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ORIGINAL

DEPT. OF TRANSPORTATION  
TICKETS

BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.

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Application of :  
: **BOSTON-MAINE AIRWAYS CORP.** : Docket OST-00-7668 -11  
:   
for issuance of a certificate of public :  
convenience and necessity pursuant to :  
49 U.S.C. §41102 :

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**SUPPLEMENT NO. 2 TO APPLICATION OF  
BOSTON-MAINE AIRWAYS CORP.**

Communications with respect to this document should be sent to:

John R. Nadolny  
Senior Vice President and  
General Counsel  
**BOSTON-MAINE AIRWAYS CORP.**  
Pease International Tradeport  
14 Aviation Avenue  
Portsmouth, NH 03801  
(603) 766-2000

Nathaniel P. Breed, Jr.  
**SHAW PITTMAN LLP**  
2300 N Street, N.W.  
Washington, D.C. 20037  
(202) 663-8078

Attorneys for  
**BOSTON-MAINE AIRWAYS CORP.**

October 18, 2001  
1150509

BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.

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|   |   |                    |
|---|---|--------------------|
| Application of                          | : |                    |
|   | : |                    |
| <b>BOSTON-MAINE AIRWAYS CORP.</b>       | : | Docket OST-00-7668 |
|   | : |                    |
| for issuance of a certificate of public | : |                    |
| convenience and necessity pursuant to   | : |                    |
| 49 U.S.C. §41102                        | : |                    |

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October 18, 2001

**SUPPLEMENT NO. 2 TO APPLICATION OF  
BOSTON-MAINE AIRWAYS CORP.**

Boston-Maine Airways Corp. ("BMAC") hereby submits this Supplement No. 2 to its July 19, 2000 Application for issuance of a Certificate of Public Convenience and Necessity in the captioned proceeding for the purpose of furnishing certain updated information and documents to the Department in compliance with Condition (1) of the Certificate attached to Final Order 2000-10-1, served October 2, 2000, as follows:

1. FAA Part 121 Certification

BMAC expects to be issued a Part 121 Air Carrier Certificate by the Federal Aviation Administration before the end of October. A copy of that Certificate, and relevant excerpts from the Operations Specifications issued in conjunction with that Certificate, will be filed with the Department upon receipt by BMAC.

2. Statement of Fitness-Related Changes

There have been three significant developments which require an update of the fitness-related evidence and projections submitted previously by BMAC. In addition, there has been one personnel change affecting the position of Director of Safety employed by BMAC.

The principal post-Application development has been BMAC's entry into a Commuter Air Service Agreement, dated June 15, 2001, with the State of Maryland Aviation Administration (the "Maryland Agreement").<sup>1</sup> The Maryland Agreement, a copy of which is contained in Exhibit BMA-S/2-109, provides for the operation of scheduled air transportation by BMAC utilizing 19-seat Jetstream 31 aircraft between Baltimore/Washington International Airport ("BWI"), on the one hand, and the Greater Cumberland Regional Airport ("CBE") and the Hagerstown Regional Airport ("HGR"), on the other hand, at an initial frequency of three roundtrips a day Monday through Friday and two roundtrips a day on Saturday, Sunday and federal holidays.

The primary purpose of the Maryland Agreement is to further the objectives of Maryland's Regional Air Service Development Program by fostering

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<sup>1</sup> BMAC was selected by Maryland to perform the air services at issue through a competitive selection process following evaluation of carrier responses to a Request for Proposals issued by the Maryland Aviation Administration.

“development of a system of regional air transportation facilities and scheduled air service that effectively links to the national and international air transportation system underserved regions of the State that are capable of supporting scheduled air service” (Exhibit BMA-S/2-109, p.2). In order to permit the contemplated air service to be provided at affordable prices, the Maryland Agreement provides for the payment of a financial assistance grant in the maximum amount of \$2,250,000 for air transportation service provided during the eight-month period from November 1, 2001 through June 30, 2002, with an option exercisable by Maryland to extend the term of the Agreement for one year, through June 30, 2003, provided that the Maryland legislature appropriates funds for the payment of air service grants for fiscal year 2003 (Exhibit BMA-S/2-109, p.3).

As reflected in Exhibit BMA-S/2-100, BMAC’s operation of the air services contemplated by the Maryland Agreement will substantially increase the first-year projected revenues and expenses forecast by BMAC in its initial application in this proceeding. As a result of the financial grant provision, however, BMAC expects that it will be able to operate those incremental services at a reasonable profit, notwithstanding the developmental nature of the two small community markets involved.

As discussed below, the increased operating expenses which BMAC will incur as a result of its operation of the flights contemplated by the Maryland Agreement will increase BMAC's working capital requirement under the Department's financial fitness test. In view of the fact that performance of those contract services will result in fixed bimonthly grant payments to BMAC, however, BMAC submits that the financial grant portion of its compensation under the Maryland Agreement is properly viewed as working capital, rather than passenger revenue, since those payments are guaranteed and do not fluctuate based on passenger volumes.

The second significant change in BMAC's previously-filed fitness evidence is a three-fold increase in its passenger aircraft fleet to a total of ten (10) Jetstream 31 turboprop aircraft through the purchase of seven (7) additional Jetstream aircraft by Guilford Transportation Industries, Inc., and Guilford's lease of those seven aircraft to BMAC (Exhibit BMA-S/2-102)<sup>2</sup>. The primary impetus for those additional Jetstream acquisitions arose from the fact that turboprop aircraft have recently become available on highly attractive terms as a result of the surging demand to replace turboprop aircraft with larger and faster regional jet aircraft in other sectors of the

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<sup>2</sup> As noted in BMAC's original application (see Exhibit BMA-101), Guilford is an affiliated company with BMAC as a result of its common ownership with BMAC's parent company, Pan American Airlines, Inc.

regional airline industry. BMAC anticipates that it will be able to utilize the six Jetstreams which are not required for its planned first-year scheduled-service operations in expanded charter services and through short-term subleases to other carriers.

The third material change in BMAC's previously-filed fitness evidence has been a very substantial increase in BMAC's projected pre-operating expenses from its initial projection of \$184,000 in startup expenses to its current, and final, projection of \$2,775,000 (Exhibit BMA-S/2-101). As reflected in Exhibit BMA-S/2-101, the majority of its increased pre-operating expenses have been attributable to the cost of the FAA Part 121 certification process (\$235,000), the cost of hiring, training and retaining pilots and mechanics in anticipation of the commencement of scheduled service operations (\$609,000), and the cost of acquiring and upgrading its fleet of Jetstream 31 aircraft (\$1,467,000). As shown in Exhibit BMA-S/2-101, BMAC has already paid the vast majority of its total pre-operating expenses, through additional contributions of paid-in capital by its owner (see Exhibit BMA-S/2-104). Due to the relatively small amount of pre-operating expenses which remain unpaid at this point, BMAC's increased total pre-operating expenses have had virtually no impact on its updated financial fitness test calculation (Exhibit BMA-S/2-107).

Finally, Captain Hobart T. Livingston, who came out of retirement to become a member of BMAC's initial operating management group, has returned to

BMAC to fill the position of Director of Safety. Captain Livingston's extensive and distinguished airline experience and unblemished fitness record are set forth in his biographical resume and fitness questionnaire responses contained in Exhibit BMA-S/2-103. Captain Livingston has been approved by the FAA to hold the position of Director of Safety with BMAC.

Other than the foregoing developments, there have been no other material changes in the fitness-related information previously submitted by BMAC to the Department in this proceeding.

3. Final Pre-Operating Expenses and Working Capital Reserve.

As discussed above, BMAC's final list of pre-operating expenses paid to date and remaining to be paid is set forth in Exhibit BMA-S/2-101.

Evidence that BMAC possesses working capital reserves on hand or available to it in an amount sufficient to exceed the total of: (1) BMAC's remaining unpaid pre-operating expenses of \$17,600, and (2) one-quarter of BMAC's revised projection of its operating expenses expected to be incurred in BMAC's first year of certificated scheduled-service operations, amounting to \$1,106,730, is contained in BMAC's Balance Sheet as of September 30, 2001 (Exhibit BMA-S/2-104), BMAC's previously-filed Credit Line Agreement dated June 1, 2000 (Exhibit BMA-S/1-5), and BMAC's contractually-guaranteed grant of \$2,250,000 in financial assistance in

connection with its performance of specified small community air services pursuant to the Maryland Agreement (Exhibit SMA-S/2-109). Third-party verification of BMAC's working capital is contained in Exhibits BMA-S/2-108 and BMA-S/2-109.

As shown in Exhibit BMA-S/2-107, the total of \$3,073,310 in working capital on hand and available to BMAC exceeds BMAC's total working capital requirement of \$1,124,330 by a surplus of \$1,948,980.

4. Liability Insurance Certificate

A copy of a U.S. Air Carrier Certificate of Insurance on OST Form 6410, issued on October 10, 2001, evidencing the issuance of a policy of liability insurance coverage to BMAC meeting or exceeding the requirements for certificated small aircraft air carriers, as stated in 14 CFR Part 205.5(b) of the Department's Economic Regulations, is set forth in Exhibit BMA-S/2-110, infra. The original of that Certificate has been filed with the Department's Office of Aviation Analysis.

5. Verification

A Title 18 Certification in the form specified in 14 CFR Part 204.3(v), verifying the accuracy and completeness of the information contained in this Supplement and executed by a duly authorized officer of BMAC, is set forth in Exhibit BMA-S/2-111.

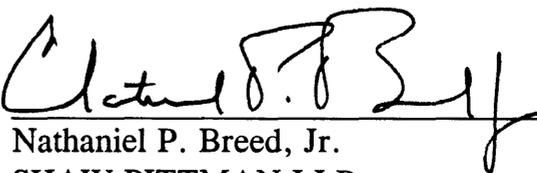
6. Request for Issuance of an Effective Certificate

Except for the issuance of BMAC's Part 121 Certificate, BMAC submits that the foregoing information and attached documents constitute a complete response to each of the requirements stated in Condition (1) in its Certificate attached to Order 2000-10-1. Accordingly, BMAC respectfully requests the Department to issue an effective Certificate of Public Convenience and Necessity to BMAC authorizing it to provide scheduled interstate air transportation, subject to the aircraft capacity limitation set forth in Condition (3) to that Certificate, immediately following issuance of BMAC's Part 121 Certificate, and without awaiting the passage of six (6) business days following the issuance of that Part 121 Certificate.

BMAC particularly urges the Department to expedite its review of the foregoing updated fitness information, and to issue an effective Certificate of Public Convenience and Necessity to BMAC immediately following the FAA's issuance of its

Part 121 Air Carrier Certificate, in order to enable BMAC to commence scheduled service pursuant to its Air Service Agreement with the State of Maryland on or about November 1, 2001.

Respectfully submitted,

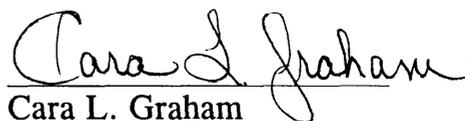


Nathaniel P. Breed, Jr.  
SHAW PITTMAN LLP

Attorneys for  
BOSTON-MAINE AIRWAYS CORP.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing Supplement No. 2 to Application of Boston-Marine Airways Corp. by messenger, telecopier transmission or United States mail, properly addressed and with postage prepaid, upon each of the persons listed in the Service List attached hereto.



Cara L. Graham

Washington, D.C.  
October 18, 2001

## INDEX TO EXHIBITS

| <u>Exh. No.</u> | <u>Title of Exhibit</u>   |
|-----------------|---|
| BMA-S/2-100     | Revised First-Year Revenue and Expense Projection                                 |
| BMA-S/2-101     | Final List of Paid and Unpaid Pre-Operating Expenses                              |
| BMA-S/2-102     | Revised Aircraft Fleet and Lease Information                                      |
| BMA-S/2-103     | Biographical Resume and Fitness Questionnaire of Captain Hobart T. Livingston     |
| BMA-S/2-104     | BMAC Balance Sheet as of September 30, 2001                                       |
| BMA-S/2-105     | BMAC Profit and Loss Statement for Year Ended December 31, 2000                   |
| BMA-S/2-106     | BMAC Profit and Loss Statement for 9 Months Ended September 30, 2001              |
| BMA-S/2-107     | Final Financial Fitness Test Analysis   |
| BMA-S/2-108     | BMAC Checking Account Statement as of September 30, 2001                          |
| BMA-S/2-109     | Maryland Aviation Administration Air Service Grant Agreement, dated June 15, 2001 |
| BMA-S/2-110     | Certificate of Insurance (OST Form 6410), issued October 10, 2001                 |
| BMA-S/2-111     | Title 18 Certification signed October 16, 2001                                    |

BOSTON-MAINE AIRWAYS CORP.  
Revised First-Year Traffic, Revenues and Operating  
Expense Projection Summary and Breakdown by Market and Month

| <u>Item</u>             | <u>Initial First Year<br/>Projection</u> | <u>Maryland Air<br/>Service Contract</u> | <u>Revised<br/>1<sup>st</sup> Year Total</u> |
|-------------------------|--|--|--|
| Total Passengers        | 40,682                                   | 6,580                                    | 47,262                                       |
| Total Passenger Revenue | \$3,391,251                              | \$822,345                                | \$4,213,596                                  |
| Total Financial Grant   | - - -                                    | 2,250,000                                | 2,250,000                                    |
| Total Operating Expense | <u>1,942,003</u>                         | <u>2,484,915</u>                         | <u>4,426,918</u>                             |
| Operating Profit/(Loss) | <u>\$1,449,248</u>                       | <u>\$587,430</u>                         | <u>\$2,036,678</u>                           |

**BOSTON-MAINE AIRWAYS CORP.**  
**Pro Forma Financial Projection for**  
**Cumberland/Hagarstown/BWI Commuter Service**  
**8 Month Period From 11/1/01 to 6/30/02**  
**(Assumes \$125 Round Trip Ticket Price)**

| Operating Revenue:          | November 01<br>(LF - 30%) | December 01<br>(LF - 35%) | January 02<br>(LF - 40%) | February 02<br>(LF - 50%) | March 02<br>(LF - 60%) |
|-----------------------------|---------------------------|---------------------------|--------------------------|---------------------------|------------------------|
| Passenger Freight/Other     | \$ 57,715<br>0            | \$ 67,330<br>0            | \$ 79,800<br>0           | \$ 90,250<br>0            | \$ 118,275             |
| Grant Payment               | 279,300                   | 286,700                   | 286,700                  | 264,500                   | 286,700                |
| Total                       | <u>337,015</u>            | <u>354,030</u>            | <u>366,500</u>           | <u>354,750</u>            | <u>404,975</u>         |
| <b>Operating Expense:</b>   |                           |                           |                          |                           |                        |
| Direct Operating Expense:   |                           |                           |                          |                           |                        |
| Flying Operations           | \$ 151,820                | 151,820                   | 157,450                  | 142,450                   | 155,570                |
| Fuel & Oil                  | 27,780                    | 27,780                    | 28,800                   | 26,050                    | 28,470                 |
| Maintenance                 | 78,200                    | 78,200                    | 81,800                   | 73,360                    | 80,120                 |
| Depreciation/Leases         | 7,200                     | 7,200                     | 7,200                    | 7,200                     | 7,200                  |
| Total                       | <u>\$ 265,000</u>         | <u>265,000</u>            | <u>274,550</u>           | <u>249,060</u>            | <u>271,360</u>         |
| Indirect Operating Expense: |                           |                           |                          |                           |                        |
| Advertising                 | \$ 30,000                 | 20,000                    | 15,000                   | 15,000                    | 15,000                 |
| Other                       | 7,000                     | 7,000                     | 7,000                    | 7,000                     | 7,000                  |
| Total                       | <u>\$ 37,000</u>          | <u>27,000</u>             | <u>22,000</u>            | <u>22,000</u>             | <u>22,000</u>          |
| Total Operating Expense     | \$ 302,000                | 292,000                   | 296,550                  | 271,000                   | 293,360                |
| Operating Profit (Loss)     | \$ 35,015                 | 62,030                    | 69,950                   | 83,750                    | 111,615                |
| Interest Expense            | \$ 9,000                  | 9,000                     | 9,000                    | 9,000                     | 9,000                  |
| Net Profit (Loss)           | \$ 26,015                 | 53,030                    | 60,950                   | 74,750                    | 102,615                |

**BOSTON-MAINE AIRWAYS CORP.**  
**Pro Forma Financial Projection for**  
**Cumberland/Hagarstown/BWI Commuter Service**  
**8 Month Period From 11/1/01 to 6/30/02**  
**(Assumes \$125 Round Trip Ticket Price)**

|                             | April 02<br>(LF - 70%) | May 02<br>(LF - 70%) | June 02<br>(LF - 70%) | Total              |
|-----------------------------|------------------------|----------------------|-----------------------|--------------------|
| Operating Revenue:          |                        |                      |                       |                    |
| Passenger                   | \$ 136,325             | 139,650              | 133,000               | \$ 822,345         |
| Freight/Other               | 0                      | 0                    | 0                     | 0                  |
| Grant Payment               | 279,300                | 286,700              | 280,100               | \$2,250,000        |
| Total                       | <u>\$ 415,625</u>      | <u>426,350</u>       | <u>413,100</u>        | <u>\$3,072,345</u> |
| Operating Expense:          |                        |                      |                       |                    |
| Direct Operating Expense:   |                        |                      |                       |                    |
| Flying Operations           | \$ 153,700             | 157,450              | 149,945               | \$1,379,525        |
| Fuel & Oil                  | 28,120                 | 28,800               | 27,600                | \$ 223,400         |
| Maintenance                 | 79,150                 | 81,100               | 77,160                | \$ 628,390         |
| Depreciation/Leases         | 7,200                  | 7,200                | 7,200                 | \$ 57,600          |
| Total                       | <u>\$ 268,170</u>      | <u>274,550</u>       | <u>261,905</u>        | <u>\$2,288,915</u> |
| Indirect Operating Expense: |                        |                      |                       |                    |
| Advertising                 | \$ 15,000              | 15,000               | 15,000                | \$ 140,000         |
| Other                       | \$ 7,000               | 7,000                | 7,000                 | \$ 56,000          |
| Total                       | <u>\$ 22,000</u>       | <u>22,000</u>        | <u>22,000</u>         | <u>\$ 196,000</u>  |
| Total Operating Expense     | \$ 290,170             | 296,550              | 283,905               | \$2,484,915        |
| Operating Profit (Loss)     | \$ 125,455             | 129,800              | 129,195               | \$ 587,430         |
| Interest Expense            | \$ 9,000               | 9,000                | 9,000                 | \$ 72,000          |
| Net Profit (Loss)           | \$ 116,455             | 120,800              | 120,195               | \$ 515,430         |

BOSTON-MAINE AIRWAYS CORP.  
Final List of Paid and Unpaid Pre-Operating Expenses

| <u>Item</u>   | <u>Total Projected<br/>Pre-Operating Expense</u> | <u>Amount Remaining<br/>Unpaid</u> |
|---|--|------------------------------------|
| New Station Expense   | \$38,000   | \$ - - - -                         |
| Advertising and Promotion   | 42,000   | 12,000                             |
| Reservation System  | 26,000   | - - - -                            |
| DOT/FAA Certification<br>Expense (including legal<br>and consulting fees) | 235,000  | 5,600                              |
| Aircraft Acquisition and<br>Upgrade Expense                               | 1,467,000  | - - - -                            |
| Dispatch Center   | 165,000  | - - - -                            |
| Crew Training and Salaries  | 609,000  | - - - -                            |
| Hull and Liability Insurance  | <u>193,000</u>                                   | <u>- - - -</u>                     |
| Totals  | <u>\$2,775,000</u>                               | <u>\$17,600</u>                    |

**BOSTON-MAINE AIRWAYS CORP.**  
Aircraft Fleet and Lease Information

| <u>Aircraft Type &amp; Model</u> | <u>Registration No.</u> | <u>Owned/Leased</u> |
|----------------------------------|-------------------------|---------------------|
| CASA C-212-CD-51                 | N203PA                  | Leased              |
| CASA C-212-CD-51                 | N204PA                  | Leased              |
| BAe Jetstream 31                 | N529PA                  | Leased              |
| BAe Jetstream 31                 | N530PA                  | Leased              |
| BAe Jetstream 31                 | N531PA                  | Leased              |
| BAe Jetstream 31                 | N532PA                  | Leased              |
| BAe Jetstream 31                 | N534PA                  | Leased              |
| BAe Jetstream 31                 | N535PA                  | Leased              |
| BAe Jetstream 31                 | N536PA                  | Leased              |
| BAe Jetstream 31                 | N537PA                  | Leased              |
| BAe Jetstream 31                 | N538PA                  | Leased              |
| BAe Jetstream 31                 | N539PA                  | Leased              |

**Lessor:**

The Owner/Lessor of all twelve aircraft leased by BMAC is:

Guilford Transportation Industries, inc.  
 14 Aviation Avenue  
 Portsmouth, NH 03801  
 (603) 766-2000

Guilford is an affiliated company with BMAC as a result of the common ownership of Guilford and BMAC's parent company, Pan American Airlines, Inc.

Captain Hobart T. Livingston  
10 Chestnut St., Apt 1203, Exeter, N.H. 03833  
603 772 3544 (H), 603 591 8411 (C), hobie@nh.ultranet.com

**Professional Experience**

Pan American/ Boston-Maine Airways August 1999 to Present  
Director of Safety  
Create and Administer Flight and Ground Safety Programs  
Crew Operational Safety Training, Radar and Weather Recognition  
Ground and Flight Operational Info Suggestions and Tips

USAir, Allegheny, Mohawk Airlines May 1962 - December 1993  
International Captain 767-200ER, 150 Atlantic Crossings  
ATP in Boeing 767 and 757, M/D DC-9, BAC 1-11, Fairchild FH-227  
Convair 240-340-440, Martin 404  
Extensive Crew Resource, Safety, Hazmat and Security Training

Leesona Corp., Providence, RI, January 1960 to January 1962  
Operated Cessna 310 Corporate Flight Department

Eastair, Inc., Providence, RI, April 1959 to January 1960  
Chief Pilot, Aircraft Sales, Charter, Air Taxi, Instructor

Travel Air Service, Block Island, RI, April 1958 to April 1959  
Air Taxi Service, throughout New England and New York

USAF Aviation Cadets/RIANG, 1st Lt., June 1956 to September 1960  
S/MEL T-34, T-28, B-25, SA-16 Grumman Albatross  
High Altitude, Oxygen and Depressurization Training

|   |            |
|---|------------|
| Total Time  | 30,000 hrs |
| Airline Time, includes Instrument, Cross Country, Night<br>All multi-engine | 23,000 hrs |
| Light twin, includes Instrument, Cross Country, Night                       | 2,000 hrs  |
| Tailwheel, includes Day VFR   | 3,500 hrs  |

Unrestricted First Class Physical, Passport, No accidents or Incidents.

**BOSTON-MAINE AIRWAYS CORP.**  
**DOT Fitness Information Questionnaire**

NOTE: This questionnaire will be submitted to the DOT in connection with BMA's DOT certification application. Please answer all questions, with a more detailed explanation where requested, sign and date the form, and return it to Nat Breed at Shaw, Pittman via telecopier (202/663-8007) or air express service (2300 N Street, N.W., Washington, D.C. 20037). Please indicate if you desire for any part of your response to be kept confidential.

- 
1. Please state your name and residence address:  
Hobart T. Livingston III  
10 Chatham St., Apt. 1203  
Exeter, NH 03833
  
  2. Title or Position with Company:  
Director of Safety
  
  3. Number and type of shares of Company stock owned, or to be acquired, if any:  
None
  
  4. Current Position, Business Address and Telephone: (complete only if you are not currently employed on a full-time basis by the Company)  

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  5. Are you a citizen of the United States?                      Yes                       No
  
  6. If you are not a U.S. citizen, please indicate your nationality and current immigration status  

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## DOT Fitness Questionnaire

7. Are you currently an officer, director or major shareholder (5 percent or more of the total stock), or do you have any other significant interest in, any other air carrier, foreign air carrier, common carrier, person substantially engaged in the business of aeronautics, or person whose principal business is the ownership or control of any such transportation or aeronautic activity? Yes \_\_\_ No

(If your answer is "yes", please provide detailed information relating to each such relationship or interest in the space provided in Attachment A to this questionnaire).

8. Have you held, in the past, any position with any U.S. or foreign air carrier, or other aviation-related business? Yes  No \_\_\_

(If "yes", please provide information regarding all positions held, with dates of employment and responsibilities, and any other relevant information, on Attachment A, or attach a copy of a recent resume to this Questionnaire).

9. Are you the subject of any pending legal action, or outstanding judgment, involving a claim in excess of \$5,000? Yes \_\_\_ No

(If "yes", please provide date and amount of each claim or judgment, and the name of each claimant or judgment creditor, in the space provided in Attachment A).

10. Are you the subject of any pending legal action, or outstanding judgment, involving a claim of less than \$5,000? Yes \_\_\_ No

(If "yes", please supply the total number and aggregate amount of all claims and/or judgments outstanding against you in the space provided in Attachment A).

11. Have you been the subject of a formal complaint or enforcement investigation by the DOT or the FAA regarding compliance with the Federal Aviation Act of 1958, or any order, rule, regulation or other requirement issued pursuant to the Act, during the past five (5) years? Yes \_\_\_ No

(If "Yes", describe each complaint, and indicate the current status or final disposition of each complaint in the space provided in Attachment A).

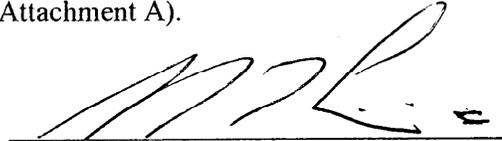
12. Have you been charged with any unfair or deceptive or anticompetitive business practices, or any fraud, felony or antitrust violation, during the past ten (10) years? Yes \_\_\_ No

(If "yes", please describe, and indicate the disposition or current status of each proceeding in the space provided in Attachment A).

DOT Fitness Questionnaire

13. Have you been involved in any aircraft accident or incident during the past year, or in the past and which remains the subject of an open investigation by the FAA, NTSB or the Company? Yes  No

(if "yes", please state the date and other details, including the status of any pending investigations, in the space provided in Attachment A).

  
Signature

Howard T. Livingston III  
Printed Name

Attachments

**BOSTON-MAINE AIRWAYS CORP.**  
**Balance Sheet**  
**(Unaudited)**  
**September 30, 2001**

**CURRENT ASSETS**

|                             |           |
|-----------------------------|-----------|
| CASH                        | \$ 61,270 |
| ACCOUNTS RECEIVABLE         | 87,680    |
| SPARE PARTS AND SUPPLIES    | 312,710   |
| ASSETS HELD FOR DISPOSITION | 407,990   |
| PREPAID ITEMS               | 4,500     |
| AVAILABLE CREDIT FACILITY   | 500,000   |

**OTHER ASSETS**

|  |           |
|--|-----------|
| Property and Equipment                     |           |
| Aircraft (Improvements to Leased Property) | 994,740   |
| Flight Equipment Rotable Parts             | 96,330    |
| Ground Equipment & Vehicles                | 42,000    |
| Test Equipment & Tooling                   | 167,500   |
| Office Furniture & Equipment               | 18,000    |
| Accumulated Depreciation                   | (29,890)  |
| Net  | 2,288,680 |

|                                |        |
|--------------------------------|--------|
| Intellectual Property/Goodwill | 25,000 |
|--------------------------------|--------|

**TOTAL ASSETS** **\$2,687,830**

**CURRENT LIABILITIES**

|                           |            |
|---------------------------|------------|
| Trade Accounts Payable    | \$ 135,750 |
| Accrued Salaries & Wages  | 37,900     |
| Accrued Taxes             | 13,400     |
| Accrued Lease Obligations | 42,080     |
| Other Current Liabilities | 9,000      |

**TOTAL CURRENT LIABILITIES** **\$ 238,130**

AVAILABLE CREDIT FACILITY \$ 500,000

**STOCKHOLDERS EQUITY**

|                            |             |
|----------------------------|-------------|
| Common Stock               | 100,000     |
| Additional Paid-in Capital | 5,159,000   |
| Retained Earnings          | (3,309,300) |

**TOTAL LIABILITIES AND EQUITY** **\$2,687,830**

**BOSTON-MAINE AIRWAYS  
PROFIT & LOSS  
JANUARY-DECEMBER 2000**

**Ordinary Income/Expense****Income**

|                               |                  |
|-------------------------------|------------------|
| 32110 Charter Income Contract | 1,607,576.08     |
| 32270 Federal Excise Tax      | <u>33,789.20</u> |

**Total Income** **1,641,365.28**

**Expenses**

|                                  |               |
|----------------------------------|---------------|
| 62050 Aircraft Lease Fees        | 371,833.00    |
| 62150 Aircraft Maintenance       |               |
| 62152 Aircraft Parts             | 176,143.48    |
| 62154 Non-Aircraft Parts         | 4,642.22      |
| 62156 Outside Labor              | 363,919.28    |
| 62158 Other Expenses             | 144,077.41    |
| 62150 Aircraft Maintenance-Other | <u>245.00</u> |

**Total 62150 Aircraft Maintenance** **689,027.39**

**62250 Aircraft Fuel** **148,622.13**

**62400 Flight Crew Expense (Fixed)**

|                      |                 |
|----------------------|-----------------|
| 62402 Flight Charts  | 3,116.80        |
| 62404 Uniforms       | 3,343.23        |
| 62406 Crew Apartment | 6,899.06        |
| 62408 Training       | <u>2,238.53</u> |

**Total 62400 Flight Crew Expense (Fixed)** **15,597.62**

**62450 Flight Crew Expense (Variable)**

|                          |                 |
|--------------------------|-----------------|
| 62452 Crew Hotels        | 75,009.82       |
| 62454 Crew Per Diem      | 37,691.39       |
| 62456 Crew Ground Travel | 15,605.09       |
| 62458 Crew Airfare       | 75.00           |
| 62460 Crew Other Expense | <u>8,381.67</u> |

**Total 62450 Flight Crew Exp. (Variable)** **136,762.97**

**62500 Flight Expense Other**

|                                    |                  |
|------------------------------------|------------------|
| 62502 A/C Landing/Parking/Handling | 153,473.37       |
| 62504 Catering                     | 71.97            |
| 62506 Customer Ground Travel       | 1,606.50         |
| 62508 Other Flight Expense         | <u>25,007.83</u> |

|   |                  |                                   |
|---|------------------|-----------------------------------|
| <b>Total 62500 Flight Expense Other</b> |                  | <b>180,159.67</b>                 |
| <b>62550 Communications</b>             |                  |                                   |
| 62552 Telephones                        | 5,431.51         |                                   |
| 62554 Cell Phones                       | 100.35           |                                   |
| 62556 Pagers                            | <u>459.83</u>    |                                   |
| <b>Total 62250 Communications</b>       |                  | <b>5,991.69</b>                   |
| <b>62600 Other Expenses</b>             |                  |                                   |
| 62602 Office Supplies                   | 8,386.91         |                                   |
| 62604 Building Supplies                 | 9,068.66         |                                   |
| 62606 Miscellaneous Expense             | 19,518.52        |                                   |
| 62608 Subscriptions                     | 875.00           |                                   |
| 62610 Legal Services                    | 9,280.36         |                                   |
| 62618 Insurance Expense                 | <u>87,545.21</u> |                                   |
| <b>Total 62600 Other Expenses</b>       |                  | <b>134,674.66</b>                 |
| <b>62650 Mechanic Expenses</b>          |                  |                                   |
| 62652 Mechanic Uniforms                 | 1,836.50         |                                   |
| 62654 Tool Calibration                  | 2,887.15         |                                   |
| 62656 Non-Asset Equipment               | 5,014.07         |                                   |
| 62658 Cleaning Supplies                 | 1,744.11         |                                   |
| 62660 Hangar Rental                     | <u>17,754.00</u> |                                   |
| <b>Total 62650 Mechanic Expenses</b>    |                  | <b>29,235.83</b>                  |
| <b>72000 Payroll - B-M</b>              |                  | <b>685,976.85</b>                 |
| <b>Total Expenses</b>                   |                  | <b><u>2,397,881.81</u></b>        |
| <b>Net Income (Loss)</b>                |                  | <b><u><u>(756,516.53)</u></u></b> |

**BOSTON-MAINE AIRWAYS**  
**YTD**  
**Sep-01**

|                                       |                           |
|---------------------------------------|---------------------------|
| <b>INCOME</b>                         |                           |
| 32100 Flight Income                   | 720,643                   |
| 32200 Related Income                  | <u>41,856</u>             |
| <b>TOTAL INCOME</b>                   | <b>762,499</b>            |
| <b>EXPENSE</b>                        |                           |
| 61150 Advertising                     | 12,490                    |
| 62050 Aircraft Lease - 2 Casa         | 216,000                   |
| Aircraft Lease - 4 J31                | 162,759                   |
| 62150 Aircraft Maintenance Parts      | 467,721                   |
| Aircraft Maintenance Other            | 71,671                    |
| 62250 Aircraft Fuel                   | 298,421                   |
| 62400 Flight Crew - Training, Charts, | 21,012                    |
| 62450 Flight Crew - Hotel, Per Diem   | 105,697                   |
| 62500 Flight Crew - Landing, Handlin  | 162,239                   |
| 62550 Communications                  | 16,743                    |
| 62600 Insurance - 2 Casa              | 48,000                    |
| Insurance - 4 J31                     | 204,000                   |
| Other                                 | 81,706                    |
| 62650 Mechanic Supplies, Expense      | 38,775                    |
| 62870 Depreciation-Rotables           | 5,894                     |
| <b>SUB - TOTAL</b>                    | <b>1,913,128</b>          |
| 7000 Payroll Expense                  | 2,180,186                 |
| Capitalized Labor                     | (721,750)                 |
| <b>TOTAL EXPENSE</b>                  | <b>3,371,564</b>          |
| <b>NET INCOME</b>                     | <b><u>(2,609,065)</u></b> |

BOSTON-MAINE AIRWAYS CORP.  
Final Financial Fitness Test Analysis

**Working Capital Requirement**

|   |               |                    |
|---|---------------|--------------------|
| 25% of First-Year Operating Expense             | \$1,106,730   |                    |
| Projected Unpaid Pre-Operating Expense          | <u>17,600</u> |                    |
| <b><u>Total Working Capital Requirement</u></b> |               | <b>\$1,124,330</b> |

**Working Capital**

|   |                  |                           |
|---|------------------|---------------------------|
| Cash on hand, accounts receivable and<br>assets held for sale, less current liabilities | \$ 323,310       |                           |
| Line of Credit Facility (from PAA)  | 500,000          |                           |
| Maryland Contract Financial Grant   | <u>2,250,000</u> |                           |
| <b>Total Working Capital</b>  |                  | <b><u>3,073,310</u></b>   |
| <b>Working Capital Surplus</b>  |                  | <b><u>\$1,948,980</u></b> |



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| ===== CHECKING ACCOUNT SUMMARY ===== |            | =====             |        |
|--------------------------------------|------------|-------------------|--------|
| PREVIOUS BALANCE                     | 75,098.10  | AVG COLLECTED BAL |        |
| + 43 CREDITS                         | 539,572.83 |                   | 52,192 |
| - 441 DEBITS                         | 553,383.97 | YTD INTEREST PAID |        |
| - SERVICE CHARGES                    | 19.56      |                   | .00    |
| + INTEREST PAID                      | .00        |                   |        |
| ENDING BALANCE                       | 61,267.40  |                   |        |

===== CHECKING ACCOUNT TRANSACTIONS =====

| DEPOSITS AND OTHER CREDITS |           |                             |                            |
|----------------------------|-----------|-----------------------------|----------------------------|
| DATE.....                  | AMOUNT    | TRANSACTION DESCRIPTION     | CHK NO/ATM CD              |
| 09/04                      | 8,987.91  | ACH DEPOSIT                 | 0                          |
|                            |           | DFAS-CO A&FO                | FUELPAYMEN 000002404530008 |
| 09/04                      | 139.94    | ACH DEPOSIT                 | 0                          |
|                            |           | BANKCARD                    | BTOT DEP 413600540004767   |
| 09/04                      | 118.34    | ACH DEPOSIT                 | 0                          |
|                            |           | BANKCARD                    | BTOT DEP 413600540004767   |
| 09/04                      | 52.18     | ACH DEPOSIT                 | 0                          |
|                            |           | BANKCARD                    | BTOT DEP 413600540004767   |
| 09/06                      | 30.52     | ACH DEPOSIT                 | 0                          |
|                            |           | BANKCARD                    | BTOT DEP 413600540004767   |
| 09/10                      | 166.70    | ACH DEPOSIT                 | 0                          |
|                            |           | BANKCARD                    | BTOT DEP 413600540004767   |
| 09/10                      | 162.94    | ACH DEPOSIT                 | 0                          |
|                            |           | BANKCARD                    | BTOT DEP 413600540004767   |
| 09/10                      | 127.52    | ACH DEPOSIT                 | 0                          |
|                            |           | BANKCARD                    | BTOT DEP 413600540004767   |
| 09/10                      | 32.22     | ACH DEPOSIT                 | 0                          |
|                            |           | AMERICAN EXPRESS SETTLEMENT | 2060053949                 |
| 09/13                      | 10,771.96 | ACH DEPOSIT                 | 0                          |
|                            |           | DFAS-CO A&FO                | FUELPAYMEN 000002404660009 |
| 09/20                      | 3,096.46  | ACH DEPOSIT                 | 0                          |
|                            |           | DFAS-CO A&FO                | FUELPAYMEN 000002404750124 |
| 09/24                      | 3.00      | ACH DEPOSIT                 | 0                          |
|                            |           | BANKCARD                    | BTOT DEP 413600540004767   |
| 09/25                      | 3,936.95  | ACH DEPOSIT                 | 0                          |
|                            |           | DFAS-CO A&FO                | FUELPAYMEN 000002404820026 |
| 09/25                      | 113.40    | ACH DEPOSIT                 | 0                          |
|                            |           | BANKCARD                    | BTOT DEP 413600540004767   |
| 09/27                      | 20.88     | ACH DEPOSIT                 | 0                          |
|                            |           | BANKCARD                    | BTOT DEP 413600540004767   |



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===== CHECKING ACCOUNT TRANSACTIONS =====

DEPOSITS AND OTHER CREDITS

| DATE..... | AMOUNT.   | TRANSACTION DESCRIPTION | CHK NO/ATM CD   |
|-----------|-----------|-------------------------|-----------------|
| 09/28     | 34.92     | ACH DEPOSIT             | 0               |
|           |           | BANKCARD                | 413600540004767 |
|           |           | BTOT DEP                |                 |
| 09/04     | 12,964.36 | CHECK DEPOSIT           |                 |
| 09/04     | 6,400.00  | WIRE TRANSFER CREDIT    |                 |
| 09/05     | 25,000.00 | WIRE TRANSFER CREDIT    |                 |
| 09/06     | 40,000.00 | WIRE TRANSFER CREDIT    |                 |
| 09/06     | 6,400.00  | WIRE TRANSFER CREDIT    |                 |
| 09/07     | 5,785.80  | CHECK DEPOSIT           |                 |
| 09/10     | 40,000.00 | WIRE TRANSFER CREDIT    |                 |
| 09/10     | 11,000.00 | WIRE TRANSFER CREDIT    |                 |
| 09/12     | 1,068.88  | CHECK DEPOSIT           |                 |
| 09/13     | 70,000.00 | WIRE TRANSFER CREDIT    |                 |
| 09/13     | 8,728.18  | CHECK DEPOSIT           |                 |
| 09/14     | 3,200.00  | WIRE TRANSFER CREDIT    |                 |
| 09/17     | 25,000.00 | WIRE TRANSFER CREDIT    |                 |
| 09/17     | 8,610.00  | CHECK DEPOSIT           |                 |
| 09/18     | 8,135.22  | CHECK DEPOSIT           |                 |
| 09/18     | 2,035.79  | CHECK DEPOSIT           |                 |
| 09/20     | 60,000.00 | WIRE TRANSFER CREDIT    |                 |
| 09/20     | 5,367.89  | CHECK DEPOSIT           |                 |
| 09/21     | 40,000.00 | WIRE TRANSFER CREDIT    |                 |
| 09/21     | 4,251.65  | CHECK DEPOSIT           |                 |
| 09/24     | 30,000.00 | WIRE TRANSFER CREDIT    |                 |
| 09/24     | 7,800.00  | WIRE TRANSFER CREDIT    |                 |
| 09/26     | 7,378.90  | CHECK DEPOSIT           |                 |
| 09/27     | 40,000.00 | WIRE TRANSFER CREDIT    |                 |
| 09/27     | 3,200.00  | WIRE TRANSFER CREDIT    |                 |
| 09/28     | 30,000.00 | WIRE TRANSFER CREDIT    |                 |
| 09/28     | 9,450.32  | CHECK DEPOSIT           |                 |
| 09/30     | 86.86     | EARNINGS CREDIT         |                 |

OTHER DEBITS

| DATE..... | AMOUNT.   | TRANSACTION DESCRIPTION     | CHK NO/ATM CD   |
|-----------|-----------|-----------------------------|-----------------|
| 09/04     | 51.47     | ACH DEBIT                   | 0               |
|           |           | BANKCARD                    | 413600540004767 |
|           |           | MTOT DISC                   |                 |
| 09/04     | 7.00      | ACH DEBIT                   | 0               |
|           |           | BANKCARD                    | 413600540004589 |
|           |           | MTOT DISC                   |                 |
| 09/06     | 39,471.14 | ACH DEBIT                   | 0               |
|           |           | ARLINGTON LEASIN QUICKBOOKS | 902936076       |



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===== CHECKING ACCOUNT TRANSACTIONS =====

OTHER DEBITS

| DATE..... | AMOUNT.   | TRANSACTION DESCRIPTION                  | CHK NO/ATM CD   |
|-----------|-----------|--|-----------------|
| 09/06     | 453.01    | ACH DEBIT<br>ARLINGTON LEASIN QUICKBOOKS | 0<br>902936076  |
| 09/13     | 42,031.75 | ACH DEBIT<br>ARLINGTON LEASIN QUICKBOOKS | 0<br>902936076  |
| 09/14     | 20.00     | ACH DEBIT<br>MORNING FAX BILL FaxBilling | 0<br>10255      |
| 09/20     | 39,659.67 | ACH DEBIT<br>ARLINGTON LEASIN QUICKBOOKS | 0<br>902936076  |
| 09/25     | 1.13      | ACH DEBIT<br>AMERICAN EXPRESS SETTLEMENT | 0<br>2060053949 |
| 09/27     | 42,331.57 | ACH DEBIT<br>ARLINGTON LEASIN QUICKBOOKS | 0<br>902936076  |
| 09/04     | 16.00     | WIRE TRANSFER FEE                        |                 |
| 09/05     | 16.00     | WIRE TRANSFER FEE                        |                 |
| 09/06     | 16.00     | WIRE TRANSFER FEE                        |                 |
| 09/06     | 16.00     | WIRE TRANSFER FEE                        |                 |
| 09/10     | 16.00     | WIRE TRANSFER FEE                        |                 |
| 09/10     | 16.00     | WIRE TRANSFER FEE                        |                 |
| 09/13     | 16.00     | WIRE TRANSFER FEE                        |                 |
| 09/14     | 16.00     | WIRE TRANSFER FEE                        |                 |
| 09/17     | 16.00     | WIRE TRANSFER FEE                        |                 |
| 09/20     | 16.00     | WIRE TRANSFER FEE                        |                 |
| 09/21     | 16.00     | WIRE TRANSFER FEE                        |                 |
| 09/24     | 16.00     | WIRE TRANSFER FEE                        |                 |
| 09/24     | 16.00     | WIRE TRANSFER FEE                        |                 |
| 09/27     | 15.00     | WIRE TRANSFER FEE                        |                 |
| 09/27     | 16.00     | WIRE TRANSFER FEE                        |                 |
| 09/28     | 16.00     | WIRE TRANSFER FEE                        |                 |
| 09/30     | 83.20     | CHECK/DEBIT CHARGE                       |                 |
| 09/30     | 5.50      | DEPOSIT TICKET CHARGE                    |                 |
| 09/30     | 7.92      | ITEM DEPOSITED CHARGE                    |                 |
| 09/30     | 1.80      | ACH DEBIT CHARGE                         |                 |
| 09/30     | 8.00      | MONTHLY SERVICE CHARGE                   |                 |

CHECKS

| DATE  | CHECK NO | AMOUNT   | DATE  | CHECK NO | AMOUNT |
|-------|----------|----------|-------|----------|--------|
| 09/17 | 22293*   | 501.81   | 09/21 | 22557*   | 75.00  |
| 09/04 | 22466*   | 1,558.65 | 09/11 | 22581*   | 72.00  |
| 09/11 | 22517*   | 549.32   | 09/07 | 22597*   | 735.00 |
| 09/04 | 22535*   | 1,404.48 | 09/04 | 22604*   | 191.41 |



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| CHECKS |          |          |       |          |          |
|--------|----------|----------|-------|----------|----------|
| DATE   | CHECK NO | AMOUNT   | DATE  | CHECK NO | AMOUNT   |
| 09/05  | 22606*   | 485.00   | 09/05 | 22695*   | 191.00   |
| 09/07  | 22607    | 175.50   | 09/04 | 22696    | 1,079.69 |
| 09/05  | 22609*   | 91.32    | 09/04 | 22697    | 108.70   |
| 09/28  | 22610    | 4,485.30 | 09/10 | 22698    | 1,000.00 |
| 09/07  | 22612*   | 1,500.00 | 09/04 | 22699    | 788.08   |
| 09/07  | 22613    | 103.49   | 09/06 | 22701*   | 2,000.00 |
| 09/04  | 22614    | 220.55   | 09/06 | 22703*   | 350.00   |
| 09/07  | 22624*   | 335.90   | 09/04 | 22704    | 2,819.74 |
| 09/05  | 22632*   | 159.50   | 09/06 | 22705    | 3,800.00 |
| 09/11  | 22633    | 534.72   | 09/07 | 22706    | 1,217.70 |
| 09/05  | 22643*   | 446.15   | 09/05 | 22707    | 300.00   |
| 09/10  | 22648*   | 124.56   | 09/05 | 22708    | 242.25   |
| 09/05  | 22650*   | 566.26   | 09/14 | 22709    | 1,170.00 |
| 09/04  | 22651    | 694.62   | 09/27 | 22710    | 582.00   |
| 09/04  | 22660*   | 46.03    | 09/17 | 22711    | 75.00    |
| 09/05  | 22661    | 2,142.00 | 09/21 | 22712    | 46.30    |
| 09/06  | 22662    | 611.80   | 09/05 | 22713    | 1,448.04 |
| 09/04  | 22663    | 2,806.40 | 09/10 | 22714    | 905.50   |
| 09/04  | 22664    | 332.00   | 09/10 | 22715    | 497.06   |
| 09/06  | 22665    | 77.50    | 09/07 | 22716    | 350.00   |
| 09/04  | 22670*   | 481.04   | 09/04 | 22717    | 1,716.56 |
| 09/04  | 22671    | 500.00   | 09/07 | 22718    | 490.28   |
| 09/04  | 22672    | 74.50    | 09/17 | 22719    | 1,184.40 |
| 09/04  | 22673    | 375.00   | 09/20 | 22720    | 390.30   |
| 09/04  | 22674    | 1,471.96 | 09/10 | 22721    | 1,743.85 |
| 09/07  | 22676*   | 1,100.00 | 09/06 | 22722    | 310.13   |
| 09/28  | 22678*   | 500.00   | 09/14 | 22723    | 891.86   |
| 09/05  | 22679    | 158.66   | 09/05 | 22724    | 192.87   |
| 09/05  | 22681*   | 67.52    | 09/05 | 22725    | 251.23   |
| 09/04  | 22682    | 90.00    | 09/04 | 22727*   | 336.02   |
| 09/04  | 22683    | 107.72   | 09/05 | 22728    | 301.93   |
| 09/11  | 22684    | 450.00   | 09/06 | 22729    | 133.95   |
| 09/06  | 22685    | 1,378.96 | 09/05 | 22730    | 352.86   |
| 09/04  | 22686    | 625.00   | 09/07 | 22731    | 321.90   |
| 09/11  | 22688*   | 81.29    | 09/05 | 22737*   | 301.93   |
| 09/05  | 22689    | 127.60   | 09/05 | 22738    | 376.20   |
| 09/18  | 22690    | 540.00   | 09/05 | 22739    | 606.52   |
| 09/04  | 22691    | 154.50   | 09/11 | 22740    | 299.19   |
| 09/06  | 22692    | 300.00   | 09/05 | 22741    | 366.22   |
| 09/11  | 22693    | 112.00   | 09/05 | 22742    | 293.36   |



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| CHECKS |          |          |       |          |           |
|--------|----------|----------|-------|----------|-----------|
| DATE   | CHECK NO | AMOUNT   | DATE  | CHECK NO | AMOUNT    |
| 09/07  | 22743    | 331.57   | 09/12 | 22791    | 1,624.20  |
| 09/11  | 22744    | 400.23   | 09/17 | 22792    | 3,000.00  |
| 09/07  | 22745    | 335.88   | 09/14 | 22793    | 500.00    |
| 09/06  | 22747*   | 329.74   | 09/05 | 22794    | 10,000.00 |
| 09/04  | 22748    | 560.71   | 09/10 | 22795    | 2,620.00  |
| 09/11  | 22749    | 534.72   | 09/17 | 22796    | 44.56     |
| 09/10  | 22753*   | 101.56   | 09/11 | 22797    | 2,193.56  |
| 09/05  | 22755*   | 686.79   | 09/17 | 22798    | 2,000.00  |
| 09/11  | 22756    | 569.00   | 09/12 | 22799    | 195.00    |
| 09/11  | 22760*   | 915.00   | 09/06 | 22800    | 924.26    |
| 09/04  | 22761    | 35.80    | 09/07 | 22801    | 621.08    |
| 09/10  | 22762    | 1,959.90 | 09/10 | 22802    | 1,500.00  |
| 09/10  | 22763    | 1,465.58 | 09/04 | 22803    | 164.30    |
| 09/04  | 22764    | 1,434.64 | 09/14 | 22804    | 500.00    |
| 09/10  | 22765    | 2,447.23 | 09/10 | 22805    | 200.00    |
| 09/17  | 22766    | 291.64   | 09/17 | 22806    | 1,000.00  |
| 09/10  | 22767    | 621.00   | 09/10 | 22807    | 395.88    |
| 09/10  | 22768    | 295.00   | 09/10 | 22808    | 548.09    |
| 09/04  | 22769    | 269.94   | 09/14 | 22809    | 2,025.67  |
| 09/17  | 22770    | 1,582.40 | 09/17 | 22810    | 776.94    |
| 09/10  | 22771    | 232.99   | 09/06 | 22811    | 127.83    |
| 09/07  | 22772    | 52.50    | 09/07 | 22812    | 1,171.20  |
| 09/17  | 22773    | 500.00   | 09/12 | 22814*   | 535.50    |
| 09/07  | 22774    | 875.00   | 09/14 | 22815    | 611.80    |
| 09/19  | 22775    | 310.00   | 09/12 | 22816    | 1,784.87  |
| 09/07  | 22776    | 142.75   | 09/12 | 22817    | 2,397.45  |
| 09/17  | 22777    | 173.96   | 09/10 | 22818    | 1,924.91  |
| 09/10  | 22778    | 5,078.06 | 09/11 | 22819    | 8,699.81  |
| 09/11  | 22779    | 372.60   | 09/10 | 22820    | 542.50    |
| 09/07  | 22780    | 160.00   | 09/10 | 22821    | 720.10    |
| 09/10  | 22781    | 747.18   | 09/11 | 22822    | 1,608.02  |
| 09/07  | 22782    | 216.01   | 09/10 | 22823    | 432.30    |
| 09/26  | 22783    | 700.00   | 09/10 | 22824    | 783.00    |
| 09/07  | 22784    | 248.00   | 09/17 | 22825    | 1,315.00  |
| 09/10  | 22785    | 75.00    | 09/17 | 22826    | 1,154.09  |
| 09/04  | 22786    | 2,250.00 | 09/07 | 22827    | 332.37    |
| 09/05  | 22787    | 80.00    | 09/07 | 22828    | 374.81    |
| 09/05  | 22788    | 82.00    | 09/07 | 22829    | 361.03    |
| 09/13  | 22789    | 105.00   | 09/11 | 22830    | 323.24    |
| 09/11  | 22790    | 75.00    | 09/11 | 22831    | 359.19    |



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| CHECKS |          |           |       |          |           |
|--------|----------|-----------|-------|----------|-----------|
| DATE   | CHECK NO | AMOUNT    | DATE  | CHECK NO | AMOUNT    |
| 09/11  | 22832    | 606.51    | 09/17 | 22873    | 631.78    |
| 09/11  | 22833    | 356.46    | 09/20 | 22874    | 2,077.00  |
| 09/13  | 22834    | 198.29    | 09/21 | 22875    | 40.50     |
| 09/11  | 22835    | 293.38    | 09/12 | 22876    | 81.03     |
| 09/13  | 22836    | 335.89    | 09/12 | 22877    | 683.90    |
| 09/07  | 22837    | 247.29    | 09/12 | 22879*   | 3,150.00  |
| 09/07  | 22838    | 296.03    | 09/21 | 22880    | 141.00    |
| 09/11  | 22839    | 259.68    | 09/17 | 22881    | 3,350.00  |
| 09/07  | 22840    | 309.36    | 09/21 | 22882    | 1,959.76  |
| 09/10  | 22841    | 351.34    | 09/06 | 22883    | 55.21     |
| 09/14  | 22842    | 109.06    | 09/12 | 22884    | 544.13    |
| 09/11  | 22843    | 352.86    | 09/21 | 22885    | 300.00    |
| 09/14  | 22844    | 321.89    | 09/19 | 22886    | 500.00    |
| 09/10  | 22845    | 267.98    | 09/07 | 22887    | 100.00    |
| 09/07  | 22846    | 454.82    | 09/20 | 22888    | 4,456.03  |
| 09/07  | 22847    | 522.29    | 09/19 | 22889    | 49.16     |
| 09/25  | 22848    | 106.05    | 09/18 | 22891*   | 501.12    |
| 09/07  | 22849    | 515.80    | 09/19 | 22892    | 60.00     |
| 09/07  | 22850    | 338.82    | 09/18 | 22893    | 175.48    |
| 09/11  | 22851    | 301.93    | 09/24 | 22894    | 20.00     |
| 09/11  | 22852    | 790.39    | 09/18 | 22895    | 369.00    |
| 09/11  | 22853    | 533.05    | 09/26 | 22896    | 1,000.00  |
| 09/07  | 22854    | 302.05    | 09/17 | 22897    | 1,291.38  |
| 09/07  | 22855    | 338.89    | 09/26 | 22899*   | 80.00     |
| 09/24  | 22856    | 418.16    | 09/20 | 22900    | 472.00    |
| 09/10  | 22857    | 346.34    | 09/19 | 22901    | 662.10    |
| 09/11  | 22858    | 400.24    | 09/10 | 22902    | 104.00    |
| 09/11  | 22859    | 560.72    | 09/21 | 22903    | 100.00    |
| 09/11  | 22860    | 534.72    | 09/19 | 22904    | 20.00     |
| 09/11  | 22861    | 386.42    | 09/19 | 22905    | 106.50    |
| 09/05  | 22862    | 18,297.74 | 09/20 | 22906    | 579.05    |
| 09/13  | 22864*   | 120.00    | 09/11 | 22907    | 10,000.00 |
| 09/10  | 22865    | 500.00    | 09/20 | 22908    | 66.13     |
| 09/07  | 22866    | 328.43    | 09/20 | 22909    | 39.57     |
| 09/26  | 22867    | 63.45     | 09/17 | 22910    | 50.00     |
| 09/26  | 22868    | 50.55     | 09/13 | 22911    | 38.32     |
| 09/17  | 22869    | 6,000.00  | 09/20 | 22912    | 1,500.00  |
| 09/26  | 22870    | 654.97    | 09/12 | 22913    | 256.00    |
| 09/17  | 22871    | 85.93     | 09/20 | 22914    | 1,643.62  |
| 09/20  | 22872    | 4,965.02  | 09/19 | 22915    | 81.30     |



BANK OF NEW HAMPSHIRE

A Banknorth Company

ARLINGTON LEASING INC DBA  
PAN AM SERVICES

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## CHECKS

| DATE  | CHECK NO | AMOUNT   | DATE  | CHECK NO | AMOUNT    |
|-------|----------|----------|-------|----------|-----------|
| 09/19 | 22916    | 798.29   | 09/17 | 22959    | 255.52    |
| 09/27 | 22917    | 90.00    | 09/19 | 22960    | 606.53    |
| 09/10 | 22918    | 359.64   | 09/18 | 22961    | 420.56    |
| 09/21 | 22919    | 500.00   | 09/18 | 22962    | 430.40    |
| 09/21 | 22920    | 280.00   | 09/18 | 22963    | 333.16    |
| 09/24 | 22921    | 200.00   | 09/19 | 22964    | 314.64    |
| 09/20 | 22922    | 4,463.66 | 09/20 | 22965    | 306.07    |
| 09/18 | 22923    | 3,611.28 | 09/18 | 22966    | 400.23    |
| 09/24 | 22924    | 1,800.00 | 09/19 | 22967    | 335.90    |
| 09/21 | 22925    | 240.02   | 09/14 | 22968    | 296.03    |
| 09/19 | 22926    | 903.27   | 09/14 | 22969    | 367.00    |
| 09/25 | 22927    | 177.90   | 09/24 | 22970    | 318.81    |
| 09/20 | 22928    | 52.62    | 09/17 | 22971    | 438.68    |
| 09/27 | 22929    | 129.54   | 09/19 | 22972    | 360.12    |
| 09/24 | 22930    | 5.17     | 09/17 | 22973    | 932.18    |
| 09/19 | 22931    | 375.34   | 09/14 | 22974    | 560.72    |
| 09/20 | 22932    | 42.52    | 09/21 | 22975    | 534.72    |
| 09/24 | 22933    | 292.13   | 09/18 | 22976    | 360.12    |
| 09/20 | 22934    | 5,086.00 | 09/18 | 22977    | 408.35    |
| 09/20 | 22935    | 176.89   | 09/21 | 22978    | 371.47    |
| 09/12 | 22937*   | 139.00   | 09/17 | 22979    | 329.86    |
| 09/19 | 22938    | 127.63   | 09/20 | 22980    | 386.42    |
| 09/26 | 22939    | 509.24   | 09/17 | 22981    | 356.86    |
| 09/12 | 22940    | 157.32   | 09/17 | 22982    | 583.20    |
| 09/20 | 22941    | 434.24   | 09/13 | 22983    | 19,248.68 |
| 09/24 | 22942    | 92.78    | 09/20 | 22984    | 60.00     |
| 09/25 | 22943    | 3,934.00 | 09/14 | 22985    | 106.50    |
| 09/18 | 22945*   | 40.34    | 09/28 | 22986    | 385.12    |
| 09/17 | 22946    | 425.19   | 09/24 | 22987    | 1,403.22  |
| 09/14 | 22947    | 488.27   | 09/20 | 22988    | 140.00    |
| 09/25 | 22948    | 116.31   | 09/17 | 22989    | 932.17    |
| 09/14 | 22949    | 474.27   | 09/26 | 22992*   | 7,000.00  |
| 09/24 | 22951*   | 905.45   | 09/21 | 22996*   | 330.00    |
| 09/17 | 22952    | 351.08   | 09/27 | 22997    | 179.00    |
| 09/17 | 22953    | 330.74   | 09/21 | 22998    | 2,945.25  |
| 09/14 | 22954    | 92.60    | 09/21 | 22999    | 2,142.00  |
| 09/14 | 22955    | 332.37   | 09/24 | 23000    | 1,818.22  |
| 09/14 | 22956    | 374.81   | 09/20 | 23002*   | 500.00    |
| 09/14 | 22957    | 402.51   | 09/19 | 23003    | 100.00    |
| 09/14 | 22958    | 219.96   | 09/19 | 23004    | 56.00     |



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| CHECKS |          |           |       |          |           |
|--------|----------|-----------|-------|----------|-----------|
| DATE   | CHECK NO | AMOUNT    | DATE  | CHECK NO | AMOUNT    |
| 09/17  | 23005    | 190.00    | 09/25 | 23055    | 434.42    |
| 09/26  | 23006    | 500.00    | 09/25 | 23056    | 452.20    |
| 09/24  | 23007    | 117.00    | 09/24 | 23057    | 277.67    |
| 09/18  | 23009*   | 76.00     | 09/26 | 23058    | 146.46    |
| 09/19  | 23010    | 487.00    | 09/21 | 23059    | 208.67    |
| 09/18  | 23011    | 86.00     | 09/24 | 23060    | 274.00    |
| 09/21  | 23012    | 75.00     | 09/25 | 23061    | 301.93    |
| 09/17  | 23013    | 154.00    | 09/24 | 23062    | 265.98    |
| 09/24  | 23014    | 175.00    | 09/25 | 23063    | 270.89    |
| 09/18  | 23015    | 24.72     | 09/24 | 23065*   | 226.08    |
| 09/17  | 23016    | 235.30    | 09/24 | 23066    | 322.88    |
| 09/26  | 23017    | 1,254.30  | 09/25 | 23067    | 284.00    |
| 09/18  | 23018    | 800.00    | 09/21 | 23068    | 296.03    |
| 09/20  | 23019    | 111.43    | 09/24 | 23069    | 400.24    |
| 09/17  | 23020    | 135.20    | 09/27 | 23070    | 335.89    |
| 09/21  | 23021    | 3,198.00  | 09/24 | 23071    | 560.72    |
| 09/27  | 23022    | 500.00    | 09/21 | 23073*   | 386.42    |
| 09/19  | 23024*   | 265.65    | 09/28 | 23077*   | 667.73    |
| 09/27  | 23025    | 2,200.00  | 09/27 | 23080*   | 60.00     |
| 09/18  | 23026    | 54.80     | 09/28 | 23083*   | 1,097.88  |
| 09/26  | 23027    | 821.76    | 09/21 | 23084    | 580.15    |
| 09/20  | 23028    | 10,000.00 | 09/28 | 23086*   | 389.50    |
| 09/27  | 23031*   | 708.67    | 09/26 | 23087    | 764.75    |
| 09/26  | 23033*   | 300.00    | 09/25 | 23090*   | 5,600.38  |
| 09/26  | 23035*   | 1,553.36  | 09/25 | 23091    | 1,600.00  |
| 09/25  | 23036    | 16,391.86 | 09/24 | 23092    | 44.53     |
| 09/23  | 23038*   | 259.63    | 09/24 | 23095*   | 75.00     |
| 09/21  | 23039    | 503.00    | 09/28 | 23098*   | 582.12    |
| 09/24  | 23040    | 192.56    | 09/28 | 23099    | 51.00     |
| 09/21  | 23041    | 515.28    | 09/26 | 23103*   | 290.00    |
| 09/21  | 23043*   | 492.78    | 09/24 | 23104    | 186.37    |
| 09/21  | 23046*   | 228.00    | 09/28 | 23111*   | 111.00    |
| 09/21  | 23047    | 357.77    | 09/24 | 23118*   | 182.10    |
| 09/24  | 23048    | 902.93    | 09/24 | 23127*   | 500.00    |
| 09/21  | 23049    | 332.36    | 09/28 | 23128    | 536.89    |
| 09/24  | 23050    | 400.67    | 09/26 | 23138*   | 19,373.26 |
| 09/21  | 23051    | 330.66    | 09/28 | 23146*   | 287.33    |
| 09/21  | 23052    | 185.41    | 09/28 | 23155*   | 374.81    |
| 09/25  | 23053    | 183.56    | 09/28 | 23156    | 456.04    |
| 09/25  | 23054    | 606.51    | 09/28 | 23157    | 200.87    |



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ARLINGTON LEASING INC DBA  
PAN AM SERVICES

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CHECKS

| DATE  | CHECK NO | AMOUNT | DATE  | CHECK NO | AMOUNT   |
|-------|----------|--------|-------|----------|----------|
| 09/28 | 23166*   | 296.03 | 09/28 | 23176*   | 400.22   |
| 09/28 | 23169*   | 620.87 | 09/28 | 23180*   | 386.41   |
| 09/28 | 23171*   | 411.03 | 09/28 | 23186*   | 108.00   |
| 09/28 | 23174*   | 385.76 | 09/28 | 23207*   | 1,185.00 |

===== CUSTOMER BALANCE SUMMARY =====

| DATE  | BALANCE   | DATE  | BALANCE   |
|-------|-----------|-------|-----------|
| 08/31 | 75,098.10 | 09/17 | 56,234.48 |
| 09/04 | 80,988.32 | 09/18 | 57,773.93 |
| 09/05 | 67,357.37 | 09/19 | 51,254.50 |
| 09/06 | 63,432.36 | 09/20 | 42,094.61 |
| 09/07 | 53,912.41 | 09/21 | 68,634.71 |
| 09/10 | 76,579.23 | 09/24 | 94,028.04 |
| 09/11 | 43,053.98 | 09/25 | 67,617.25 |
| 09/12 | 32,574.46 | 09/26 | 39,434.05 |
| 09/13 | 59,980.67 | 09/27 | 35,506.26 |
| 09/14 | 53,299.35 | 09/28 | 61,267.40 |

Parris N. Glendening  
Governor

John D. Porcari  
Secretary



## Maryland Aviation Administration

David L. Blackshear Executive Director

June 19, 2001

Mr. David A. Fink  
President  
Boston-Maine Airways Corp.  
14 Aviation Avenue  
Portsmouth NH 03801

Dear Mr. Fink:

**SUBJECT: NOTICE TO PROCEED**  
Contract No. MAA-GM-01-003, Commuter Air Service Between Greater  
Cumberland and Hagerstown Regional Airports and Baltimore/Washington  
International Airport

Receipt of this letter shall be your formal Notice to Proceed (NTP) for the subject contract, and your authorization to submit invoices for payment from this account under the terms and conditions of the contract.

The Maryland Aviation Administration (MAA) Project Manager is Mr. Bruce F. Mundie, Director, Office of Regional Aviation Assistance. His telephone number is (410) 859-7064.

This contract expires on June 30, 2002. The MAA has the unilateral right to exercise an option renewal for one additional year subject to budgetary appropriation. The maximum compensation for all services during the contract period shall not exceed the total amount of the Grant (subsidy) available, which amount is Two Million, Two Hundred Fifty Thousand Dollars and 00/100 (\$2,250,000.00). Enclosed is a fully-executed contract for your files.

Sincerely,



Jacqueline Schonowski, CPPB  
Acting Manager, Consultant Services  
Division of Procurement

cc: Mr. Bruce F. Mundie  
Janice G. Salzman, Esquire

Enclosures as noted

**GRANT AGREEMENT BETWEEN**  
**MARYLAND AVIATION ADMINISTRATION**  
**AND**  
**BOSTON-MAINE AIRWAYS CORP.**  
**MAA-GM-01-003**

This Grant Agreement, entered into this 15<sup>th</sup> day of JUNE, 2001, by and between the Maryland Aviation Administration (hereinafter "Administration") and Boston-Maine Airways Corp. d/b/a Pan Am (hereinafter "BMAir").

WITNESSETH:

WHEREAS, pursuant to Chapter 325 of the Laws of Maryland of 2000, the Administration, operator of Baltimore/Washington International Airport, established a Regional Air Service Development Program ("the Program") to foster development of a system of regional air transportation facilities and scheduled air service that effectively links to the national and international air transportation system underserved regions of the State that are capable of supporting scheduled air service; and

WHEREAS, the Maryland General Assembly through a budgetary appropriation from the State's General Fund for fiscal years 2001 and 2002 has authorized subsidies in the amount of \$1,000,000 and \$1,250,000 respectively; and

WHEREAS, it is consistent with legislative policy stated in §5-102 of the Transportation Article of the Annotated Code of Maryland and it is consistent with the grant of powers and duties to the Administration under §5-204 to encourage, foster and assist in the development of aeronautics in this State; and

WHEREAS, the Administration is a State agency responsive to local needs and will ensure that development of the regional air transportation system is consistent with general

development plans for the State and the local development plans of participating political subdivisions; and

WHEREAS, the Administration issued a Request for Proposals to select a Part 121 air carrier to provide scheduled regional air service between Greater Cumberland Regional Airport ("CBE"), Hagerstown Regional Airport ("HGR") and Baltimore/Washington International Airport ("BWI"); and

WHEREAS, the Administration has selected BMAir to operate such scheduled regional air service; and

WHEREAS, the Administration has determined that BMAir is eligible to receive State financial assistance; and

WHEREAS, pursuant to §5-1304, the Administration may make grants of funds through the Program; and

WHEREAS, any grant of a privilege to operate scheduled regional air service is subject to the approval of the Secretary of Transportation and of the Board of Public Works.

NOW THEREFORE, in consideration of the mutual covenants, promises and representations herein, and the premises set forth above which are hereby incorporated into this Agreement, the parties hereto agree as follows:

#### Section 1 - Purpose of Agreement

The purpose of this Grant Agreement ("Agreement") is to state the terms and conditions upon which BMAir will provide scheduled regional air service ("air service") between CBE, HGR and BWI which service will be subsidized by a grant from the State's General Fund to BMAir, and to state the manner in which the air service is undertaken. This Agreement incorporates by reference the Request for Proposals ("RFP"), Solicitation Reference No. MAA-GM-01-003, BMAir's Response to RFP Envelope 1 and Envelope 2 dated April 10, 2001,

BMAir's Response dated April 25, 2001 to the Administration's letter requesting additional information dated April 20, 2001, (hereinafter collectively referred to as "Responses") and BMAir's Contract Affidavit, attached hereto as Attachment A and incorporated by reference. Whenever an express provision of this Agreement is in conflict with any provisions in BMAir's Responses, this Agreement shall control.

#### Section II - Term of Agreement

Air service must begin no later than December 31, 2001 unless otherwise agreed to in writing by the Administration. The term of this Agreement begins with Notice to Proceed and ends on June 30, 2002 with one (1) option to renew for one (1) year exercisable by the Administration at its sole option and subject to budgetary appropriations. Except for the amount of the subsidy, the one (1) year option would include the same terms and conditions contained in this Agreement. If there is no budgetary appropriation for the subsidy for fiscal year 2003, this Agreement automatically terminates on June 30, 2002. Award of this Agreement by the Administration and any approval of the Secretary of Transportation and of the Board of Public Works is conditional upon (1) the issuance of a Part 121 operating certificate by the Federal Aviation Administration ("FAA"); and (2) air service beginning no later than December 31, 2001.

#### Section III - The Grant

In order to assist BMAir in financing air service between CBE, HGR and BWI, the Administration agrees to grant BMAir a subsidy in the total amount of \$2,250,000 which will be disbursed bi-weekly during fiscal year 2002 in accordance with the provisions of Attachment B which is incorporated by reference herein.

In the event more flights are added, any increase in the subsidy payment is at the discretion of the Administration and shall not exceed the amount appropriated by the Maryland

General Assembly. The subsidy amounts are subject to budgetary appropriation for each fiscal year. The General Fund appropriation for the current fiscal year 2001 beginning July 1, 2000 and ending June 30, 2001 is \$1,000,000. This appropriation is contingent upon this Agreement being approved by the Board of Public Works and fully executed by June 15, 2001. Because flights will not begin during fiscal year 2001, the Administration will reserve the spending authority by encumbering the funds from the fiscal year 2001 appropriation. The General Fund appropriation for fiscal year 2002 beginning July 1, 2001 and ending June 30, 2002 is \$1,250,000. This appropriation is contingent upon this Agreement being approved by the Board of Public Works and fully executed by June 15, 2001. The funds for fiscal year 2001 combined with fiscal year 2002 appropriation will yield a total appropriation amount of \$2,250,000 available for reimbursements to BMAir for services provided during fiscal year 2002.

BMAir shall file all applicable tax returns and file reports and pay all applicable taxes and fees due to the State of Maryland as required by Maryland law.

No subsidy has been appropriated by the General Assembly for fiscal year 2003. If (i) the General Assembly appropriates funds to continue the subsidy in fiscal year 2003, (ii) Administration elects to exercise the one (1) year option and (iii) BMAir demonstrates to the Administration that supplemental State financial support is necessary for continued operation of the air service by BMAir, all or part of the subsidy will be distributed in the same manner as the previous fiscal year, unless otherwise agreed to in writing by the parties.

#### Section IV - Project Responsibilities

BMAir shall be responsible for operation of air service between CBE, HGR and BWI in accordance with the terms and conditions set forth in this Agreement. The responsibilities and obligations of BMAir are:

1. BMAir shall provide air service between CBE, HGR and BWI with one (1) Jetstream-31 twin turbo propeller-powered aircraft with at least nineteen-passenger seats. The aircraft will be owned or leased by BMAir. Each aircraft will be operated with two pilots. In addition, all dispatched aircraft will have the same livery. Subject to aircraft availability, BMAir will use its best efforts to utilize reserve aircraft in the event of an aircraft breakdown. In addition, BMAir shall subcontract with an aircraft provider subject to Administration's prior written approval for aircraft service in the event BMAir is physically unable to perform.

2. The air service shall be operated, initially, from CBE with an enroute stop at HGR to BWI and return. The air service will be three round trips per day Monday through Friday and two round trips per day Saturday, Sunday and federal holidays. The approved proposal schedule is made a part hereof as Attachment C. The parties agree to revisit the schedule within sixty (60) days to explore the revision of the schedule to include direct non-stop service between BWI and CBE.

3. BMAir shall contract with one or more ground transportation providers to provide alternate transportation for passengers in the event air service operations are cancelled or delayed in excess of two hours. BMAir shall provide Administration with a copy of the agreement(s).

4. BMAir shall execute all necessary agreements, leases, contracts or other arrangements ("Contracts") for its air service at CBE, HGR and BWI, including but not limited to, aircraft operations, aircraft servicing, aircraft maintenance, ground handling, the right to conduct commercial flight operations, gate usage, terminal space, baggage handling, refueling, operation of a dedicated ticketing and on-line computer reservation system, station operations, aircraft parking and any other air service needs. BMAir shall ensure that identifiable airline logos are provided to guide passengers to the appropriate ticketing gate operations at each



9. BMAir shall provide Administration with copies of all Part 121 Operating Certificates issued by FAA and/or United States Department of Transportation necessary for BMAir to provide this air service.

10. BMAir shall establish a marketing plan and submit it to the Administration for its review and approval.

11. BMAir shall provide profit and loss statements for the air service to the Administration within thirty (30) days of the end of each three (3) month period of this Agreement.

#### Section V - Ticket Price

BMAir shall begin air service with roundtrip ticket prices between the city pairs as follows:

|           |          |
|-----------|----------|
| BWI - HGR | \$125.00 |
| BWI - CBE | \$125.00 |
| HGR - CBE | \$ 62.50 |
| CBE - HGR | \$ 62.50 |

Promotional fares or corporate discounts less than the initial ticket prices may be offered at the discretion of the contractor.

Tickets will be sold on a guaranteed, non-refundable basis. No flights will be oversold. Tickets may be exchanged for a fee which shall not exceed amounts customary in the scheduled airline industry. BMAir shall utilize an "e-ticket" system with written confirmation of a ticket reservation by mail.

BMAir shall notify Administration of any increase or decrease in ticket price. Future increases in ticket price shall be limited to a rate not to exceed the percentage increase or decrease in the "Consumer Price Index for all Urban Consumers." Selected areas, all item index

(1996-00) for Washington-Baltimore, DC-MD-VA-WV published by the Bureau of Labor and Statistics of the U.S. Department of Labor. The Administration reserves the right to terminate the subsidy if the published roundtrip fare increase is more than forty percent (40%) of the above referenced roundtrip ticket price.

#### Section VI - Indemnification

BMAir shall assume all risks incident to, or in connection with, its operation under this Agreement and shall be solely responsible for all damages or injuries to persons, property, or the environment caused by its operations and shall indemnify, defend and hold harmless the State of Maryland, the Maryland Department of Transportation, the Administration, and their respective authorized agents, employees and representatives from and against any and all claims, liabilities, suits, losses, or damages for injuries (including death) to persons, or damage (including destruction) to property or the environment, of whatever kind or nature, including any claims or fines assessed by the Federal Environmental Protection Agency or any State of Maryland agency, also including reasonable attorneys' fees arising directly or indirectly from BMAir's operations in implementing this Agreement or the performance of any service which is subsidized by this Agreement or resulting from any act or omission of BMAir, its officers, agents, contractors, subcontractors, employees, customers or assigns in connection with its operation pursuant to this Agreement.

BMAir further agrees to defend, at its own cost, and to protect, indemnify and hold harmless, the Administration, its authorized officers, directors, agents, employees and representatives (including but not limited to the posting of bonds and the release of attachments) from and against any and all claims in any way connected with, or arising out of, BMAir's operations under this Agreement (including but not limited to attachments, liens, and/or levies, and whether or not such claim is meritorious) made, filed, and/or asserted by any party other than



inspect and audit all data and records relating to performance under this Agreement. If it is determined as a result of the audit that the Administration has made payments in excess of the amount allowed pursuant to all terms and conditions of this Agreement, such excess amount shall be promptly remitted to the Administration. BMAir's covenant to repay any excess payments shall survive the termination of this Agreement. This Section VIII supercedes General Condition for Service Contracts, Number 47, attached hereto and made a part hereof.

#### Section IX - Modification

This Agreement may be modified only by written instrument, executed by the Administration and BMAir and approved by the Board of Public Works, if necessary.

#### Section X - Compliance with Law

BMAir shall comply with all applicable federal, State and local laws and regulations in expending funds provided under this Agreement and in providing air service funded by this Agreement.

#### XI - Drug and Alcohol Free Workplace

BMAir shall comply with the State's policy concerning drug and alcohol free workplaces, as set forth in COMAR 01.01.1989.18 and 21.11.08, and must remain in compliance throughout the term of this Agreement.

#### Section XII - Assignment

No right, benefit or advantage inuring to BMAir under this Agreement may be assigned and no burden imposed on BMAir may be delegated or assigned without the prior written approval of the Administration.

#### Section XIII – Terms and Conditions

This Agreement is subject to the "Terms and Conditions for Services", a copy of which is attached and made a part hereof as Attachment E.

Section XIV - Governing Law

This Agreement shall be construed to bind the parties hereto and their successors and assigns in accordance with the Constitution and laws of the United States of America and of the State of Maryland.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the Day and year first above written.

Attest:

Boston-Maine Airways Corp.



By: David A. Fink  
David A. Fink  
President

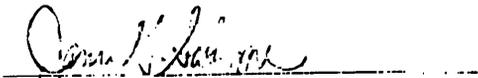
Witness:

Maryland Aviation Administration



By: David L. Blackshear  
David L. Blackshear  
Executive Director

Approved As To Form  
and Legal Sufficiency



Justice G. Salzman  
Assistant Attorney General



segment which is completed with 15 minutes of its scheduled arrival time. For purposes of measuring BMAir's completion rate, flight segments which are not completed, or are delayed beyond the aforementioned 15 minutes, through no fault of BMAir due to weather, airport control or air traffic control problems, shall be credited as a completed flight segment. If BMAir's completion rate remains below 95% for three or more consecutive Operating Periods, Administration may suspend further Grant Payments until BMAir has addressed to the satisfaction of the Administration the underlying cause of any performance failure(s). Notwithstanding the foregoing, BMAir shall not receive any Grant Payment for any Operating Period in which BMAir's completion rate falls below 75%.

D. Reporting. Within seven (7) days of the end of each Operating Period, BMA shall report to the Administration any air service cancellations or delays in excess of 15 minutes for said Operating Period and the reasons for same, e.g., operational, maintenance, weather-related, etc. In the case of weather-related cancellations or delays, the report shall include the official weather observations for the station and time involved. To the extent not included above, this report shall also contain the following information as defined by the Federal Aviation Administration and/or the United States Department of Transportation:

1. Total number of flights
2. Number of on-time departures.
3. Number of on-time arrivals.
4. Number of late departures, minutes late and reason(s) therefor.
5. Number of late arrivals, minutes late and reason(s) therefor.
6. Enplanements and deplanements from each station by flight number(s).



**U.S. Department of Transportation**

Office of the Secretary of Transportation

**AGENCY DISPLAY OF ESTIMATED BURDEN**

The public reporting burden for this collection of information is estimated to average 30 minutes per response. If you wish to comment on the accuracy of the estimate or make suggestions for reducing this burden, please direct your comments to the Department of Transportation at the following address:

U.S. Department of Transportation  
Office of Aviation Analysis, X-56  
400 7th Street, SW.  
Washington, DC 20590

OMB No. 2106-0030 Expires 2-28-01

**U.S. AIR CARRIERS  
CERTIFICATE OF INSURANCE**

**POLICIES OF INSURANCE FOR AIRCRAFT ACCIDENT BODILY INJURY  
AND PROPERTY DAMAGE LIABILITY**

**FILING INSTRUCTIONS:** File an original of this form with the FAA, Air Transportation Div., AFS-200, 800 Independence Ave., SW., Washington, DC 20591. **NOTE:** If Block 2B on the reverse is filled in because the insured is an air taxi operator conducting scheduled passenger service (i.e., a commuter air carrier), file an original of this form with the Air Carrier Fitness Div., X-56, Office of Aviation Analysis, Dept. of Transportation, 400 7th St., SW., Washington, DC 20590.

(Please type information, except signatures.)

**THIS CERTIFIES THAT:** See Attached  
(Name of Insurer)

has issued a policy or policies of Aircraft Liability Insurance to Boston-Maine Airways Corp.  
14 Aviation Avenue, Pease International Trade Port FAA Certificate Number \_\_\_\_\_  
Portsmouth, NH 03801 (Name, address and FAA Certificate number of Insured U.S. Air Carrier)

effective from 06/14/01 until ten (10) days after written notice from the insurer or carrier of the intent to terminate coverage is received by the Department of Transportation.

**NOTE:** Part 205 of the Department's Regulations does not allow for a predetermined termination date, and a certificate showing such a date is unacceptable.

**1. The Insurer (Check One):**

- is licensed to issue aircraft insurance policies in the United States;
- is licensed or approved by the government of \_\_\_\_\_ to issue aircraft insurance policies; or
- is an approved surplus line insurer in the State(s) of \_\_\_\_\_

**2. The insurer assumes, under the policy or policies listed below, aircraft accident liability insured to minimums at least equal to the following during operation, maintenance, or use of aircraft in "air transportation" as that term is defined in 49 U.S.C. 40102. (Complete applicable section(s) below):**

**A. U.S. AIR TAXI OPERATORS WITH PART 298 AUTHORITY ONLY**

The aircraft covered by this policy are SMALL AIRCRAFT (i.e., with 60 or fewer passenger seats or with a maximum payload capacity of 18,000 pounds or less). (Check separate or combined coverage as appropriate):

Separate Coverages:

| Policy No. | Type of Liability                              | Minimum Limit |   |
|------------|--|---------------|---|
|            |  | Each person   | Each Occurrence   |
| _____      | Bodily Injury Liability (Excluding Passengers) | \$ 75,000     | \$300,000   |
| _____      | Passenger Bodily Injury                        | \$ 75,000     | \$75,000 x 75% of total number of passenger seats installed in aircraft |
| _____      | Property Damage                                |               | \$100,000   |

Combined Coverage: This combined coverage is a single limit of liability for each occurrence at least equal to the required minimums stated above for bodily injury (excluding passengers), property damaged, and passenger bodily injury.

Policy No. \_\_\_\_\_ Amount of Coverage \_\_\_\_\_

This policy covers CARGO operations only and excludes passenger liability insurance.

**B. U.S. COMMUTER AND CERTIFICATED AIR CARRIERS OPERATING SMALL AIRCRAFT**

The aircraft covered by this policy are SMALL AIRCRAFT (i.e., with 60 or fewer passenger seats or with a maximum payload capacity of 18,000 pounds or less). (Check separate or combined coverage as appropriate):

Separate Coverages::

| Policy No. | Type of Liability   | Minimum Limit |  |
|------------|---|---------------|--|
|            |   | Each person   | Each Occurrence  |
| _____      | Combined Bodily Injury (Excluding Passengers other than cargo attendants) and Property Damage Liability | \$300,000     | \$2,000,000  |
| _____      | Passenger Bodily Injury   | \$300,000     | \$300,000 x 75% of total number of passenger seats installed in aircraft |

Combined Coverage: This combined coverage is a single limit of liability for each occurrence at least equal to the required minimums stated above for bodily injury (excluding passengers), property damaged, and passenger bodily injury.

Policy No. See Attached Amount of Coverage \$300,000,000

This policy covers CARGO operations *only* and *excludes* passenger liability insurance.

**C. U.S. CERTIFICATED AIR CARRIERS OPERATING LARGE AIRCRAFT**

The aircraft covered by this policy are LARGE AIRCRAFT (i.e., with more than 60 passenger seats or with a maximum payload capacity of more than 18,000 pounds). (Check separate or combined coverage as appropriate):

Separate Coverages:

| Policy No. | Type of Liability   | Minimum Limit |  |
|------------|---|---------------|--|
|            |   | Each person   | Each Occurrence  |
| _____      | Combined Bodily Injury (Excluding Passengers other than cargo attendants) and Property Damage Liability | \$300,000     | \$20,000,000   |
| _____      | Passenger Bodily Injury   | \$300,000     | \$300,000 x 75% of total number of passenger seats installed in aircraft |

Combined Coverage: This combined coverage is a single limit of liability for each occurrence at least equal to the required minimums stated above for bodily injury (excluding passengers), property damaged, and passenger bodily injury.

Policy No. \_\_\_\_\_ Amount of Coverage \_\_\_\_\_

This policy covers CARGO operations *only* and *excludes* passenger liability insurance.

3. The policy or policies listed in this certificate insure(s) (Check One):

Make and Model \_\_\_\_\_ FAA or Foreign Flag Registration No. \_\_\_\_\_

- Operations conducted with all aircraft operated by the insured
- Operations conducted with the following types of aircraft:
- Operations with the following aircraft: (Use additional page if necessary)

4. Each policy listed in this certificate meets or exceeds the requirements in 14 CFR Part 205.

**See Attached**

**Thomas Gregory Associates Insurance Agency, I**

\_\_\_\_\_  
(Name of Insurer)

\_\_\_\_\_  
(Name of Broker, if applicable)

\_\_\_\_\_  
(Address)

**605 Broadway**

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(City, State, Zip Code)

**Saugus, MA 01906-3200**

\_\_\_\_\_  
(City, State, Zip Code)

Contact (person who can verify the effectiveness of the coverage)

\_\_\_\_\_  
(Officer or authorized representative)

\_\_\_\_\_  
(Area Code, Phone Number)

\_\_\_\_\_  
(Area Code, Fax Number)

**781-233-0600**

\_\_\_\_\_  
(Area Code, Phone Number)

**781-233-0900**

\_\_\_\_\_  
(Area Code, Fax Number)

\_\_\_\_\_  
(Signature, if applicable)

\_\_\_\_\_  
(Signature)

**October 10, 2001**

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Date)

**SECURITY (the "Insurers")****As respects Liability Insurance:**

| <b><u>Insurer</u></b>   | <b><u>Policy Number</u></b> | <b><u>Participation</u></b> |
|---|-----------------------------|-----------------------------|
| American Home Assurance Company<br>Through American International Aviation Agency<br>Atlanta, GA        | AI 3387401-04               | 15 Percent                  |
| Underwriters at Lloyd's & Various Companies<br>Through Heath Lambert Group Aerospace<br>London, England | AV 3338601                  | 85 Percent                  |

**Several Liability Notice**

**The subscribing insurers' obligations under contracts of insurance to which they subscribe are several and not joint and are limited solely to the extent of their individual subscriptions. The subscribing insurers are not responsible for the subscription of any co-subscribing insurer who for any reason does not satisfy all or part of its obligations.  
LSW 1001 (insurance)**



**BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

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Application of

BOSTON-MAINE AIRWAYS CORP.

Docket No.OST-00-7668

for the issuance of a certificate of public convenience  
and necessity pursuant to 49 U.S.C. Sec. 41102

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CERTIFICATION

Pursuant to Title 18 United States Code Section 1001, I, John R. Nadolny, in my individual capacity and as Senior Vice President, General Counsel and Secretary of the applicant, have not in any manner knowingly and willfully falsified, concealed or covered up any material fact or made any false, fictitious, or fraudulent statement or knowingly used any documents which contain such statements in connection with the preparation, filing or prosecution of this application. I understand that an individual who is found to have violated the provisions of 18 U.S.C. 1001 may be fined not more than \$10,000 or imprisoned not more than five years, or both.

  
John R. Nadolny

State of New Hampshire )  
County of Rockingham )

Subscribed and sworn to before me this 16th day of October, 2001.

  
Notary Public

M. Blanche Abbott  
Notary Public  
My Commission Expires  
May 12, 2004

SERVICE LIST (Boston-Maine Airways)

John R. Nadolny  
Senior Vice President and  
General Counsel  
BOSTON-MAINE AIRWAYS CORP.  
Pease International Tradeport  
14 Aviation Avenue  
Portsmouth, NH 03801

Nathaniel P. Breed, Jr.  
SHAW PITTMAN LLP  
2300 N Street, N.W.  
Washington, D.C. 20037

Mr. Anthony Liquori, Manager  
Flight Standards District Office 5  
FEDERAL AVIATION ADMINISTRATION  
2 Al McKay Avenue  
Portland, ME 04102

Mark Rowell  
Airport Manager  
PEASE INTERNATIONAL TRADEPORT  
36 Airline Avenue  
Portsmouth, NH 03801

Bob W. Ziegelaar  
Airport Director  
BANGOR INTERNATIONAL AIRPORT  
287 Godfrey Boulevard  
Bangor, ME 04401

Victor White  
Executive Director  
ORLANDO SANFORD AIRPORT  
One Red Cleveland Boulevard  
Sanford, FL 32773

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Executive Director  
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AIRPORT  
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