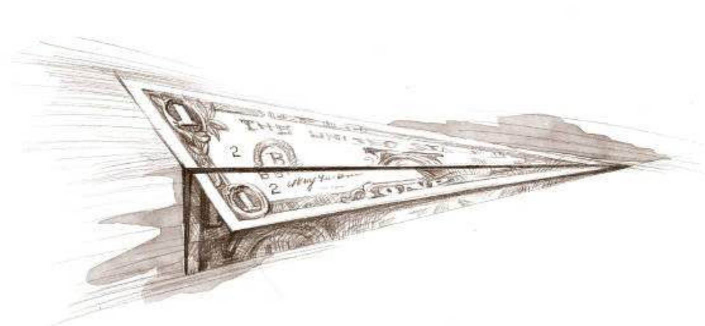
A Strategic Introduction of



ULTAFLIGHT AIR SERVICES

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Introduction

The Beginning of UltaFlight Air Services

Established and launched in July 2012, UltraFlight Air Services is headquartered in Kansas City, KS. Located in the geographic center of the United States and on the banks of the Missouri and Kansas Rivers, UltraFlight Air Services is a new and re-launched regional, hybrid air carrier of freight and passenger service.

The purpose of this strategy introduction is to provide our key stakeholders with the information and rational that was used to develop this new company's purpose, mission, and values. The strategy will highlight the decision-making process, management's approach to creating this strategy, its guiding factors, and the current industry environment.

1. Purpose

The Dynamic Mission of Our Organization

Our firm looks to compete in and expand its current market position in an established industry of many competitors (regional air service). By creating a hybrid service model of freight and passenger service, UltraFlight seeks to earn profit above the industry average and expand beyond its current region.

Strategy Statement

"*To create a viable and sustainable regional transportation system for freight and passenger travel*."

Mission Statement

"*Provide reliable and cost effective transportation services*."

Vision Statement

"*Lead the regional air industry in customer value and positive service reputation*."

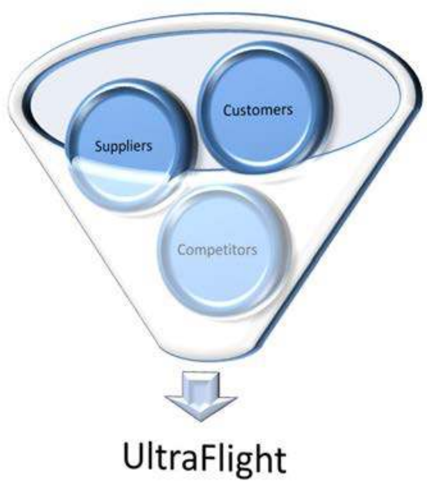
Rational: The establishment of a more dynamic strategy fit the goals of our company better than that of a static approach. The air service industry is fast moving, expanding, and continually evolving competitively, static statements would only clip the wings of this fledgling airline poised to leave the nest of its other regional carriers. We look to incorporate both the passenger and freight services into our strategy in order to capture market more quickly and evolve into the regionals air service leader.

2. The Operating Environment

An Analysis of the Company's Competitive and Operating Environments

In order to be successful and profitable, UltraFlight must create value for its existing customers while understanding the needs of the surrounding businesses and the current economy. The chosen area of operation is rich in suppliers and resources. Additionally, the competitive environment is continually faced with new entrants due to the low cost of entering the regional air service industry (10 new entrants in July 2012) concluding that UltraFlight is operating in a Perfect Competition.

UltraFlight must focus on creating a competitive edge with customers, suppliers, and the competing firms:



UltraFlight SWOT Analysis
Strength: Existing, well-known carrier/service in the operating area, seasoned employees, and established supply relationships.
Weakness: Currently maxing out our equipment and available miles, the recent decline in public demand.
Opportunities: Open routes and available cash and financing for route expansion.
Threats: 10 new regional carriers, rising fuel and operating costs, slow demand for service.

What We Know

- UltraFlight is an existing and well-known carrier in the region.
- Large carriers have all but abandoned the area of current operation.
- The airline has created steady growth in the area of operation with cyclical cycles of P&L.
- Stock prices remain flat for the quarter.
- Commuter demand is projected to increase (newsletter).
- Industry research suggests that all the new entrants are similar in size, equipment, and financial strength; differences in routes prove to be the only mitigating factor in achieving a competitive edge this quarter (industry reports).
- UltraFlight has an ending cash balance of 103,982 dollars and 2,482,089 dollars in liabilities and equity.
- Currently maxing out our aircraft mileage (operations).
- Established network of suppliers and seasoned employees.

3. Courses of Action

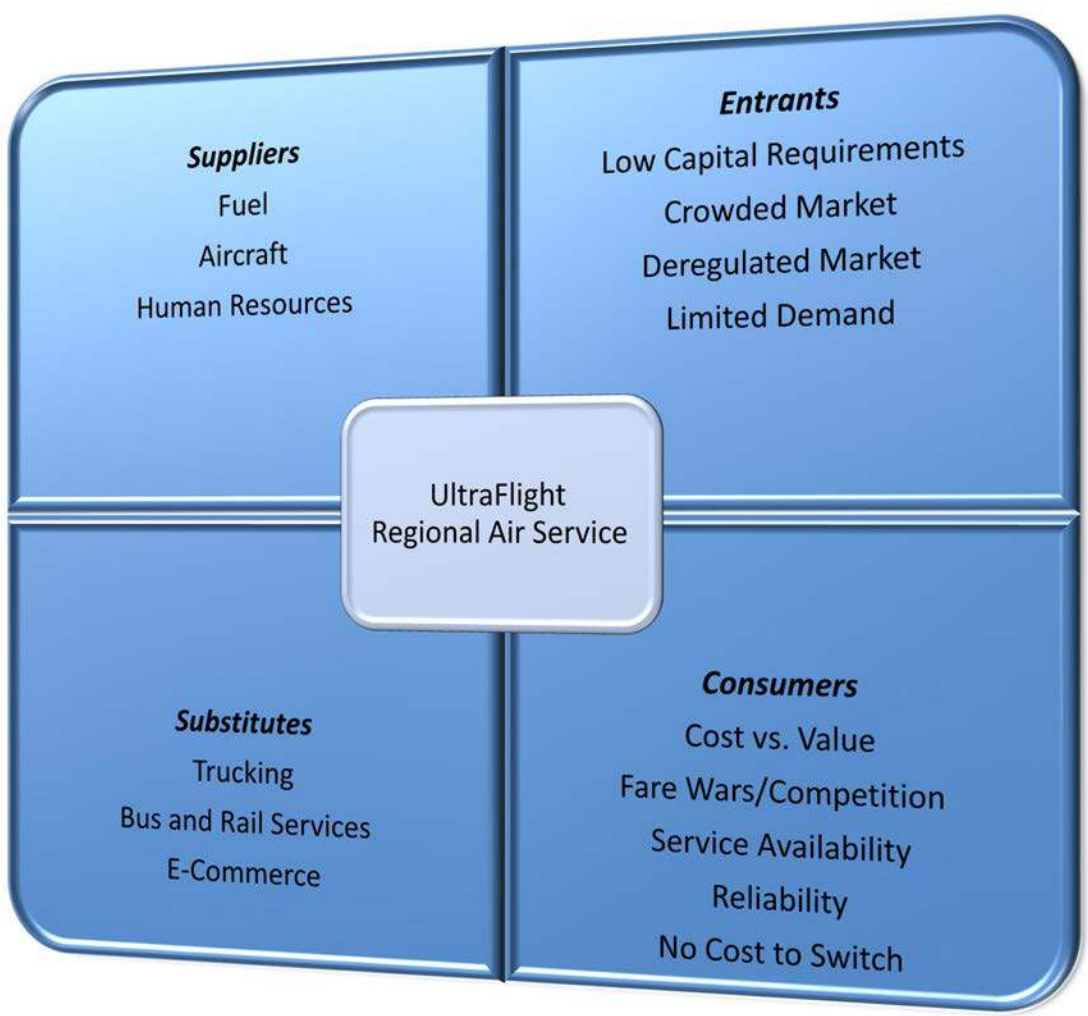
Considerations for Achieving Mission, Goals, and Purpose

Based on preliminary research and the SWOT analysis, the following is a list of strategic consideration:

- Review current routes and determine viability, value, and profitability
- Review fare structure on all routes.
- Review finance and capital availability for possible expansion.
- Expand current fleet of aircraft.
- Review marketing and advertising departments and budgets.
- Review fuel purchasing and compensation strategies.

UltraFilght's Competition Framework

The following demonstrates the structural variables influencing UltraFlight's competition and profitability [1].



PESTEL Analysis of UltraFlight		
Factor	Current Environment	Goal/Mitigation
Political	Deregulated and open markets.	Exploit current markets with fare reduction and increased service.
Economic	Available cash, credit and financing options.	Outpace competitors with capital expenditure and return on investments while using available cash for leases and short-term gain.
Social	Moderate service demand in the operating community with growth in the industrial and business sectors.	Create a hybrid service model for both passenger and freight services. Expand services to business and industrial routes.
Technology	Own an older fleet of identical aircraft.	Lease new equipment to meet market needs while maintaining maintenance costs of similar aircraft.
Environmental	Current operations are in the geographic center of the country to maximize availability and service to both the east and west. Current location minimizes weather and business interruptions.	Location allows for expanded services into freight and industrial clients with minimal weather interruptions.
Legal	No known issues	N/A
Energy	Fuel is currently purchase on the *spot*.	Explore fuel contracts for cost Savings.
Competitive Structure	10 new carries entered the market this July. One carrier is in direct competition in four of five markets.	Exploit current markets with fare reduction and increased service offering, create industrial focus and demand.

4. Best/Chosen Courses of Action

Strategy for Achieving Mission, Goals, and Purpose

Based on the competitive framework, PESTEL and the SWOT analysis, the following is a list of strategic courses of action:

- **Review current routes and determine viability, value, and profitability**.
    - Company "Seven G" is UltraFlight's direct competitor in four of its five markets. The four markets share the same amount of flights and seats sold per flight.
    - Retain the fifth and sole UltraFlight market 34E. This route has the highest seat percentage and can be reviewed for a fare increase based on no competition.

- **Review fare structure on all routes**.
    - Reduce the fare "Fare Sale" on the four markets in direct competition with UltraFlight (30A, 31B, 32C, and 32D).
- **Review finance and capital availability for possible expansion**.
    - Capital and financing does exist for expansion of the fleet and current routes.
- **Expand current fleet of aircraft**.
    - Lease one additional aircraft this quarter to expand the numbers of flights in markets 30A and 32C to three.
    - Increase maintenance and cleaning to level three.
- **Review marketing and advertising departments and budgets**.
    - Increase the marketing and advertising budget to include new flights due to increase in aircraft and fare sale on all routes.
    - Create a cargo budget.
    - Hire two sales persons to expand cargo operations.
- **Review fuel purchasing strategy**.
    - View fuel contracts next quarter.
- **Employee and training**.
    - Increase training budget by 500 dollars.
    - Increase compensation by 2 percent above prevailing wage add avail stock and bonuses for *all* employees
- **Corporate**.
    - Establish the UltraFlight charitable foundation for communities we serve.

Other considerations include selling all aircraft and leasing a new and expanded fleet to new markets with the proceeds. This is not currently being explored in the first quarter.

Rational: UltraFlight is in direct competition on four of its five routes, so management has decided to lower fares and increase the available flights to three on these routes with the leasing of one new aircraft. The fifth market will experience a no fare increase due to a lack of competition. Marketing budgets will be expanded to advertise the lower fares and increased service. Wages, maintenance, training, and charitable giving will all increase.

5. Goals and Objectives

How We Plan to Accomplish Our Strategic Plan

Our goals and objectives are predicated on the value provided to our customers, concentrating on our employees, fleet maintenance, and services provided.

Shareholder Value Creation and Market Standing: (Market standing, profitability) Measured by the increase or decrease in passenger load percentages, currently averaging at 51.4 percent. Our goal is to increase this by 10 percent over the next quarter to 54 percent (53.97 percent). UltraFlight is ranked eighth in a class of 10 new carriers and has an industry ratio of 1.38 percent. Our goal is to increase this by .62 percent by the end of the quarter with the new route strategy.

Increasing Capital Expenditure and Margin: (Stockholder and financial targets) Measured in seat capacity, gross revenue, and short-term investments, we look to increase our capital expenditures and the margins on capital invested. Seats will be increased by 6.5 percent; new aircraft will be leased at a fraction of purchased cost in addition to availing cash for short-term investment. Current ROE and ROA are .013 and .009, respectively.

Invest in our employees/us: (Productivity, worker performance, development, and social responsibility) Target employee training and infrastructure including civic and charitable organizations. This will be measured in employee retention, maintenance/efficiency, and sales. We are currently paying a prevailing wage for the industry with no plans to increase. We will increase our public and social responsibility levels.

Facilities/equipment: Our total facilities and equipment assets of 100,000 dollars will be increase to allow for new equipment and reduce maintenance costs. The new allocation will increase by 10 percent.

Innovation: Create a hybrid route of passenger and freight services; future expansion will be concentrated on industrial and the expanding business routes. There a two untapped regions to explore in subsequent quarters.

Rationale: By focusing on our financial, customer and internal elements the strategic measures outlined will be measureable, attainable, and shared though the organization to the end customer.

6. Action plan

Describing How the Objectives Will Be Accomplished

The specific courses of action will be delegated to the organization and area management for implementation and monitoring. Area management will be responsible for quarterly reporting and issue resolution as needed. Senior leadership will meet quarterly to review report and adjust the strategy.

UltraFlight Management and Officers		
President	John Orion	Create and monitor overall strategy and company
VP Finance	AJ Green	Increase capital return on investments.
VP Marketing	Bill Mary	Increase current marketing and advertising position.
VP Human Resources	Oakey Michael	Training and employee survey.
VP Operations	Angie Joley	Acquire new equipment and service routes.

7. Operating Guidelines

Company Policies and Procedures, Standard Operating Guidelines

Our company policy is to service our passenger business with the highest of integrity, quality, cleanliness, and reliability. Our value is determined by our increase in sales and passenger loads. Freight services will be discounted to build the market over the next two quarters to determine demand.

Standard Operating Procedures

- All sales will be conducted and contracted through agents and online services.
- Passenger service is priority over Freight operations.
- All aircraft will be maintained according to legal and regulatory standards.
- Employees will act and perform to the highest of standards with the client and customers as our chief asset.
- Management must operate ethically and to a higher moral code.

8. Organization Feedback

Methods of Control and Feedback

UltraFlight and its human resources team will implement, analyze, report, and mitigate an employee survey to track management's progress. Management will meet no less than quarterly to review this strategy and the position of this company. All reports are to be completed by the president of UltraFlight.

Summary

The Four Ws and Two Hs

- Where we are now?
  - Eighth in a market of 10.
- Where could we go?
  - To number one based on plans of expansion and competition.
- What could we do?
  - Increase our market to include industrial and business clients.
- What is the best thing for us?
  - Concentrate on the immediate competition and recent acquisition of UltraFlight.
- How are we going to do it?
  - Fleet expansion, fare sales, and new market exposure.
- How are we going to measure our progress?
  - Company financials, sales, industry reports, and competitive position and market.

References

Grant, R. M. (2010). *Contemporary strategy analysis* (7th ed.). New York, NY: John Wiley & Sons.