

DW & Lynn
only -
KEF
(3 pgs)

THE WING GROUP
INTERNATIONAL PROJECT DEVELOPMENT
HONG KONG ASPEN HONG KONG

Writer's Location:

15001 Walden Rd., Suite 105
Montgomery, TX 77358
Telephone: 409/582-0898
Facsimile: 409/582-1089

710 E. Durant Avenue
Aspen, CO 81611
Telephone: 303/920-2042
Facsimile: 303/920-9326

18/F Peregrine Tower
Suite 31, Lippo Center
Drake Street, Hong Kong
Telephone: 852/623 0428
Facsimile: 852/630-3781

MEMORANDUM

TO: All Wing Group staff
cc: Roger Goddard
FROM: Kim Fox
RE: PERSONAL USE OF COMPANY AIRCRAFT
DATE: 07 March 1994

Since each of us may eventually use the company plane for a personal (non-business related) trip, it is important to know what our tax liability is both (i) as a company and (ii) individually. Personal use of the plane does have important tax consequences.

I. AS A COMPANY, WE WANT TO BE ABLE TO DEDUCT EACH LEGITIMATE BUSINESS FLIGHT AS A BUSINESS EXPENSE OF THE WING GROUP

To deduct the cost of all legitimate business flights as business expense, we must keep meticulous records as to each passenger on board for each leg of the flight. The attached flight log form is being used by Steve and Bob to record each passenger's name and the legs they travel. Peggy then completes the section on business purpose for each passenger/cach leg: Who a passenger was flying to meet; what was discussed, etc.

It is extremely important to each of us that we cooperate in keeping good records. If we fail to keep such records (i) The Wing Group cannot deduct the cost of the flight and (ii) the IRS will impute the "charter rate" value of the flight to the passenger's individual income and, in the worst case, may attempt to say that the passenger was trying to evade income tax on a "personal" flight.

II. AS INDIVIDUALS, WE MUST REPORT AS INCOME THE "SIFL VALUE" OF EACH FLIGHT WE TAKE FOR PERSONAL (NON-BUSINESS) REASONS

Every Wing Group employee or owner must be aware of the rules regarding personal flights on company aircraft. The FAA and the IRS have rules that are not completely harmonious with each other. The result is that the value of personal flights is imputed to the income of the employee (or company owner) taking such a flight - or having a guest who takes such a flight. These rules may be summarized as follows:

- A. **FAA SAYS NO INDIVIDUAL MAY PAY FOR ANY FLIGHT.** For a flight department such as The Wing Group's operating under FAA Regulations Part 91, the FAA will not allow any individual to pay The Wing Group or Wing Aviation for any personal flight. If an individual pays for a flight, our operation looks like a charter operation and we must then operate under a Part 135 certificate as a commercial carrier. We do not have such a certificate and so absolutely cannot accept payment for any flights except that Wing Aviation may accept payment from The Wing Group under the lease The Wing Group has with Wing Aviation for use of the plane.
- B. **IRS SAYS A PERSONAL FLIGHT, IF NOT PAID FOR, IS A THING OF VALUE - LIKE WAGES OR SALARY IT IS INCOME AND IT MUST BE REPORTED.** If an individual has not paid for a personal flight, then he has received something of value from his employer and the IRS takes the position that this value is taxable as additional income. Failure to report this value and pay tax on it is tax evasion just like failure to report any other income.

As we have seen above, The Wing Group must keep meticulous records of business flights to preserve business deductions. This means that non-business flights must be noted on the flight log also. From these records, early in each calendar year, we will advise any employee of the value which has been imputed to his or her income for personal flights. If you know of a personal flight that was not counted or a flight that was questionable as a business flight, you should advise me so that we (and you) may account for it in reporting income. For example, for 1993 we have a few personal flights which will be imputed to John's income. No other employee or company owner appears on the flight logs as taking (or having a guest take) a flight that is clearly personal.

The IRS allows a valuation of personal flights using Standard Industry Fair Level Rates (SIFL rates) that are quite a bit below the "charter value" of a personal flight - provided we consistently and correctly use this method. If we fail to consistently and correctly use the SIFL rates, the much higher charter rate will be imputed the individual's income.

Use of the SIFL rates is complicated. The formula is based on many factors such as: maximum take-off weight of the plane, statute miles flown on a particular leg, whether the entire round-trip was "primarily business" or "primarily personal", whether at least 50% of the maximum number of passenger seats were filled by

business passengers when the individual got on the plane and got off the plane and whether the individual is a "control employee" (meaning an officer, director or highly compensated person).

Finally, note that the only persons who may have income imputed because of a personal flight are employees and owners of The Wing Group. Thus, if one of our consultants or one of our friends or relatives flies for personal reasons, that person is flying as the guest of an employee or owner. Thus, the SIFL value of that flight will be imputed to the income of the employee or owner, rather than to the individual taking the personal flight.

If you have any questions about personal use of company aircraft, please let me know.

wingevia\persuse.mem

THE WING GROUP
INTERNATIONAL PROJECT DEVELOPMENT
HONG KONG ASPEN HONG KONG

Writer's Location:

15001 Walden Rd., Suite 105
Montgomery, TX 77386
Telephone: 409/582-0988
Facsimile: 409/582-1089

710 E. Durant Avenue
Aspen, CO 81611
Telephone: 303/920-2042
Facsimile: 303/920-3326

18/F Peregrine Tower
Suite 31, Lippo Center
Drake Street, Hong Kong
Telephone: 852/623-0428
Facsimile: 852/630-3781

MEMORANDUM

TO: STUART KIRK
cc: JOHN WING
FROM: KIM FOX
RE: TRIP TO WYOMING ON COMPANY AIRCRAFT
DATE: 07 March 1994

2 pages

Note re personal use of company aircraft:

The flight from Denver to Wyoming to visit your mother is in an arguably "gray area" between business and personal use of the plane. If this trip is viewed as strictly personal, the value of it is imputable to John Wing's income and not to yours. This is because you would be considered a guest of John's on that flight. Since you are a consultant and not an employee of The Wing Group, we can impute the value of the flight only to John.

On the other hand, we believe the trip had a business purpose. After receiving advice of Kent Jackson, aviation attorney in Overland Park, Kansas, we will take the following position. (Kent cannot guarantee that the IRS will agree, but he feels it is a reasonable position.)

You had been asked to travel to [China/Hong Kong] immediately on Wing Group business when your mother became seriously ill in Wyoming. It was not possible to get you to her side and then get you to [Hong Kong] in a timely manner without use of the company plane - due to remote location of your mother and pressing matters in [Hong Kong]. In fact, you would not have travelled to [Hong Kong] as requested if we had not provided the plane for your trip to see your mother.

Please sign the attached letter and return to me. Thanks.

Stuart - Did you, in fact, then travel to Hong Kong/China at this time? KF

THE WING GROUP
INTERNATIONAL PROJECT DEVELOPMENT
HOUSTON ASPEN HONG KONG

Writer's Location:

15001 Walden Rd., Suite 105
Montgomery, TX 77358
Telephone: 409/582-0888
Facsimile: 409/582-1088

710 E. Durant Avenue
Aspen, CO 81611
Telephone: 303/920-2042
Facsimile: 303/920-3328

18/F Peregine Tower
Suite 31, Lippo Center
Drake Street, Hong Kong
Telephone: 852/523-0428
Facsimile: 852/530-3781

March 1, 1994

Kimberly E. Fox
General Counsel
The Wing Group
710 E. Durant Ave.
Aspen, CO 81611

SK -
NB to forward
clean version.
KF

Re: Use of company aircraft for travel to Wyoming

Dear Kim:

Regarding my trip from Denver to _____ on _____, 1993 aboard N41PJ, please note the following:

I made this trip to visit my mother. My mother became seriously ill at the same time that I was directed by The Wing Group to travel to [Hong Kong] for company business (Henan coal project). I was unable to arrange commercial transportation to visit my mother which would have allowed me to timely make the requested trip to [Hong Kong]. If required to use commercial aviation, I would have refused to make the company trip overseas and would have visited my mother instead. By using the company aircraft, I was able to visit my mother and also travel overseas as directed.

Sincerely,

Stuart Kirk

winggroup@marpro.com - pg 8

NB - please
fill in
+ send
to
JK

Thrs.

Note
Print
page
6
only in
you'll get
a whole lot
of stuff you
don't need

E N R O N
C O R P.

Interoffice
Memorandum

To: John Wing

From: Joan Richard *JR*

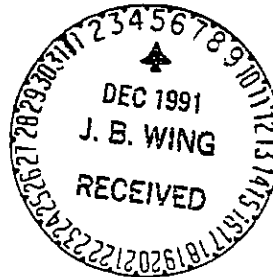
Department: Aviation

Subject: Personal Use of Corporate Aircraft
09/01/91 - 09/30/91

Date: 12/03/91

Attached is the computation for personal use of the corporate
aircraft for the month of September, 1991.

cc: Jim Barnhart
Gary Fitch
Gail Bevington



WS231214

E N R O N
C O R P.

Interoffice
Memorandum

To: John Wing

From: Aviation/Accounting

Subject: Personal Use of Corporate Aircraft
09/01/91 - 09/30/91

Date: 12/03/91

Date	Origination	Destination	Pax	SM	Taxable Value
09/03/91	Houston, TX	Aspen, CO	J. Wing	945	446.07
09/27/91	Houston, TX	Aspen, CO	K. Wing	920	572.10
09/29/91	Aspen, CO	Houston, TX	J. Wing + 1	920	1,144.20
					\$2,162.37

1991 Year-to-Date Taxable Value:

MO	1991 Year-to-Date Taxable Value:				--CATEGORIES 2 & 3--	
	CATEGORY 1	CATEGORY 2	CATEGORY 3	TOTAL	FLT HRS.	DIRECT COSTS
JAN						
FEB						
MAR	\$16,312.21	\$.00	\$1,862.48	\$18,174.69	2.4	\$4,238.40
APR						
MAY	\$804.78	\$.00	\$.00	\$804.78	0.0	\$.00
JUN	\$6,407.42	\$.00	\$.00	\$6,407.42	0.0	\$.00
JUL	\$6,295.20	\$.00	\$.00	\$6,295.20	0.0	\$.00
AUG	\$.00	\$.00	\$14,127.16	\$14,127.16	17.3	\$18,291.90
SEP	\$.00	\$.00	\$2,162.37	\$2,162.37	4.5	\$3,856.50
OCT						
NOV						
DEC						
	\$29,819.61		\$18,152.01	\$47,971.62	24.2	\$26,386.80

NOTE: Flight hours are based on round trip including repositions, if any.

WS231215

The following information is the computation for the taxable value for the trip(s) listed on the preceding page.

09/03/91

AIRCRAFT: SABRELINER

Houston, TX - Aspen, CO : 945 statute miles - J. Wing

500 miles x 0.1652 =		\$82.60
445 miles x 0.1259 =		56.03

		138.63
Aircraft Multiplier	X	300%
300% x pax		-----
		415.88
Terminal Charge	+	30.19
30.19 x pax		-----
		\$446.07
		=====

09/27/91

AIRCRAFT: FALCON 900

Houston, TX - Aspen, CO : 920 statute miles - K. Wing

500 miles x 0.1652 =		\$82.60
420 miles x 0.1259 =		52.88

		135.48
Aircraft Multiplier	X	400%
400% x pax		-----
		541.91
Terminal Charge	+	30.19
30.19 x pax		-----
		\$572.10
		=====

09/29/91

AIRCRAFT: FALCON 900

Aspen, CO - Houston, TX : 920 statute miles - J. Wing + 1

500 miles x 0.1652 =		\$82.60
420 miles x 0.1259 =		52.88

		135.48
Aircraft Multiplier	X	800%
400% x pax		-----
		1083.82
Terminal Charge	+	60.38
30.19 x pax		-----
		\$1,144.20
		=====

E N R O N
C O R P.

Interoffice
Memorandum

To: John Wing

From: Joan Richard *JR*

Department: Aviation

Subject: Personal Use of Corporate Aircraft
11/01/91 - 11/30/91

Date: 12/17/91

Attached is the computation for personal use of the corporate aircraft for the month of November, 1991.

cc: Jim Barnhart
Gary Fitch
Gail Bevington



WS231217

E N R O N
C O R P.

Interoffice
Memorandum

To: John Wing

From: Aviation/Accounting

Subject: Personal Use of Corporate Aircraft
11/01/91 - 11/30/91

Date: 12/17/91

Date	Origination	Destination	Pax	SM	Taxable Value
11/22/91	Houston, TX	Aspen, CO	J. Wing	945	584.69
11/24/91	Aspen, CO	Houston, TX	K. Wing	969	596.78
					\$1,181.47

1991 Year-to-Date Taxable Value:

MO	CATEGORY 1	CATEGORY 2	CATEGORY 3	TOTAL	--CATEGORIES 2 & 3--	
					FLT HRS.	DIRECT COSTS
JAN						
FEB						
MAR	\$16,312.21	\$.00	\$1,862.48	\$18,174.69	2.4	\$4,238.40
APR						
MAY	\$804.78	\$.00	\$.00	\$804.78	0.0	\$.00
JUN	\$6,407.42	\$.00	\$.00	\$6,407.42	0.0	\$.00
JUL	\$6,295.20	\$.00	\$.00	\$6,295.20	0.0	\$.00
AUG	\$.00	\$.00	\$14,127.16	\$14,127.16	17.3	\$18,291.90
SEP	\$.00	\$.00	\$2,162.37	\$2,162.37	4.5	\$3,856.50
OCT						
NOV	\$.00	\$.00	\$1,181.47	\$1,181.47	0.0	\$.00
DEC						
	\$29,819.61		\$19,333.48	\$49,153.09	24.2	\$26,386.80

NOTE: Flight hours are based on round trip including repositions, if any.

WS231218

The following information is the computation for the taxable value for the trip(s) listed on the preceding page.

11/22/91

AIRCRAFT: FALCON 50

Houston, TX - Aspen, CO : 945 statute miles - J. Wing

500 miles x 0.1652 =		\$82.60
445 miles x 0.1259 =		56.03

		138.63
Aircraft Multiplier	X	400%
400% x pax		-----
		554.50
Terminal Charge	+	30.19
30.19 x pax		-----
		\$584.69
		=====

11/24/91

AIRCRAFT: FALCON 50

Aspen, CO - Houston, TX : 969 statute miles - K. Wing

500 miles x 0.1652 =		\$82.60
469 miles x 0.1259 =		59.05

		141.65
Aircraft Multiplier	X	400%
400% x pax		-----
		566.59
Terminal Charge	+	30.19
30.19 x pax		-----
		\$596.78
		=====