cargo facts UPDATE
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CARGO HOLDINGS INTERNATIONAL (CHI) received DOT approval for its purchase of AIR TRANSPORT INTERNATIONAL (ATI), the air arm of BAX GLOBAL, from the BRINK'S COMPANY. The sale was originally to be completed at the same time as the purchase of BAX by DEUTSCHE BAHN (parent of German forwarder and logistics services provider SCHENKER) in late 2005, but was delayed to allow the US Department of Transportation to confirm it met US ownership requirements. ATI, which is headquartered in Little Rock, AR, operates an owned fleet of eight DC-8-71Fs, five DC-8-73Fs, and three DC-8-62 combis out of the BAX hub in Toledo, OH. CHI, which is also the parent of 727-200F operator CAPITAL CARGO INTERNATIONAL AIRLINES (which ACMI-leases much of its fleet to BAX), says ATI will continue to operate as an independent subsidiary. Separately, CHI also closed the purchase of Miami-based charter and logistics services provider LGSTX Inc. LGSTX head Frank Visconti will become a senior VP at CHI.

The sale of Air Transport International to Cargo Holdings International received DOT approval.

In other CARGO HOLDINGS INTERNATIONAL (CHI) news, long-time McDonnell Douglas and Boeing Special Freighter veteran William Tarpley has taken over as COO of CARGO AIRCRAFT MANAGEMENT, CHI's freighter-leasing subsidiary. Cargo Aircraft Management is the lead customer for Boeing's 767-200 freighter conversion program.

WORLD AIR HOLDINGS, the parent of WORLD AIRLINES, reported its (much-delayed) results for both the second and third quarters of 2005. Net income for the third quarter was down 22.5% y-o-y to $5.5 million, as revenue rose 68.1% to $217.2 million. For the nine months of 2005 through the third quarter, World Air Holdings' net income was up 19.3% to $20.9 million as revenues rose 46.8% to $548.6 million. However, as we were going to press, we learned that a judgement against World in the amount of $12.5 million (which the company had already accrued) had been reduced in Superior Court to $3.1 million. Assuming this reversal stands, World's 3Q net income would increase to some $14.9 million – a 110% gain instead of a 23% decline. It should also be noted that the third-quarter 2005 results include NORTH AMERICAN AIRLINES, which was acquired at the end of April 2005, whereas the 3Q04 results do not. With the earnings release, World Airways also confirmed its intention to convert one of its passenger MD-11s to freighter configuration in 2006, bringing its cargo fleet to six MD-11Fs and two DC-10-30Fs. Separately, World Airways signed an ACMI contract with "an international freight forwarder" (read: UPS Supply Chain Solutions) for a DC-10-30F in US domestic service through June 30, 2006. This is a continuation of World's long-standing ACMI flying for MENLO between Wilmington and LAX, and will likely disappear when UPS integrates the Menlo flying into its new heavy freight hub at Louisville this summer. Separately, World extended lease agreements on two GECAS MD-11 freighters through early 2015. The leases were scheduled to expire in 2010.

AIR CANADA received permission from the country's aviation authority to operate domestic all-cargo service, and is reported to be considering adding to its three-unit freighter fleet. Air Canada currently ACMI-leases two MD-11Fs from WORLD AIRWAYS for service to China, and one MD-11F from GEMINI AIR CARGO for European service, and has two 777Fs on order from Boeing. Before issuing the domestic all-cargo license, the Canadian Transportation Agency criticized the carrier for operating an unlicensed domestic freighter flight (a Toronto-Vancouver flight in December 2004 with the Gemini aircraft), but imposed no penalty.

A lawsuit is underway between privately-owned all-cargo carrier GEMINI AIR CARGO and FINOVA CAPITAL CORPORATION concerning the condition on return of three DC-10-30 freighters leased by Gemini from Finova. As collateral for the lease to Gemini of the three freighters, Finova required stock in Gemini from the CARLYLE GROUP (Gemini's owner).

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Netherlands-based postal and express giant TNT reported a record margin of 10.3% in its express operations in the fourth quarter of 2005. Company-wide net income for the quarter was down 48.3% y-o-y to €108 million, although it should be noted that this includes a loss of €96 million attributable to discontinued logistics operations. Fourth-quarter operating income was up slightly (0.6%) to €322 million, and operating profit rose 2.5% to €205 million. TNT's overall revenue was up 3.2% to €2.78 billion. For the full year, TNT's net income was down 12.4% to €659 million – reflecting a €111 million loss on discontinued operations – while revenues rose 11.0% to €10.11 billion. The company's Express Segment reported organic revenue growth of 2.0% in the fourth quarter, although revenue growth on a per-day basis was much higher (10.0%) because 4Q05 had six fewer working days than 4Q04. We will provide a detailed analysis of TNT's fourth-quarter and full-year 2005 results in the March issue of *Cargo Facts*.

Concurrent with the publication of its fourth-quarter results, TNT announced the completion of investigations into possible tax irregularities. CEO Peter Bakker said TNT's "estimated contingent tax liability is €150 million to €550 million. However, this range does not reflect a current liability, since we believe that it is unlikely that we will have any liabilities for these matters beyond what we have accrued to date."

Russian President Vladimir Putin signed a decree intended to consolidate the country's fragmented aerospace industry into a single entity to be known as UNITED AIRCRAFT COMPANY (UAC). Included in the reform would be state-owned aircraft manufacturers ILYUSHIN, TUPOLEV, SUKHOI AVIATION, MiG, and IRKUT (which is publicly-traded, and partly-owned by EADS). European aircraft manufacturer AIRBUS (and parent EADS) is in talks with the Russian government over potential partnerships, and, **at the recent Asian Aerospace event in Singapore, Airbus co-CEO Gustav Humbert spoke of "the possibility for freighter conversion of single-aisle aircraft" in partnership with UAC**. Of course, at this stage, all talk of partnerships with the UAC is just that, talk, but a freighter conversion program for the A320 family is not that far off, and the touch labor will have to be done somewhere.

The FAA's newly-released Aerospace Forecast for 2006-2017 predicts US carriers' air cargo traffic (measured in ton-miles) will increase at an average annual rate of 5.2% for the twelve-year forecast period, with the international market growing faster (6.2% per year) than the US domestic market (3.2% per year). The FAA predicts the fleet of jet freighter aircraft operated by US airlines will grow from 1,021 units in 2005 to 1,345 units in 2017. The net 324-unit increase will be the result of an 88-unit decline in the narrowbody fleet to 427, and a 412-unit increase in the widebody fleet to 918.

BOEING has formalized its 737 replacement program under the direction of a planning group called 737RS, led by Mike Cave (VP, Aircraft Programs at Boeing Commercial Airplanes), with entry into service scheduled for 2012. Observers believe the aircraft will be based on the composite construction technologies being developed for the 787, with similar avionics (for cross crew training capability), and a new generation of super-fuel-efficient engines. Carolyn Brandsema will lead the engineering effort, Kent Fisher will handle marketing requirements, and Rod Wheeler will be responsible for finance, costing, and the economics of the program. The current 737 Next Generation twinjet family will continue to be improved until RS deliveries start in 2012.

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NOTICE OF PUBLIC AUCTION SALE

NOTICE IS HEREBY GIVEN THAT on Friday, March 31, 2006 @ 12 Noon at Todd & Levi, LLP, 444 Madison Avenue, Suite 1202, New York, New York, (the "Bidding Location"); Fax (212) 308-8450 Phone (212) 308-7400, Attention: Jill Levi or David Rosenberg for further information, FINOVA Capital Corporation (the "Secured Party"), will hold a public auction sale to sell the following:

FULL LEGAL AND BENEFICIAL TITLE TO 500,000 SHARES OF CLASS A COMMON STOCK PAR VALUE $0.001 REPRESENTED AS STOCK CERTIFICATE NO. A-54 (THE "SHARES"), IN GEMINI AIR CARGO, INC. ("GEMINI"), A PRIVATELY HELD CARGO AIRLINE, ORGANIZED AND EXISITING UNDER THE LAWS OF THE STATE OF DELAWARE, AND A UNITED STATES CERTIFICATED AIR CARRIER, WHICH SHARES ARE HELD BY THE SECURED PARTY AS TRANSFEREE OF GAC ACQUISITION COMPANY, L.L.C. ("GAC"), FOR THE PURPOSE OF DISPOSING OF THE SHARES UNDER APPLICABLE LAW.

The Shares were pledged as collateral to the Secured Party as security for the payment of all obligations of Gemini under that certain Promissory Note dated December 18, 2003 (the "Note"), and are being offered for sale at this public auction after a default in payments by Gemini under the Note. The Shares are subject to a Stockholder's Agreement dated as of December 18, 2003.

Gemini operates DC-10-30F and MD-11F aircraft. Gemini was founded in 1995 and purchased in 1999 by the Carlyle Group, a Washington, D.C.-based private equity firm. Gemini advertises its customer base as including FedEx, UPS, DHL, Air France, British Airways, Finnair, Lufthansa, QANTAS, the United States Postal Service and the Air Mobility Command. The above information was obtained from Gemini's website and is subject to the accuracy thereof. Gemini's website is: www.geminiaircargo.com.

The sale shall be a public auction to the highest qualified bidder. The Shares shall be sold for cash at such price or prices and on such other commercially reasonable terms as the Secured Party may determine. The Secured Party may bid at the sale and notwithstanding any requirement herein that the sale be for cash, the Secured Party may credit bid against the amount of its secured claims and become the purchaser of the Shares.

The Secured Party reserves the right to: a) reject all bids and terminate the sale or adjourn the sale to such other time or times as the Secured Party may deem proper, by announcement on the date of sale and any adjournment thereof, without further publication and b) impose any other commercially reasonable conditions upon the sale of the Shares as the Secured Party may deem proper.

At the time of the public sale, the successful bidder will be required to deposit 25% of the purchase price with the Secured Party, in cash, by wire transfer or by certified check, provided however that if the successful bidder is the Secured Party, then payment for the Shares may be made by applying against the purchase price the amounts due the Secured Party under the Note. The balance of the purchase price shall be paid, in cash, by wire transfer or by certified check, within seven days of the date of the auction, provided that the Secured Party may, in its discretion, extend such time period for the closing. All sales or transfer taxes, if any, related to the sale of the Shares shall be paid by the purchaser at closing, and shall be in addition to the purchase price. At the closing, the purchaser shall receive documentation confirming that the transfer of the Shares is being made "AS IS WHERE-IS" WITHOUT RECOURSE OR WARRANTY OF ANY KIND BY OR TO THE SECURED PARTY, ITS AGENTS AND ITS REPRESENTATIVES, INCLUDING ANY REPRESENTATION AS TO TITLE TO OR THE VALUE OF THE SHARES, and such documentation shall be in form and substance acceptable to the Secured Party.

In the event that the Secured Party is for any reason unable to consummate the sale of the Shares to the successful bidder, and to execute the closing documents, its sole liability to the bidder shall be the return of the principal amount of the deposit. In the event that the successful bidder is unable to consummate the purchase of the Shares, the Secured Party shall retain the deposit paid by the bidder plus any interest accrued on such amount, as liquidated damages, in lieu of all other damages, and not as a penalty.