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Questioning Market Leaders For Long Term Investors

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COMPANY INTERVIEW

GREGORY COHEN

Halcyon Jets Holdings, Inc.

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Halcyon Jets Holdings, Inc. (HJHO)

GREGORY COHEN, Chief Executive Officer of Halcyon Jets Holdings, Inc., founded Halcyon Jets in 2007. Prior to founding Halcyon, Mr. Cohen was executive producer of several feature films, including two films in the National Lampoon series. He had a successful career for many years on Wall Street and has promoted and managed several world champions in the sport of boxing. Mr. Cohen graduated from The George Washington University with a BBA degree.

SECTOR – TRANSPORTATION

(AKP609) TWST: May we start with a short history of your company and an overview of what you do?

Mr. Cohen: We're a private jet company, primarily in the private jet charter business. The company had its first flight on April 1, 2007 — we put our first plane in the air. We started with around four people on our staff. Now fast forward a year-and-a-half, we are a company that is over 80 people strong and growing rapidly and loving it.

TWST: What is the typical jet that your clients charter? What is the profile of a typical customer?

Mr. Cohen: About 70% of our flights are done on what's called either a mid-size or super-mid jet, which would fit between eight and 10 people. Typically the bread and butter customer is the business traveler, meaning somebody who is a real private traveler, somebody who really uses this as their means of transportation, has a minimum annual income of a few million dollars, and probably a net worth in excess of the minimum \$20 million.

TWST: I understand that these planes are contracted out. What is the availability of these aircraft and how many aircraft in this country do you have potentially available to you on any given day?

Mr. Cohen: The pool of aircraft for charters is somewhere in the neighborhood of 5,000 to 6,000 in this country and several thousand additional aircraft overseas. So there's quite a lot in the pool of aircraft for us to choose from.

TWST: So this is done on demand?

Mr. Cohen: Correct, this is done on demand. The typical traveler, even the on-demand traveler, usually sets up their trips a few weeks in advance. I can tell you just from our past experience, we've put people in the air as quickly as an hour and a half. We like to say four hours notice is the minimum notice we need, but we've actually beaten that on a number of occasions.

TWST: What are the airports that you serve? Is it predominantly in the US?

Mr. Cohen: No, it's anywhere in the world. And what a lot of people don't even realize is — just take the US for example — there are about 500 commercial airports like New York's JFK, LaGuardia in this country, but there are over 5,000 private airports. So generally speaking, no matter where you're traveling within this country and even abroad, there is going to be a private airport much more convenient to most destinations.

TWST: Do you take on the credit risk of receivables?

Mr. Cohen: The way we do it is typically we pay the vendors, the plane owners before we're paid from our customer. But it's pretty much riskless; if you're my customer and you call me today and you want to fly from New York to Florida and it's a \$10,000 trip, for example, I would get a hold on your credit card for \$10,000. We give our customers a week to 10 days to pay for the trip by either sending me a check or wiring, but if you do not pay for the trip in that 10-day period, we would then initiate the charge on your card. So when we go into the flight, we don't have your money up-front, but we do have a hold on your credit card so we're not taking risk because the hold is the same as a charge.

TWST: Is the economy having any appreciable impact on the business traveler or what you call the luxury traveler?

Mr. Cohen: We've been very fortunate in our industry and our company in particular to see no slowdown. We've seen quite the opposite. We've seen continued growth and I think that just comes from the people who travel privately are just so wealthy and it makes up such a small segment of the population, they're really not affected nearly as much as the general population.

TWST: Who provides the crew? What is the general availability of qualified people?

Mr. Cohen: The crew and plane come together; it's not a separate deal. If you say to me, "Greg, I want a G4 going from New York to London," when I secure that aircraft, it comes with a crew. So that's all provided by the owner/operator. Basically every plane comes with at least one crew and several planes have several crews. If

you're talking about dealing with one of the larger operators, they can have as many as three or four crews per plane.

"In our first phase of business, we made a concerted effort to grow our on-demand business and I really believe we're the number two largest on-demand charter company in the US right now. Phase two of our business development is rolling out a comprehensive card program and taking on the larger card companies in the business. I believe that we will grow our on-demand business to somewhere between \$150 million and \$250 million a year in revenue and I believe that the card business could be worth exponentially more on an annual basis than the on-demand business."

TWST: Have you been able to pass on the fuel surcharge over to the travelers?

Mr. Cohen: It's pretty much a pass-through, yes. Obviously when you're talking about such a high-ticket item — flying privately, our average flight is around \$30,000 — so whether it's \$30,500 or \$30,200 it really has had no impact on the clients, they just accept that that's just part of the cost of doing business if you're going to fly privately.

TWST: I understand you made some acquisitions over the 18 months you've been in existence.

Mr. Cohen: We haven't closed; we will be closing on the A-List Jets acquisition imminently. We did announce two letters of intent; we are not going forward with the Jet One Jets deal, but the A-List Jets deal is going to close imminently.

TWST: Would you give us some insight into these companies?

Mr. Cohen: A-List is a very similar type company to Halcyon, just a lot smaller, under 10 people on their staff. They really have concentrated more on the European business, which is a

nice complement to us because the majority of our business has been based in the US and we are looking forward to growing our European business. They also do a lot of broker-to-broker business. Procuring aircraft for other jet brokers out there is one of their areas of expertise.

TWST: How intense is the competition? How many brokers are there? We've been hearing about the investment made by Warren Buffett in the fractional jets concept. Do they compete with you?

Mr. Cohen: The answer is, there is a lot of competition; however, we've shown in a very short amount of time that we are one of the major players and I believe we are the second largest on-demand charter company right now in the US. It's very different from what Warren Buffet does with NetJets. They're a fractional company. The difference is with the fractionals, you are buying a piece of an aircraft, you're taking ownership, and it's a much different financial model upfront. I believe the minimum commitment is close to \$0.5 million and you're signing a five-year contract where there is anywhere from \$10,000 to \$25,000, \$30,000 a month in maintenance fees. It's a totally different model. Our model is that you can do it on a pay-as-you-go, on an on-demand model or we do have a card program where people put money on an account. It's obviously a lot different from buying a piece of an aircraft.

TWST: How do you reach out to potential travelers, potential customers?

Mr. Cohen: We have a very aggressive sales force that is out there prospecting via telephone, going to several different events. We put gift cards in a lot of bags for charity events that we go to. We go to a lot of networking events. If it's a high-end event, you're going to see plenty of Halcyon reps among other top jet companies' reps

working the crowd and networking. That's how this business works. We are really making a concerted effort these days to bump up our presence on the Internet because other than referrals, probably the largest source of new business we receive is generated through Internet leads.

TWST: How were you able to grow this business so dramatically in a year-and-a-half?

Mr. Cohen: We have a tireless sales force with just unbelievable work ethics and the people who run the sales offices in New York, Florida, and California — these guys are real winners and they have an unbelievable work ethic and won't stop until the results are achieved.

TWST: Looking ahead, what are some of the items that could make the biggest impact on your company and your strategy for continued growth?

Mr. Cohen: I would say even though it hasn't affected us yet, we are concerned with the economy. At some point, if things don't get better, it could trickle down and affect our people. Nobody is immune to a poor economy and also field competition. We've seen such meteoric growth month after month, quarter after quarter and hopefully it's in the distant future, but at some point in the future we're going to reach a saturation point where the growth is going to have to slow down. That's just inevitable.

TWST: Would you give us a scenario of your company two to three years down the road?

Mr. Cohen: I could tell you this. In our first phase of business, we made a concerted effort to grow our on-demand business and I really believe we're the number two largest on-demand charter company in the US right now. Phase two of our business development is rolling out a comprehensive card program and taking on the larger card companies in the business. I believe that we will

grow our on-demand business to somewhere between \$150 million and \$250 million a year in revenue and I believe that the card business could be worth exponentially more on an annual basis than the on-demand business. So a few years down the road, if you and I get on the phone, I would not be surprised if we're talking about a business that's doing over \$500 million a year.

TWST: The economy notwithstanding, what would you consider as your biggest impediment to success? What business challenges are you looking out for?

Mr. Cohen: The biggest impediment to success is going to be how we roll out our card program. I think we're in control of our own destiny. The market is there and we like to say we're in the second inning of a nine inning game, but the only thing that could really get in our way is us not executing and that's not going to happen.

TWST: Would you comment on the expertise of some of the key members of your management team including yourself?

Mr. Cohen: Our President, Christian Matteis, has been in this business nearly a decade and I'm happy to say he really taught me the business. When I decided I wanted to start this company, he was the person I reached out to and he is truly one of the most knowledgeable minds in our business and our industry. My expertise really lies on the corporate side of the business, I'm entrepreneurial by nature and I loved the private aviation business as a consumer, as somebody who was fortunate enough to fly private for a number of years before starting the business. I saw the opportunity that this is such a growing industry and wanted to jump in with both feet. From our staff of flight directors, we have some guys who have been in the business a number of years whom we've recruited from other companies. From the top

down we have people with a lot of industry experience and then, of course, we have people with a lot of business experience and expertise as well.

TWST: What occupies most of your time on a day-to-day basis?

Mr. Cohen: I basically manage the people in the organization. I am on the phone literally from six o'clock in the morning until very late at night dealing with all my offices, checking. I am very involved in, on a day-to-day basis, which flights are going, making sure that our sales people are keeping their customers informed. Obviously, I have a large role on the financial end of our business, managing cash flow and things of that nature. But really most of my time is dealt with dealing with our people.

TWST: Please give us an insight into your balance sheet. How does it look to you?

Mr. Cohen: I could tell you this, we are filing our 10-Q, so all that information will be public knowledge.

TWST: Is Halcyon Jets as well understood in the markets as you would like it to be?

Mr. Cohen: No, it's not. It's like a double-edged sword for us because we are the only publicly traded standalone private jet charter company and it's a good thing because it's fully disclosed. Compared to our competition, I could tell you I know people in our industry who do a fraction of our business, but because they are private, they go and make these grandiose statements that they are doing hundreds of millions of dollars in revenue when they are probably doing tens of millions of dollars and nobody is regulating them. They could say whatever they want. We need to get our name out there more, we need the public to know and the consumers to know more about us and I guess that will happen over time. In a short amount of time we've gone from an

idea to being a major player in the industry, but by no means are we close to having the amount of recognition that would make me happy.

TWST: Do you have an active IR program?

Mr. Cohen: We don't have a real active IR program. I literally am starting to go on the road this week. Next week I'm presenting to a group of about 100. So we are just starting that now. We feel like we've finally built the business to a point where the story is compelling enough for us to go out there and start telling it to anyone who will listen.

TWST: What does your shareholder base look like in terms of ownership?

Mr. Cohen: It's mostly retail ownership. Management owns, I would say, somewhere in the neighborhood of 30% to 40%. There is a very, very small amount of shares outstanding; there are about 25 million shares outstanding in the entire company. It's a very small company at this point, but in terms of the shareholder base, I would say it has probably several hundred retail investors.

TWST: Is there enough liquidity in the company in the trading?

Mr. Cohen: The truth is that the stock trades very thin. There are some days where you'll see several hundred thousand shares traded and you'll see on other days the stock can go two, three days and not even open. So because of the restricted new 144 rules, of those 25 million shares, only about 7 million or 8 million are in the float,

but I believe all 25 million shares are eligible to be in the public float if people were to put in their 144 request for opinion. So it is a bit of a thin market because there are only 7 million or 8 million shares in the float. The stock is going to trade how it's going to trade, we just need to keep executing and the stock will take care of itself.

TWST: Is there anything you would like to add?

Mr. Cohen: I think the most important message I would like to get out to people is Halcyon Jets has done a wonderful job in a short amount of time establishing itself as a major player in this industry. If we have a fraction of the success we've had in growing our charter business, in growing our card business, the statement that I made to you a few minutes ago about us getting back on the phone two years from today and talking about a \$500 million plus company generating significant profits to the bottom line — that is not just a vision, it will be a reality.

TWST: Thank you. (WT)

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