048	Correspondence with FINOVA
00017055	00017055	Memo re proposed FINOVA financing arrangement
00017056	00017062	1995 Balance Sheet sent to FINOVA
00017064	00017066	Memo / correspondence re report to FINOVA
00017067	00017080	Debt Covenant Ratio Memo S Attachments
00017082	00017083	Letter from Jane Phifer to Firstmerit re. Late Loan Payments by AIA
00017084	00017084	Letter to Jane Phifer from Firstmerit re. Late Loan Payments by AIA
00017085	00017085	Letter from Fleet Capital Leasing
00017086	00017088	Loan Amortization Schedule
00017089	00017089	First National Bank's Waiver of Financial Covenant Default
00017090	00017090	Letter to First National Bank of Ohio
00017106	00017110	Letter to Jane Phifer from Fleet Capital Leasing re. Response to AIA's Inability to make timely loan payments
00017111	00017111	Letter to Mike Maraone from Fleet Capital Leasing re. Late Payment
00017114	00017115	Letter from Fleet Capital Leasing
00017136	00017140	Letter to 1st Source Bank
00017143	00017143	Letter to 1st Source Bank
00017144	00017145	Revenue & Income Summary sent to National City Bank
00017146	00017161	AIA Presentation to 1st Source Bank
00017162	00017163	Request for Waiver of FINOVA covenant
00017164	00017188	Financial Statement & Auditor's Report -1994.1993
00017189	00017189	Excerpt from Accounting Manual
00017190	00017204	Memo regarding D&T letter report
00017205	00017206	Memo re. Deloitte & Touche Letter Report
00017983	00017995	Draft Letter to Fleet Credit Corporation
00017996	00018010	Miller Canfield draft waiver of default
00018011	00018048	Refinancing
00018144	00018265	November 1995 to January 1996 Lender Agreement Letters
00018266	00018328	AIA's Presentation to Standard & Poor's
00018330	00018353	Letter to Moody's Investment Service
00018354	00016413	AIA's Presentation to Moody's
00018737	00018800	Monthly Financial Statement

00018865	00018940	Monthly Financial Statement
00018941	00019008	Monthly Financial Statement
00018B01	00018864	Monthly Financial Statement
00019009	00019078	Monthly Financial Statement
00019079	00019147	Monthly Financial Statement
00019259	00019262	Monthly Financial Statement
00019387	00019456	Monthly Financial Statement
00019593	00019697	Monthly Financial Statement
00019699	00019803	Monthly Financial Summary
00021055	00021101	Monthly Financial Statement
00021102	00021156	Monthly Financial Summary
00021157	00021204	Monthly Financial Statement
00021205	00021251	Monthly Financial Statement
00021372	00021459	Monthly Financial Summary
00021547	00021629	Monthly Financial Summary
00021630	00021761	Draft Offering Circular
00024364	00024864	Additional Correspondence re. N706CK damage (2)
00024796	00024797	Weekly Flash Report
00024798	00024805	Correspondence re. Financial Covenants
00024806	00024806	Letter to Comerica
00024807	00024807	Comerica's Waiver of Financial Covenant Defaults
00024831	00024833	Various planning memos and agendas
00024841	00024847	Various planning memos and agendas
00024861	00024861	Additional Correspondence re. N706CK damage (2)
00024862	00024862	Correspondence re. N706CK Damage Overpayment Dispute (1)
00024863	00024863	Debt Offering - Aircraft Considered for Public Debt Offering
00024866	00024866	Refund of Insurance Proceeds fro N706CK Damage
00024867	00024867	Panama Incident 6-13-95
00024870	00024874	Panama Incident 6-13-95
00024875	00024875	Comerica records re. N706CK damage
00024876	00024876	Panama Incident 6-13-95
00024877	00024877	Comerica records re. N706CK damage
00024878	00024879	Correspondence re. N706CK Damage Overpayment Dispute (2)
00024881	00024881	Panama Incident 6-13-95
00024882	00024884	Comerica records re. N706CK damage
00024885	00024886	Additional Correspondence re. N706CK damage (3)
00024887	00024887	Additional Correspondence re. N706CK damage (1)

00024888	00024889	Additional Correspondence re. N706CK damage (2)
00024890	00024891	Correspondence re. N706CK damage - Insurance coverage
00024892	00024895	Repair detail for N706CK damage, etc. (5)
00024896	00024897	Repair detail for N706CK damage, etc. (3)
00024900	00024901	Repair detail for N706CK damage, etc (4)
00024902	00024902	Panama Incident 6-13-95
00024903	00024904	Repair detail for N706CK damage, etc. (2)
00024905	00024910	Repair detail for N706CK damage, etc. (1)
00024911	00024914	Correspondence re. N706CK damage
00024915	00024915	Follow up memo re. N706CK damage
00024916	00024916	Follow up memo re. N706CK damage
00024917	00024917	Repair detail for N706CK damage, etc (5)
00024918	00024920	Letter to AIA personnel regarding N706CK damage
00024921	00024925	Final correspondence regarding N706CK damage (1)
00024926	00024927	Additional correspondence regarding N706CK damage (4)
00024928	00024928	Final correspondence regarding N706CK damage (2)
00024929	00024929	Additional correspondence regarding N706CK damage (3)
00024930	00024930	Additional correspondence regarding N706CK damage (1)
00024934	00024939	Adjuster's Narrative Report regarding N706CK
00024940	00024941	Additional correspondence / agreement regarding N706CK damage (4 items)
00024943	00024986	Additional correspondence regarding N706CK damage
00024987	00025004	Correspondence regarding N706CK damage (4 items)
00025005	00025005	Insurance letter regarding damages to N706CK
00025006	00025057	1995 Forecast
00025068	00025080	Aircraft / crew Utilization Report
00025081	00025165	1995 Forecast
00025166	00025189	1995 Aircraft Utilization Report
00025196	00025196	Memo re. 1995 Financial Forecast
00025197	00025197	Memo re. Actual hours operated
00025198	00025205	Additional Forecast documents
00025207	00025208	Memo regarding operational status and issues
00025211	00025212	AMC response to Azores claim
00025213	00025214	AMC response to Azores claim
00025215	00025219	Notes re. Air Force letter re. Azores claim
00025216	00025219	Air Force letter re. Azores claim
00025220	00025220	Memo re. Azores claim

00025221	00025221	Additional correspondence / agreement regarding N706CK damage (4 items)
00025222	00025265	N706CK Azores claim
00025257	00025260	Letter to Government re: request for equitable adjustment
00025285	00025285	Rates Effective April 14,1993
00025313	00025320	Correspondence re: Willow Run Airport Runway Length Problem
00025321	00025327	Weekly Cash Forecast
00025328	00025341	Weekly Cash Forecast
00025342	00025348	Weekly Cash Forecast
00025349	00025355	Weekly Cash Forecast
00025356	00025375	Weekly Cash Forecast
00025376	00025382	Weekly Cash Forecast
00025383	00025389	Weekly Cash Forecast
00025390	00025396	Weekly Cash Forecast
00025397	00025415	Weekly Cash Forecast
00025416	00025440	Weekly Cash Forecast
00025441	00025468	Weekly Cash Forecast
00025469	00025496	Weekly Cash Forecast
00025497	00025513	Weekly Cash Forecast
00025514	00025558	1994 Financial Forecast
00025633	00025633	Gross Margin Analysis • 1994
00025634	00025636	BOT Financial Corporation Report
00025640	00025680	1995 Forecast Documents
00025681	00025688	Revenue Forecast letter
00025880	00025888	Various documents re State of Business
00025889	00025912	Furman Selz Discussion Materials
00025913	00025957	1994 Budget
00025960	00025961	1994 Revenue Breakdown Memo
00025962	00025973	1996 Operating Plan
00025964	00025987	Various planning memos and agendas
00025974	00025975	Flight crew requirement spreadsheet
00025976	00025983	Additional Monthly Financial Document
00025988	00025989	Cost Savings Meeting Agenda
00025992	00026042	1995 Business Plan (12/12/94)
00026062	00026082	Government Fuel Tax Memo
00026085	00026156	Forecast
00026159	00026167	AIA Presentation to Comerica Bank

00026188	00026192	Letter to Comerica re. Options
00026193	00026202	Vendor lists
00026203	00026243	AIA Presentation to Comerica Bank
00026244	00026246	ProTech Advisors, Inc. Opinion Letter
00026247	00026304	AIA Presentation to Comerica Bank
00026305	00026305	Connie Kalitta's memo re state of business
00026306	00026309	Documents re. N707CK modification completion
00026310	00026311	Memos re Insurance premiums on N701CK and N706CK payments (1)
00026312	00026312	AMC memo re GATX B747-100's
00026316	00026317	Additional financial documents
00026325	00026376	1996 Forecast Documents
00026377	00026409	Comerica Meeting Agenda
00026410	00026421	Memo re March 15,1996 meeting with Comerica
00026422	00026437	Draft financial schedules
00026438	00026443	Miscellaneous documents re state of business
00026454	00026471	AIF 1996 Projections
00026472	00026473	Weekly Flash Report
00026474	00026474	Memos re Insurance premiums on N701CK and N706CK payments {2}
00026482	00026495	March 1996 cash forecast
00026496	00026499	1996 Forecast Documents
00026533	00026535	Correspondence from Jane Phifer
00026550	00026570	Confidential summary of proposed actions
00026599	00026613	Correspondence from Jane Phifer
00026621	00026626	Miscellaneous documents re state of business
00026629	00026631	Memo re corporate marketing
00026654	00026659	Jay Alex letter agreement
00026660	00026685	Correspondence with Heller Business Credit
00026697	00026698	Schedule of Outstanding Debt
00026S40	00026652	Memo re. Weekly cash forecasts
00027287	00027287	Monthly Financial Statement
00027288	00027334	Monthly Financial Statement
00027335	00027420	Monthly Financial Statement
00027424	00027469	Monthly Financial Statement
00027470	00027523	Monthly Financial Statement
00027524	00027525	Monthly Financial Statement
00027526	00027582	Monthly Financial Statement

00027583	00027583	Monthly Financial Statement
00027584	00027645	Monthly Financial Statement
00027646	00027708	Monthly Financial Statement
00027709	00027774	Monthly Financial Statement
00027776	00027838	Monthly Financial Statement
00027839	00027905	Monthly Financial Statement
00027906	00027970	Monthly Financial Statement
00028084	00028089	AIA Financial Covenant Ratios / Monthly Financial Statement
00028890	00028909	Financial Statement and Auditors' Report 1995,1994
00028910	00028934	Financial Statements & Auditor's Report -1993,1992
00029634	00029765	Confidential Company Memorandum re. D&T Project Moms Project Summary
00029766	00029914	SEC Form S-1
00067362	00067363	Memo re. 4th Qtr Financial Results
00067366	00067433	Monthly Financial Statement
00067434	00067514	Financial Result Summary
00067515	00067579	Monthly Financial Statement
00067651	00067706	Monthly Financial Statement
00067707	00067758	Monthly Financial Statement
00069612	00069617	Additional Financial documents
00069618	00069758	Revenue Analysis
00069759	00069879	Additional Financial Documents
00069882	00070018	Monthly Financial Summary
00070019	00070157	Monthly Financial Summary
00070158	00070236	Monthly Financial Summary
00070237	00070302	Memo to Mike M. re. December 1996 Operating Variance (Disappointing Results)
00070303	00070347	Block Hour Report
00070348	00070469	Monthly Financial Summary
00070576	00070664	Monthly Financial Statement
00070666	00070B02	Monthly Financial Summary
00070803	00070808	Block Hour and Utilization Report
00070809	00070937	Monthly Financial Summary
00070939	00070989	Block Hour Report
00070990	00071119	Monthly Financial Summary
00071120	00071256	Monthly Financial Summary
00071257	00071259	Letter to FAA from AIA re. Inspections on 701CK and 706CK

00071897	00071937	Monthly Financial Statement
00071938	00071963	Monthly Financial Statement
00071964	00071983	Financial Statement & Auditor's Report -1994,1993
00072030	00072084	Monthly Financial Statement
00072189	00072190	Financial Result Summary
00072191	00072245	Monthly Financial Statement
00072246	00072299	Monthly Financial Statement
00072369	00072421	Monthly Financial Summary
00072853	00073007	Monthly Financial Statement
00073008	00073195	1997 Budget Forecast / Monthly Financial Statement
00073198	00073200	Misc. Costs and Forecasts
00073201	00073354	AIA Budget Forecast / Financial Covenant Compliance / Monthly Financial Statement
00073355	00073503	Monthly Financial Statement
00073505	00073647	AIA Financial Covenant Ratios / Monthly Financial Statement
00073648	00073807	Monthly Financial Statement
00073806	00073961	Monthly Financial Statement
00073962	00074112	Monthly Financial Statement
00074114	00074150	Monthly Financial Statement
00074151	00074305	Preliminary Financial Results
00074306	00074459	Monthly Financial Statement
00074461	00074565	Monthly Financial Statement
00074566	00074682	Monthly Financial Statement
00074683	00074697	Monthly Financial Statement
00074748	00074750	Minutes of Special Meeting of the BoD
00074752	00074755	Consent Resolution of BoD of AIA
00074756	00074756	Corporate Officers Certification
00074758	00074765	Minutes / Resolutions of Special Meeting of BoD
00074766	00074769	Authorization Resolution
00074770	00074774	Consent and Adoption of Resolutions by BoD of AIA
00074775	00074780	Minutes / Resolutions of Special Meeting of BoD
00074781	00074782	Consent and Adoption of Resolutions by BoD of AIA
00074783	00074786	Minutes / Resolutions of Special Meeting of BoD
00074787	00074791	Minutes of Special Meeting of the BoD
00074792	00074795	Minutes of Special Meeting of the BoD
00074796	00074797	Minutes of Special Meeting of the BoD
00074798	00074799	Minutes of Special Meeting of the BoD

00074800	00074806	Minutes / Resolutions of Special Meeting of BoD
00074807	00074813	Minutes of Special Meeting of the BoD
00074814	00074818	Waiver of Notice of Special Meeting of Board of Directors
00074819	00074824	Minutes of the Annual Meeting of the BoD of AIA
00074825	00074836	Corporate Board Minutes
00074837	00074840	Corporate Board Minutes
00074841	00074850	Corporate Board Minutes
00074851	00074856	Corporate Board Minutes
00074857	00074859	Corporate Board Minutes
00074860	00074863	Waiver of Notice of Special Meeting of Board or Directors
00074864	00074869	Corporate Board Minutes
00074870	00074876	Corporate Board Minutes
00074877	00074883	Corporate Board Minutes
00074884	00074892	Corporate Board Minutes
00074893	00074898	Corporate Board Minutes
00074899	00074910	Corporate Board Minutes
00074911	00074983	1995 Corporate Minutes - AIA Corporate File
00074964	00075056	1994 Corporate Minutes - AIA Corporate File
00075057	00075123	Merger Documents. August / September 1994
00075124	00075185	1993 Corporate Minutes - AIA Corporate File
00075186	00075273	1992 Corporate Minutes - AIA Corporate File
00075439	00075529	Draft Copy of Offering Memorandum by AIA
00078908	00078924	FAA Advisory letter re AD 96-01-03
00078925	00078926	Statement of Compliance - repairs on N706CK
00078972	00079001	Panama Incident Report
00092520	00092521	Borrowing Base Report
00092523	00092523	Borrowing Base Report
00102183	00102210	AIA Financial Ratios
00102212	00102218	AIA Financial Ratios
00102418	00102467	Additional Financial Documents
00107603	00107626	Comerica Bank Issues of 1995
00108875	00106879	Memo re. Comerica meeting of April 20.1995
00108880	00108882	Follow up Correspondence re: Consultants
00108884	00108887	Draft letter to Comerica re consultants
00108889	00106869	Comerica memo re 727 Project
00108900	00108900	Comerica Message slip
00108901	00108921	Documents related to meeting of April 20.1995
00110654	00110655	Memo re. Purchase of OK Turbines

00110745	00110747	Memo re. AIA CNet Proposal to USPS
00117046	00117055	Heller Business Credit: AIA Management Case
00117287	00117315	AIA Study of Value: Select Aircraft, Engines, Spares
00117621	00117790	SEC Form S-1 for Kitty Hawk
00118469	00118556	AIA's Business Strategy and Revised Financial Forecast
00118987	00119172	Kitty Hawk Offering Memorandum
00120067	00120067	1995 Comerica credit ratings, call reports, miscellaneous documents
00120068	00120074	Comerica, Inc. Internal Call Reports from Kevin Nelson • 1997
00120077	00120077	Comerica, Inc. Internal Call Reports from Kevin Nelson-1997
00120082	00120090	Comerica, Inc. Internal Call Reports from Kevin Nelson – 1997
00120091	00120120	1996 Comerica Call Reports
00120121	00120146	1995 Comerica credit ratings, call reports, miscellaneous documents
00120147	00120162	Comerica, Inc. Internal Call Reports from Kevin Nelson - 1997
00120163	00120175	1995 Comerica credit ratings, call reports, miscellaneous documents
00120185	00120186	1996 Comerica Credit Reviews and Misc. Documents
00120189	00120201	Comerica memo re. March 1995 Final Report
00120203	00120251	Collateral Summaries by Comerica
00120252	00120264	Additional Financial Documents re. November 1994
00120275	00120284	Dunn & Bradstreet Report - AIA
00120285	00120296	1995 Comerica credit ratings, call reports, miscellaneous documents
00120297	00120319	1996 Dun & Bradstreet Reports
00120320	00120361	1996 Comerica Credit Reviews and Misc. Documents
00120368	00120377	1995 Comerica credit ratings, call reports, miscellaneous documents
00120454	00120454	Letter from Kevin Nelson to Jane P / Mike M.
00120456	00120457	Memo to Kevin Nelson from Mike M. re Rotables Inv.
00120458	00120458	Letter to Kevin Nelson from Jane Phifer re. Confidential Business Opportunity
00120459	00120459	Fax from Mike Maraone to Kevin Nelson
00120473	00120473	Letter from Jane Phifer to Kevin Nelson re. GATX Litigation
00120485	00120490	Confirmation of Account Balance information
00120491	00120491	Letter re. Bridge Loan expiration date
00120492	00120493	Letter to Comerica re D&T audit of Financial Statements

00120494	00120495	Audit bank confirmations
00120496	00120496	Letter re audit of Financial Statements
00120497	00120497	Comerica letter re aircraft released as collateral
00120498	00120498	Letter re audit of Financial Statements
00120501	00120502	Comerica Letter regarding expansion
00120503	00120503	Credit Exam results
00120504	00120504	Comerica letter re. Consultants
00120505	00120505	Comerica memo regarding debt structure
00120506	00120506	Additional correspondence regarding N706CK damage (2)
00120509	00120509	Comerica correspondence
00120510	00120510	Comerica Letter regarding automated stop payment
00120526	00120527	Memo re. Covenant Amendments for AIA
00120528	00120530	Memo re. Consent of AIA's Proposed Sale of 16 – 727's to Kitty Hawk
00120531	00120533	Comerica, Inc. Internal Call Reports from Kevin Nelson - 1997
00120536	00120538	Comerica, Inc. Internal Call Reports from Kevin Nelson - 1997
00120541	00120548	Comerica, Inc. Internal Call Reports from Kevin Nelson - 1997
00122082	00122093	Memo re D&T Reports
00123003	00123036	Comerica Call Report and Credit Memos -1994
00123037	00123100	Comerica Credit Memos
00123102	00123180	Additional Financial Documents re. November 1994
00123162	00123209	Dunn & Bradstreet Reports
00123210	00123221	Comerica Credit Quality Review
00123224	00123227	Comerica Risk Ratings
00123311	00123311	Correspondence
00123312	00123314	April Correspondence
00123589	00123603	Cash Forecast
00123604	00123648	AIA Business Plan 1993-1996
00124070	00124075	Accounts Receivable Summary
00124115	00124115	Accounts Receivable Summary
00124175	00124192	Comerica Accounts Receivable Audit Report
00126843	00126943	Furman Selz Discussion Materials
00128946	00127083	Furman Selz Capital Markets Presentation
00129198	00129347	AIA's First Annual Bankers Meeting Agenda and Booklet
00130527	00130630	1996Reforecast
00134003	00134110	Risk Ratings / Exposure Summary

00134117	00134117	Comerica. Inc. Internal Call Reports from Kevin Nelson - 1997
00134170	00134202	The Kalitta Companies Corporate Profile
00134203	00134244	High Yield Market Overview and Update by Furman Set