
CATALINA FLYING BOAT

INFORMATION FOR PROSPECTIVE GROUP MEMBERS





INTRODUCTION

For more than 30 years, Plane Sailing has had the privilege of operating a Catalina Flying boat, flying for much of that time from the famous former RAF base at Duxford, nowadays part of the Imperial War Museum. The experiences we have had with this fantastic piece of aviation history which is the Catalina, and the places we have visited with the aircraft, and the satisfaction of keeping one of the very few remaining Catalinas airworthy, have made the huge amount of effort that so many people put into this operation feel most extraordinarily worthwhile.

Since 2002, our Catalina has been operated with a group concept, with 20 shares - and this has proved to be a very successful way of operating this particular aircraft. There is room in the group for pilots, who can have a chance to flying this very special lady. And there is room in the group for aircraft / flying boat enthusiasts too, who can take pride in owning a part of a very special piece of aviation history, and who can come flying in the Catalina. It goes without saying that, for pilots and enthusiasts alike, the opportunity to be part of the operation on to water falls into a truly unique and special category. For it is on the water that the Catalina is back in her element, her spiritual birthplace, and it is there that she shows her true capabilities.

With this updated Prospectus, we are announcing the addition of 5 new Ordinary shares to the Catalina group, increasing from 20 to 25 Ordinary shares. The reason for this is simple: whilst the financial inputs of our 20 shareholders have enabled the group to function very well up to now, we know that we need to increase funding just a bit more, so that we can plan ahead more strongly for major costs (eg engine overhaul) and likewise for unexpected costs.

With this small increase comes the chance for 5 more individuals to join the Catalina group, and find out at first hand just what it is that makes this aircraft special, and just what it is really like to fly, or fly in, the aircraft, perhaps for hour after hour on a long-range flight - albeit considerably shorter than those which the wartime crews managed. In addition, we are introducing five "Redeemable" shares, which bring a lesser entitlement but which allow some experience of the Catalina - for just a year - and at a lower cost. The "Redeemable" shares are also appropriate for individual pilots who would like to join the group for a year, and gain their Catalina Type Rating (subject to entry requirements for training).

So it is that we present here the opportunity to join our group, and to experience some of the tremendous fun and satisfaction to be had from keeping this particular piece of aviation history alive and flying and on display. But perhaps most importantly - we want to keep reminding today's younger generations of the service and sacrifices of all those wartime crews who gave so much with the Catalina. There is no better way of doing this than with a flying example of the Catalina. As a shareholder of Catalina Aircraft Ltd, you will own a piece of a very special aircraft, see and support her operation at first hand, fly on her as she tours around Europe (and sometimes beyond), and - for those holding appropriate pilot qualifications - experience the thrill and satisfaction of handling and displaying this unique aircraft, from land and ultimately from water.

This prospectus gives background information on all the relevant areas of the Catalina's history, operation, future plans and so on. If you would like more information, or want to discuss any points, please contact us at any time, or come to one of our "Shareholder Open Days".

Paul Warren Wilson

Director / Chief Pilot, Plane Sailing

July 2020



WHY FORM A GROUP?

In the Beginning

In 1984, John Watts, Arthur Gibson and Paul Warren Wilson bought the Catalina flying boat 46633 / VP-BPS that graced the skies of the British and European air display and film world for many years. They put up the capital; funded the initial ferry, certification and operating costs; supervised all aspects of the operation; built up a team of pilots, workers and supporters; and worked very, very hard in the process! It was an exhilarating and immensely satisfying time, but one which would need some adjustment to give long-term security of operation. And the adjustment and solution, which has been well-proven over nearly 20 years, is the group operation.

The Group Operation

In 2002, we set up the group operation with 20 shareholders and purchased the current Catalina, registered in the UK as G-PBYA. The group concept brings together a pool of people - pilots and non-pilots alike, but all enthusiasts - who can take part in the operation to exactly the extent they wish. Some fly as pilot - whether it be as co-pilot, captain, display pilot, instructor, or examiner. Some get their hands dirty helping with maintenance. Some assist with management and operation. Some simply enjoy being a part of something very special. And all can have the rare experience of flying in the Catalina from the water. Without doubt, all shareholders get a great sense of satisfaction in being part of the team that makes the Catalina operation possible.

We have proved the group concept over nearly 20 years with a group of 20 shareholders. The Catalina has flown a huge number of displays, ranging far and wide across the UK, Europe and beyond - including a trip to Moscow in 2012 for a 100th anniversary celebration, and a special project to a remote inland lake in Greenland, taking students and instructors to their destination on a 3-week experience of their lifetime. The experience gained has told us that now, for a secure future, we need to expand to a group of 25 shareholders, thereby increasing available capital and monthly income to the level we know is right for the long term.

Our Group is constructed with two limited companies. Catalina Aircraft Ltd simply owns the Catalina. Plane Sailing Air Displays Ltd ("Plane Sailing") - under contract from Catalina Aircraft Ltd - manages, maintains and operates the aircraft as required.

This is a unique opportunity in the UK for people with an interest in historic aircraft to acquire a share in a very special aircraft - the Catalina. For a modest investment, and a modest contribution to running costs (full details in "Costs to Group Members" - see later), individuals will become the owner of a stake in a really special piece of our aviation history, and will, within certain limits, be able to fly on the aircraft free or at cost.

CATALINA G-PBYA

The Catalina Flying Boat - Historical Background

The Catalina flying boat was designed in the 1930s in response to a US Navy requirement. The aircraft was required to have a range of 3,000 miles at a cruising speed of 100 mph. Two companies - Consolidated and Douglas - produced prototypes - and both companies' planes met all the performance requirements. The aircraft had nearly identical performance, so the choice came down to price - and Consolidated's bid of \$90,000 per plane was cheaper and so won the contract.

The first batch of aircraft - 60 Catalinas - started to roll off the production line in September 1936. The aircraft remained in production for over 10 years with export orders going to many countries including Great Britain, Canada, Australia, France and The Netherlands. The Catalina became the most successful flying boat ever produced. More Catalinas were built than all other flying boats combined - and, when production finally ended, 3,272 aircraft had been built.

After outstanding wartime service, hundreds of the aircraft embarked on a second career, flying as versatile and dependable go-anywhere do-anything workhorses. The Cat has fought forest fires scooping water from nearby lakes; it has flown geophysical survey with magnetometers; it has transported personnel, supplies and equipment to otherwise inaccessible areas; and, most recently, it has taken lucky groups of people on the journey of a lifetime. Around 20 of the type are still airworthy, or potentially airworthy, today.



Aircraft Specifications

Precise specifications vary from one Catalina to another - over the past 50 years every one has undergone different modifications!

Manufacturer:	Consolidated Vultee
Type / model:	PBY-5A Catalina
Engines:	Pratt & Whitney R1830 (1,200 hp each)
Wingspan:	104 ft
Length:	63 ft 10 in
Height:	21 ft 1 in
Maximum all-up weight:	28,000 lb
Cruising speed:	approx 110 kt
Range:	2,000+ miles



The aircraft is equipped to a high level, providing a capability to fly safely in European weather conditions and also worldwide on major projects when required, as follows:

Avionics:

Garmin GNS530 & GNS430 (integrated VHF / VOR / ILS / GPS & moving map); Garmin audio; mode S transponder; slaved gyrocompass.

2 pilot seats and 14 approved passenger seats.

Fuselage blisters.

Standard Category Certificate of Airworthiness, allowing worldwide flight by day or night, VMC and IMC, land or water.

Since her arrival in the UK in 2004, we have completed several modifications, for example to reinstall the Bulkhead 4 watertight door (to allow operation from water) and to install a new rear-cabin emergency exit (to allow approval for operation with 2 pilots and up to 14 passengers).

Registration

Our Catalina is registered in the UK as G-PBYA and holds an unrestricted Standard Category Certificate of Airworthiness.

Base

We have a mutually beneficial agreement to base and display the aircraft at The Imperial War Museum, Duxford. The aircraft is normally hangared when not in use over the winter.

Management, Maintenance and Operations Services

The Catalina is maintained in accordance with a programme approved by the UK CAA. This programme calls for checks at 50, 100, 200 and 400 flying hour intervals, plus an annual check, as well as NDT structural checks. Most maintenance is carried out by Plane Sailing at Duxford.

Plane Sailing also provides management and operations services as required to Catalina Aircraft Ltd, including: record keeping; procurement / maintenance of certificates, licences, permits etc; aircraft operation; provision of spare parts / consumables; payment of landing fees etc; and insurance of the aircraft.

Insurance

Insurance is carried to cover: the aircraft hull; legal liability to third parties; passenger legal liability; personal accident insurance; and employers liability insurance. The levels of cover are reviewed annually to comply with the shareholders' requirements, and to meet requirements as specified by law, by air display organisers, and by the Imperial War Museum Duxford - the Catalina's home base.



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OPERATIONS, PAST AND FUTURE

Summary of Past Operations, 1985-2020

Our Catalina operation is centred around air display flying. Such flying is useful because it:

- Provides a background level of income.
- Keeps the aircraft in the public eye and in the aviation press, generating interest from enthusiasts and major sponsors alike.
- Ensures regular flying throughout the summer months, which helps maintain aircraft serviceability and crew currency.

We have made several film and television appearances with the Catalina, including filming in a Norwegian fjord in the early days of operation (1985), a couple of landings on the River Thames for television productions, and a starring role in a Guinness advertisement.

We have made major tours of South America (1994, for Peter Stuyvesant Travel) and of the Italian coast (1995 and 1996, for Peroni / Nastro Azzurro beer), and have taken the Catalina to a remote lake in Greenland (2015, for Workop College). The aircraft has been leased for the duration of these tours. Although tours remove the aircraft from the UK / European air display circuit, they can produce a useful level of lease income.

We have completed more than 1,000 air displays, across the much of Europe as well as the UK. Some air display highlights have included visits to Iceland, Turkey and Russia.



appropriate income for a particular task, consideration is given to wear and tear, land / fresh water / salt water requirements, area of the world involved and so on. A considerable amount of effort is put into corrosion prevention measures.

Support

The Catalina operation has been supported by two significant groups:

- The Catalina Society

The Catalina Society was created in 1986 by the then owners of the Catalina - John Watts, Arthur Gibson and Paul Warren Wilson - as a result of popular demand. Membership now stands at around 500. In return for their subscriptions, members receive the Society's well-respected magazine (The Catalina News) twice a year; they also have had the chance to see on board the aircraft whenever possible. Occasionally, members have had the chance to join a transit flight free of charge.

Members of the Catalina Society include many former Catalina crew members and their relatives, as well as many from the younger generations who have a special interest in the aircraft. We intend to continue the operation of the Catalina Society, both because the Catalina Society produces a useful income to the Catalina operation and because Group members will wish to continue with this significant contribution to an element of aviation history. This is reflected in the Aims listed below. Contributions from the Catalina Society are used to purchase new shares in Plane Sailing, just like contributions to annual costs from Group members.

- The Cat Pack

The Cat Pack is a group of volunteers who provide "hands-on" assistance



We have taken the opportunity, occasionally, to give short flights to members of the public (and to Catalina Society members) free of charge, both to remind them of the service given and sacrifice made by so many Catalina crews in wartime years, and to give them the pleasure of flying in this unique and historic aircraft.

On occasions, we have made "charity flights", where those individuals flying can make a payment to a charity in return for their flight. In practice, the administration involved in setting up a "charity flight" has restricted the number made.

Unlike some flying boats, which never go near water (especially salt water) for fear of corrosion, the Catalina has been operated to the full extent of her capabilities, within the restrictions appropriate to her certification. All legitimate opportunities for the aircraft to earn her keep have been accepted, provided the income is appropriate for the work involved. In assessing





with diverse aspects of the Catalina operation, including historical, engineering and operational matters. During the summer, members of the Cat Pack fly to displays with the Catalina, where they assist with time-consuming tasks such as refuelling, re-oiling, cleaning, showing visitors over the aircraft and manning the sales stand. They also fly on display flights to monitor the aircraft for safe performance.

We intend to continue the operation of the Cat Pack, both because the Cat Pack provides very useful assistance to the Catalina operation and because Group members will find the Cat Pack's team spirit a bonus in sustaining a cost-effective operation.

Aims of the Catalina Group

The aims of the Catalina Group are as follows:

- To preserve a Catalina in airworthy condition for an indefinite period, but at least to the year 2050.
- To display the Catalina in flight to a wide audience - to remind the public of the service given by the aircraft and her crews in former years, and to inspire the younger generations with the wonders of aviation in general and the remarkable achievements of the Catalina in particular.
- To encourage use of the Catalina for major projects, both to increase exposure and to generate income.
- To generate income from the Catalina operation through all legitimate and appropriate means (including air displays, filming, leasing and sponsorship arrangements) so as to ensure an increasingly strong financial position.
- To enable Catalina Group members to fly in the Catalina, as passenger or, if suitably qualified, as pilot.
- To train pilots for the Catalina Type Rating.
- To encourage development of The Catalina Society, by providing Catalina Society members (at no cost) with: access to the aircraft whenever possible; occasional private flying displays; and occasional opportunities to fly in the aircraft.
- To promote a cost-effective operation through the continued use of the voluntary assistance provided by members of the "Cat Pack".
- To consider a progression to passenger flying and, if considered appropriate, to pursue this option in due course.



Future Operations

As outlined at "Management Intentions" (see later), decisions regarding the operation of the Catalina are made by the directors, who may be appointed by the members. The present directors intend to continue with the established pattern of operations.

Pilots

Currently, a team of about 15 pilots is available to fly the Catalina. Two of these pilots are non-shareholders, who assist when required, normally just for training and testing; priority for available flying, such as display flying, is given to shareholders.





Membership of the Catalina Group is open to all, including pilots. Aspiring Catalina pilots should understand that to be trained and rated on type they will need to meet the experience and licence criteria as defined in the CAA-approved Training Manual. To fly as part of the Plane Sailing team, to displays and other events, pilots will need to demonstrate a level of piloting skill appropriate to their role; for captains and for water operations in particular, a level of skill well above average is required. In addition, they should possess personality and team working qualities which enable them to fit in to the Catalina's working environment in a beneficial and supportive manner.

Financial Aspects

Plane Sailing has operated the Catalina from 1985 to 2020. The principal variations to annual financial performance have resulted from: modifications (eg addition of new flooring / seating); major maintenance items (eg periodic engine overhaul); and revenue from leases and other work. The worst year has seen a loss of about £75,000; the best year has seen a profit of over £100,000. Over the whole period, however, and including income from the Catalina Society and shareholders, the operation has averaged close to break even, albeit on occasions with additional funding from shareholders.

The move to a Group operation has strengthened the financial position of the Catalina operation. Group members' contributions to annual costs (£300

per month per share - refer to "Costs" section) play a major part in strengthening the position, producing £90,000 per year that would not otherwise be available.

The capital cost of the Catalina is funded by Group members, through purchase of shares in Catalina Aircraft Ltd, with associated loans to Catalina Aircraft Ltd. "Costs to Group Members" (see later) gives full investment details. The sole function of Catalina Aircraft Ltd is to be the aircraft-owning company.

In order that members can have a degree of security for their investment in Catalina Aircraft Ltd, the directors of Catalina Aircraft Ltd intend to continue with arrangements similar to those in place at the moment, including operations as outlined here. Catalina Aircraft Ltd has a contract with Plane Sailing for the provision of aircraft management, maintenance and operations services. Under this agreement, Plane Sailing operates the aircraft as required by Catalina Aircraft Ltd; Plane Sailing pays the costs and retains the income, except that during major leases Catalina Aircraft Ltd retains 20% of lease rental. Catalina Aircraft Ltd has virtually no costs, and no income except for a 20% retention of lease rental. Thus Catalina Aircraft Ltd's value is simply represented by the value of the Catalina which it owns (less Group members' loans to the company). Any significant change in company value can only occur with leases, in which case a modest income is generated.

BENEFITS TO GROUP MEMBERS

The Group was formed in 2002 with 20 full members (Ordinary shareholders). In 2020, after 18 years operating as a Group, we decided to add an extra 5 full members (Ordinary shareholders) and to allow, in addition, 5 Redeemable shareholders (with reduced costs and privileges). Previously, the number of active Catalina pilots within the 20 Ordinary shareholders was unlimited; now, with 25 Ordinary shareholders, we have limited the number of active Catalina pilots to 15. This is to maintain adequate currency, and to meet flying expectations, for the active Catalina pilots.

Ownership

Membership of the Catalina Group should be seen as an opportunity to participate in the preservation, management and operation of a special part of our aviation heritage. If the satisfaction of doing this appeals to you, then that is a very good first step to joining.

For Ordinary shareholders, membership is not recommended as an opportunity to realise capital growth, and no guarantees can be made as to the future value of the Catalina and / or Catalina Aircraft Ltd. For Redeemable shareholders, membership is for one year only, with a fixed initial input, and with the share returning to the Company after one year; capital growth is irrelevant in this case.

For Ordinary shareholders - on the negative side, members' annual contributions to running costs should be included when making a full assessment of the investment. Also, there is always the possibility that the Catalina could suffer some form of damage which, despite proper insurance, could reduce the value of members' shareholdings. On the positive side, our Catalina operation has demonstrated a potential to earn revenue from special projects which can be very good in successful years. Moreover, it is unlikely that the number of airworthy Catalinas will ever increase significantly above its present level (fewer than 20), because the aircraft is too large to allow the kind of rebuild from scratch that has become common with vintage aircraft like the Spitfire. There is a limited supply of Catalinas, which may lead to a continuing increase in hull value to satisfy future demand.

For Ordinary shareholders, membership should be considered as a relatively long-term commitment, not least because a member might find it difficult to sell a share quickly. This aspect is addressed in the example Shareholder's Agreement (Ordinary shares) - see later. An example Shareholder's Agreement (Redeemable shares) is available separately.

Flying Opportunities

The opportunity to fly (or fly on) the Catalina from time to time is fundamental for members. Ordinary shareholders have first priority for flying (or flying on) the aircraft. Redeemable shareholders can fly either when there are spare places on planned flights, or by using the aircraft "at cost" when she is



not otherwise booked. Normally, one month before any planned event for the Catalina, crew and shareholder lists are finalised and at that point any spare places become available for Redeemable shareholders.

- Flying at No Cost

Within limits, members are permitted to fly on the aircraft when there are spare seats and circumstances allow; for example, on transits to / from displays and other projects. There is no charge to members for these flights, although members are expected to cover their own expenses such as travel and accommodation. Members should be aware that operational reasons may affect such opportunities. For example, it may not be possible to fly on a transit to a display if the display has to be made without landing first because, under normal circumstances, only crew are on board during display flights; and, on a long-range transit, there could be a weight limit due to fuel requirements that prevents carriage of many passengers. Nonetheless, members can reasonably expect several opportunities to fly every year on this basis under normal circumstances.

- Flying at Cost

The operation of the Catalina is controlled in such a way that members can contribute to costs, with flights remaining private category flights.

Costs - both direct and annual - are listed in the "Costs to Group Members" section. Note that contributions to costs from non-members are not permitted. As a guide, and subject to aircraft availability / serviceability, members can expect to be allowed (for each share held) up to 3 hours per year at the direct cost contribution rate. Further flying hours may be available at the same rate, subject to other commitments with the aircraft. The hourly rate (airborne time only) is currently £780 + VAT for Ordinary shareholders and £900 + VAT for Redeemable shareholders.

Use of the aircraft for this type of flight is secondary to use for revenue-earning flights. Normally, the aircraft is most readily available for flying at cost either during the normal annual main operating period (April to October)

for flights of up to 3 days' duration, and for a few weeks after the end of this period for flights of up to 3 weeks' duration. By special arrangement, with due consideration for maintenance requirements, longer flights for members at cost are possible.

- Pilot Training

Pilot members, who meet the entry requirements specified for Type Rating training, may use their flying time allowance to qualify as pilot on the Catalina. All pilot members pay the direct cost rate for the actual flying time for their training. Redeemable shareholders pay an additional £2,000 + VAT for their groundschool. (Groundschool is free for Ordinary shareholders.)

Pilot training normally starts with the land rating. Pilots who wish to progress to their sea rating should qualify for their land rating first and may then progress to the sea rating when the opportunity is available. The charges for sea rating training are the same as for land rating training.

The groundschool fee of £2,000, paid by Redeemable shareholders for the land rating and for the sea rating, is refunded in full to any who subsequently become an Ordinary shareholder.

Once qualified, pilot members should expect to reserve 1 hour from their

annual allowance for recurrent flying training.

- Flying as Pilot Crew Member on Working Flights

Members who have qualified as pilot on the Catalina and who fulfil the criteria at "Operations, Past and Future" (see earlier) are eligible to fly as pilot crew member when the Catalina is operating for air displays and other events, subject to any limitations of their pilot licence. (Note that air displays are normally deemed to be private flights (with respect to aircraft crew and licensing) and so may normally be flown with a PPL.) Allocation of pilots to these flights is on the basis of availability and the need to share flying fairly, and to retain currency during each flying season. There is no charge to members whilst operating these flights.

Normally, Redeemable shareholder pilots will only be allocated as pilot on working flights if there are insufficient Ordinary shareholder pilots available.

- Annual Members' Tours

Members may choose to pool some of their "at cost" flying in groups each year, normally towards the end of the flying season in the Autumn, and to plan flying tours together. The aim of these tours is to give members enhanced opportunities for touring with the Catalina.







COSTS TO GROUP MEMBERS

Investment / Share Input

At the start, in 2002, the early members joining our Group were offered significant discounts, as they were joining the Group at a stage when a successful outcome was uncertain. The Group was originally established with 20 shares (Ordinary, voting); now that the Group concept has proved attractive and successful, and with aircraft operating costs well defined, available shares have been increased to 25 shares (Ordinary, voting) and 5 Redeemable shares (Redeemable, non-voting).

For Ordinary shares, the input is £24,750, which is returnable when you subsequently leave the Group and sell on your share. Part of each input is used to purchase the share in Catalina Aircraft Ltd at nominal value and the remainder forms a loan to Catalina Aircraft Ltd. For Ordinary shares,

contributions to Annual Costs are also required (see below, "Annual Costs" - current rate £3,600 per year).

For Redeemable shares, the input is £5,000, which is not returnable. For Redeemable shares, there is no requirement for contributions to Annual Costs. Redeemable shares are returned to the Company after one year.

Waiting Lists

Catalina Aircraft Ltd maintains waiting lists for both Ordinary and Redeemable shares, when appropriate. If none of the Company's shares (Ordinary or Redeemable respectively) is currently available, prospective members may make a deposit payment and secure a place on the appropriate waiting list. For Ordinary shares, the minimum deposit payment is £5,000; for Redeemable shares it is £2,500. Further details of the waiting list system are available separately.



Usually, when an existing Ordinary shareholder decides that it is time to leave the Group and sell his share, he will choose to sell the share to whoever is top priority on the Ordinary waiting list. However, a shareholder is not required to refer to the Company's waiting list; he has freedom to sell to a person of his own choosing.

Normally, whenever a Redeemable share becomes available, the Company will arrange for it to be sold to whoever is top priority on the Redeemable waiting list.

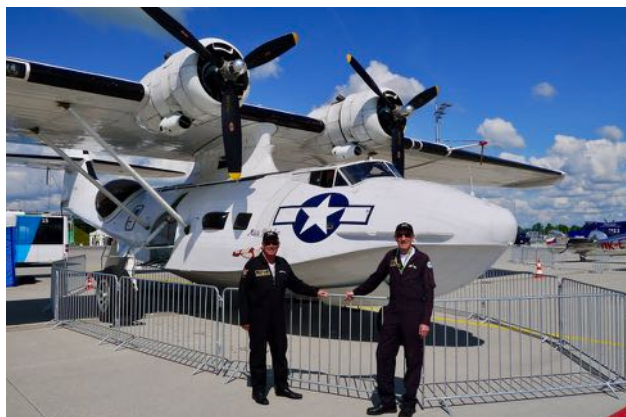
Selling on of Shares

An Ordinary shareholder who chooses to sell his share on to a future shareholder is effectively free to choose the sale price. Funding input by that future shareholder above the standard level (currently £24,750) is passed to the selling member; or, if the member chooses to sell at a loss (perhaps for a quick sale), funding shortfall by that future shareholder relative to the standard level is made good by the selling member. Precise details are specified in the example Shareholder's Agreement (Ordinary shares) - see later.

Experience has shown that, in practice, the sale of Ordinary shares is usually facilitated with help from Catalina Aircraft Ltd, using the waiting list, and at the standard level, because this is helpful both to individual shareholders and to the Group.

For Redeemable shareholders, the Redeemable share is simply returned to Catalina Aircraft Ltd after one year. There is no repayment to a Redeemable shareholder.





Annual Costs

Contributions to annual costs are required from Ordinary shareholders, but not from Redeemable shareholders. The annual cost contribution rate is currently £3,600 (£300 per month) per share, payable monthly to Plane Sailing.

Annual costs include UK CAA fees, insurance, maintenance, corporate / admin fees, wages and similar. Typically, they amount to about £140,000; details are available.

Note that the annual contribution made in respect of each share will be considered as payment for the purchase, at a premium, of one new share in Plane Sailing. These new shares will be issued at 1 March each year. A member who has joined the Group part way through a year will receive a new share if he has been a member, and contributed to annual costs, for at least 6 months prior to 1 March that year. If he has been a member for less than 6 months he will not receive a new share that March and his contributions will be considered part of an increased premium at the following March's share issue.

It is intended to plan the operation of the aircraft in such a manner that annual cost contributions will remain at the same level for the foreseeable future, although this cannot be guaranteed.

Direct Costs of Flight

Direct costs include fuel, oil, landing / parking (etc) fees and similar. They amount to about £750 - £950 per hour plus landing / parking (etc) fees;

details are available.

Contributions to direct costs are required from all Group members (Ordinary and Redeemable shareholders), for any flying they elect to make as outlined at "Flying Opportunities - Flying at Cost" (see earlier). The direct cost contribution rate is currently £780 + VAT per hour (Ordinary) / £900 + VAT per hour (Redeemable), airborne time only, plus landing / parking (etc) fees.

The direct cost contribution rate will be revised from time to time to reflect true direct operating costs. The rate is set slightly higher for Redeemable shareholders because they have made a considerably smaller initial share input.

Pilot Training Costs

Plane Sailing holds UK CAA approval for Type Rating training for the Catalina, and has 3 TRIs and 2 TREs available. Pilots wishing to enter training must

meet the specified entry requirements. As a minimum, pilots require a valid PPL (A) with a ME piston rating (A) and 70 hours as pilot-in-command of aeroplanes. Typical flight times required for initial training and test (land rating) are 2 - 3 hours for experienced pilots, but rather more for less experienced pilots. Flight time for the sea rating is normally 5 hours.

Ground school elements (land rating) are provided free of charge to Ordinary shareholders and at a fee of £2,000 + VAT to Redeemable shareholders. This fee is refunded to any Redeemable shareholder who subsequently becomes an Ordinary shareholder.

Ground school elements (sea rating) are provided with the same rates and provisions.

All flying training elements (and flight tests) are provided at the standard direct cost rates. There is currently no examiner fee.



MANAGEMENT INTENTIONS

Catalina Aircraft Ltd

On joining the Catalina Group, members become shareholders of Catalina Aircraft Ltd (the aircraft-owning company) by purchasing one or more of the company's shares (either Ordinary or Redeemable) in accordance with the joining conditions. Ordinary shareholders have voting rights; Redeemable shareholders do not.

The business of Catalina Aircraft Ltd is managed and conducted by the Board of Directors. New directors may be appointed by existing directors, or may be appointed by Ordinary Resolution at a General Meeting. Catalina Aircraft Ltd usually holds a General Meeting in the first few months of each year. The current directors of Catalina Aircraft Ltd are Derek Head, Ian Brookes and Jeff Boyling.

The directors of Catalina Aircraft Ltd intend to continue to operate the Catalina along the established lines, as outlined at "Operations, Past and Future" (see earlier). In the longer term, the directors will aim to operate in a manner that accords with the wishes of the voting (ie Ordinary) shareholders.



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Plane Sailing Air Displays Ltd

As outlined at "Costs to Group Members" (see earlier), Ordinary shareholders make contributions to annual costs, at a rate of £3,600 per year per share held. In return for each such contribution, the member will receive one new share in Plane Sailing, purchased at a premium. Thus Ordinary shareholders in the Catalina Group also become shareholders in Plane Sailing and their shareholding increases each year.

The business of Plane Sailing is managed and conducted by the Board of Directors. New directors may be appointed by existing directors, or may be appointed by Ordinary Resolution at a General Meeting. Plane Sailing does not usually hold any General Meetings. The current directors of Plane Sailing are Paul Warren Wilson, Alfred Rijkers, Mark Sutch, Paul Mulcahy and Natalie Gwyther.

Plane Sailing is contracted by Catalina Aircraft Ltd to provide aircraft management, maintenance and operations services for the Catalina, including operation of the Catalina as requested by Catalina Aircraft Ltd. Plane Sailing has more than 30 years' experience with Catalina operation, and holds current UK CAA approvals for Catalina maintenance (A8-23 and A8-25) and Catalina Type Rating training (UK.PTO-0164).

EXAMPLE - SHAREHOLDER'S AGREEMENT (ORDINARY SHARES)

THIS AGREEMENT is made onxxx

BETWEEN:

(1) CATALINA AIRCRAFT LTD whose registered office is Duxford Airfield, Cambs CB22 4QR, England ("the Company").

(2)xxx whose address is xxx ("the Applicant").

WHEREAS:

A. The Applicant wishes to hold one or more of the Company's Ordinary shares.

B. The Company is willing to accept the Applicant as a shareholder on the following terms and conditions.

NOW IT IS AGREED as follows:

1 DEFINITIONS AND INTERPRETATION

In this Agreement, except when it is inconsistent with the context:

- 1.1 any reference to the plural includes the singular and vice versa;
- 1.2 any reference to one gender includes all genders;
- 1.3 headings are given for convenience only and shall not affect interpretation;
- 1.4 any reference to a Clause, Sub-Clause or Schedule is a reference to a clause, sub-clause or schedule in or to this Agreement;
- 1.5 any reference to a particular statute includes all orders, regulations and subordinate legislation from time to time made thereunder or with respect thereto and to the same as from time to time modified or re-enacted (whether before or after the date of this Agreement) and any reference to a particular section of a statute includes any section of a later statute which modifies, replaces or re-enacts that section;
- 1.6 any reference to either party includes its permitted successors and assigns;
- 1.7 any reference to any document (including this Agreement) or any

provision thereof includes such document and provision as from time to time varied or supplemented in accordance with its terms or by agreement between the parties;

1.8 "Encumbrance" means any mortgage pledge lien assignment priority security interest option preemption right to acquire or any other interest or arrangement whatsoever;

1.9 "Share" means one of the Company's Ordinary shares.

2 AGREEMENT OF SHAREHOLDING

The Company agrees to accept the Applicant as shareholder and the Applicant agrees to hold one or more Shares subject to the terms of this Agreement.

3 PAYMENT

The payment to be made for each Share shall be as specified in the Schedule hereto. The Company acknowledges receipt of this payment.

4 APPLICANT'S COVENANTS

The Applicant covenants that he will not create any Encumbrance or trust over any of his Shares in or loans to the Company.

5 SHAREHOLDING CONDITIONS

5.1 The Applicant shall hold a legal and / or beneficial interest in a minimum of one and a maximum of nine Shares.

5.2 The Applicant shall not permit the transfer or disposal of legal or beneficial ownership of or any interest in any of his Shares whether during his life or upon his death except in entire Shares to:

5.2.1 one or more natural persons each of whom receives the entire legal and beneficial interest free from Encumbrance in one or more Shares and each of whom has made an agreement with the Company similar to this Agreement (including in particular this Clause 5.2); or

5.2.2 a nominee specified by Company

and in the event of a breach of this Clause 5.2 howsoever caused then the Applicant shall be deemed to have chosen to transfer the Shares to a nomi-

nee specified by the Company.

5.3 If Plane Sailing Air Displays Ltd incurs additional unplanned aircraft operating costs which are essential to the continued operation of the aircraft, including but not limited to those associated with an unplanned engine replacement or aircraft damage not covered by insurance, then for each Share held by him the Applicant shall make a contribution equal to one twenty-fifth of those additional costs. The additional costs shall be defined at a Meeting of the Board of Directors of the Company and shall be specified together with an explanation of how they have arisen in the Minutes of that Meeting. The Applicant shall make such contribution within 28 days of the date of publication of those Minutes. If the Applicant fails to make this contribution in full then an amount equal to the shortfall in his contribution shall be deducted from the loan repayment otherwise due to him according to Clause 6.3 of this Agreement.

5.4 If the Applicant transfers his Shares to a nominee specified by the Company then this transfer shall be at no charge and:

5.4.1 following completion of such transfer the Company shall advertise the Shares for sale to a future shareholder, on terms specified at Clause 3 of the Schedule hereto, and shall within 28 days of receipt of sale proceeds pay to the Applicant a sum equal to 80% of the sale proceeds, less the cost of advertising.

5.4.2 if a tax liability of any form shall arise from this complete transaction then such liability shall be entirely the responsibility of the Applicant.

5.5 In the event of any deemed transfer pursuant to Clauses 5.2 or 7.2 or other transfer or disposal which contravenes the provisions of this Agreement the Applicant shall transfer all his Shares to a nominee specified by the Company within 28 days failing which the Directors of the Company may sign a transfer on behalf of the Applicant in favour of such nominee.

5.6 The Directors of the Company shall refuse to register any transfer or disposal of Shares which contravenes the provisions of this Agreement and the Shares or loan comprised in any purported transfer so made shall carry no rights whatsoever unless and until in each case the breach is rectified.

6 LOAN CONDITIONS

The Applicant's loan to the Company, for the amount specified in the Schedule hereto, associated with each Share, shall be subject to the following conditions:

6.1 The rate of interest for the loan shall be 0%.

6.2 The Company may at its sole discretion at any time repay to the Applicant part or all of the outstanding loan and any partial repayments shall be in multiples of £1,000.

6.3 The Company shall be required to repay to the Applicant the outstanding loan associated with a Share only when:

6.3.1 that Share has been transferred to a future shareholder in accordance with the provisions of this Agreement whether directly from the Applicant or indirectly through a nominee specified by the Company, and

6.3.2 that future shareholder has made both parts of the payment specified at Clause 2 or Clause 3 of the Schedule hereto as appropriate for that Share

and in this case the Company shall repay the loan within 28 days.

6.4 The Applicant shall not transfer or dispose of or otherwise deal with any of his loans to the Company except in association with the related Share and a loan relating to a Share cannot be held legally or beneficially other than by the shareholder in relation to such Share.

7 AIRCRAFT OPERATING COSTS

7.1 The Applicant shall make such contributions to aircraft operating costs as are specified in the Schedule hereto.

7.2 If the Applicant fails to pay amounts due under Clause 7.1 then upon his arrears thereunder exceeding £2,000 per Share held by him he shall be deemed to have chosen to transfer his Shares to a nominee specified by the Company and the provisions of Clause 5.4 shall apply with the additional provision that the amount of the arrears shall be immediately deducted from the Applicant's loan to the Company and for the purposes of this Clause a certificate of an officer of the Company shall be conclusive.

8 TERMINATION

This Agreement shall terminate immediately and automatically when the Applicant both:

8.1 no longer holds the legal or beneficial ownership of any Company Shares, and

8.2 has received the specified repayment of the associated loan to the Company.

9 GENERAL

9.1 This Agreement constitutes the entire agreement between the parties in relation to its subject matter and no addition to or variation of it shall have any effect unless in writing and signed, by a person duly authorised, on behalf of each of the Company and the Applicant.

9.2 Any part of this Agreement found by any court or other competent authority to be unenforceable shall be considered severable so as not in any way to affect the remainder of this Agreement.

9.3 If the Applicant is in default of any of the terms of this Agreement the Company may, at its option, do and pay anything necessary to remedy such default and the Applicant shall reimburse the Company for any resulting expenditure within 14 days of demand.

9.4 The Company's rights and remedies under this Agreement are cumulative and not alternative and are not exclusive of any remedies provided by law.

9.5 Each party agrees at the request of the other at its own cost to do anything further, or execute or deliver any further document, which is

necessary to give effect to this Agreement and shall use their respective reasonable endeavours to procure that any necessary third parties do likewise.

9.6 The rights of neither party shall be prejudiced or restricted by any indulgence or forbearance extended by such party or by any delay in exercising or failure to exercise any right and no waiver by either party of any breach shall operate as a waiver of any other or further breach.

9.7 Neither party shall incur any liability for failure to perform any obligation under this Agreement if such failure is the direct or indirect result of anything beyond that party's control, including without prejudice to the generality of the foregoing, any Act of God, war, insurrection or strike, the effect of which the party took all reasonable steps to prevent continuing.

9.8 Neither party may assign their rights or obligations in whole or in part hereunder without the prior written consent of the other party provided that this Clause shall not prevent a transfer of shares pursuant to the foregoing provisions.

9.9 Nothing in this Agreement shall constitute or be deemed to constitute a partnership between the parties hereto and neither of them shall have any authority to bind the other in any way.

10 LAW AND JURISDICTION

10.1 This Agreement shall be governed by and construed in accordance with English Law.

10.2 The parties agree that the English courts have exclusive jurisdiction to adjudicate any dispute which arises in connection with this Agreement save that, as such agreement conferring jurisdiction is for the benefit of the Company only, the Company shall retain the right to bring proceedings against the Applicant in any other court which has jurisdiction.



**EXAMPLE - SCHEDULE TO SHAREHOLDER’S AGREEMENT
(ORDINARY SHARES)**

1 Payment for the Purchase of one new Share in the Company by the Applicant

For the purchase of one new Share in the Company, the Applicant shall make a payment of £24,750 which shall consist of 2 parts:

- 1.1 A payment to the Company for the purchase of one Share at £1, and
- 1.2 A loan to the Company for an amount equal to the remainder.

2 Payment for the Purchase of a Share directly from the Applicant by a future shareholder

For the purchase of a Share directly from the Applicant, a future shareholder shall make a payment which shall consist of 2 parts:

- 2.1 A payment to the Applicant for the purchase of the Share at a price determined by the Applicant, and
- 2.2 A loan to the Company for £24,750.

3 Payment for the Purchase of a Share from a nominee of the Company by a future shareholder

For the purchase of a Share indirectly from the Applicant, after transfer of that Share to a nominee specified by the Company, a future shareholder shall make a payment which shall consist of 2 parts:

3.1 A payment to the Company for the purchase of the Share at a price determined by the Company, and

3.2 A loan to the Company for £24,750.

4 Contributions to Operating Costs

4.1 The Applicant shall make contributions to aircraft operating costs as follows:

4.1.1 Annual Costs

£300 per month for each Share held, payable to Plane Sailing Air Displays Ltd by standing order by the third day of every month, these contributions being also considered as payments for the purchase at a premium of one new share per year in Plane Sailing Air Displays Ltd for each Share held.

4.1.2 Direct Costs of Flight

For all flying at cost, £780 per hour, plus associated landing / parking fees and similar, all subject to VAT, which will be invoiced by Plane Sailing Air Displays Ltd to the Applicant and which shall be payable within 28 days of invoice.

4.2 Without prejudice to any of the foregoing provisions or other remedies to which the Company is entitled if any sums are not paid on the due date interest shall be chargeable at 10% per annum from the date of due payment until payment is made in full.

EXECUTION

SIGNED by
(xxx)
(Signature)

for and on behalf of
Catalina Aircraft Ltd

in the presence of

(Name)
(Address)
.....
(Signature)

SIGNED by
(xxx)
(Signature)

in the presence of

(Name)
(Address)
.....
(Signature)



SUMMARY

Whether you would like to join the Catalina group as an Ordinary or Redeemable shareholder, there are some tremendous experiences awaiting you!

Ordinary Shareholders

If you can afford to run another car but would rather spend your money on something much more fun, demanding and rewarding, why not become an Ordinary shareholder in our Catalina Group? For an investment of £24,750 (returnable when you subsequently leave the Group) you can own a 1/25 share in the Catalina company, Catalina Aircraft Ltd. There are ongoing fees of £300 per month, to bridge the gap between what the Catalina can generate through working and what it costs to run her - even in a bad year.

As well as being intimately involved with the running of a very special aircraft, you will have several ways to experience flying in the Catalina:

- You can fly to airshows and events which the Catalina is attending, whenever possible. You can also join some of our training flights at our home base Duxford. There is no charge for this flying.
- You can come away with us when we conduct pilot training for water ops, typically at Biscarrosse in France, and experience for yourself just how amazing it is to be a part of a water takeoff and landing in the Catalina. There is no charge for this flying.
- You have an annual allowance of "at cost" flying (£780 + VAT per hour). For those Ordinary shareholders who are pilots (limited to 15 in number) this can be used to train and qualify as pilot on the Catalina - after which you can pilot the aircraft to events. Any members who wish to can pool their time and make a "members' tour", taking the Catalina away for a day or a week or more, on a route of their choice.

Redeemable Shareholders

The Redeemable share is for anyone who cannot commit to an Ordinary share financially, but who would like some limited flying time in the Catalina. For a one-off payment of £5,000 (with no monthly fees), you can become a member of the Group for one year. You do not have voting rights and, after one year, your share will revert to the company. Your one-off payment is not returnable.

During your year of membership, you will have the same opportunities as Ordinary shareholders, as listed above (including free flying) but your flying opportunities come second to those of Ordinary shareholders. Normally, one month before any planned event for the Catalina, crew and shareholder lists will be finalised and at that point any spare places will be made available for Redeemable shareholders. Your "at cost" flying is charged at a slightly higher rate of £900 + VAT per hour.

As well as being available for aviation enthusiasts, the Redeemable share is also intended for pilots who would like to gain their Catalina type rating - perhaps whilst waiting for an Ordinary share to become available, or indeed just for the incredible experience of qualifying to fly this wonderful piece of history.

For all Shareholders

The operation is managed by Plane Sailing, based at Duxford, with more than 30 years' experience of Catalina operations - including more than 1,000 air displays throughout Europe and beyond; a number of filming contracts; a 20,000 mile filming tour of South America for Peter Stuyvesant; 2-month summer tours of the Italian coast for Peroni; and memorable trips to Turkey, Russia, and a remote lake in Greenland. Amongst all this flying there has been plenty of water operating experience.

With our Catalina Group, we intend to ensure the long-term survival of an airworthy Catalina. Together we will continue to make use of our hard-won years of experience, enjoying the fun and satisfaction of keeping this particular piece of aviation history alive and flying and on display, and - perhaps most importantly - reminding today's younger generations of the service and sacrifices of all those wartime crews who gave so much with the Catalina.

Welcome aboard!



Produced by: **Plane Sailing Air Displays Ltd**

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Cambridge

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