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ORIGINAL

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

Application of

BOSTON-MAINE AIRWAYS CORP.

for issuance of an amended certificate of public
convenience and necessity pursuant to 49 U.S.C. § 41102
(Interstate Large-Aircraft Operations)

Docket OST-00-7668 -17

**APPLICATION OF
BOSTON-MAINE AIRWAYS CORP.
FOR AMENDED CERTIFICATE AUTHORITY**

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Attorneys for
BOSTON-MAINE AIRWAYS CORP.

NOTICE: Boston-Maine requests that this Application be processed pursuant to the expedited procedures established by 14 CFR Part 302, Subpart B. Any person may file an Answer to this Application with the DOT's Docket Section and must serve all persons named on the attached Service List. Answers to this Application are due to be filed on or before September 17, 2002.

August 27, 2002
1245048 v2

BEFORE THE
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August 27, 2002

**APPLICATION OF
BOSTON-MAINE AIRWAYS CORP.
FOR AMENDED CERTIFICATE AUTHORITY**

Boston-Maine Airways Corp., d/b/a Pan Am Clipper Connection (“BMAC”) hereby applies, pursuant to 49 U.S.C. §41102 of the Federal Aviation Statutes, Subpart B of the Procedural Regulations and Section 204.3 of the Economic Regulations of the Department of Transportation (the “Department”), for issuance of an amended Certificate of Public Convenience and Necessity, and related fitness determination, authorizing BMAC to engage in interstate scheduled service operations utilizing large aircraft, as described in this application.

BMAC hereby requests that the foregoing amended certificate authority be granted effective on or about October 15, 2002 for an indefinite duration.

In support of this Application, BMAC states as follows:

I. INTRODUCTION AND SUMMARY.

BMAC currently conducts interstate scheduled service operations utilizing ten leased 19-passenger British Aerospace Jetstream 3100 aircraft and all-cargo charter operations utilizing two leased CASA-212 twin turboprop freighter aircraft having a maximum payload capacity of 6,000 pounds. Those operations are conducted pursuant to a Certificate of Public Convenience and Necessity issued to BMAC by Order 2001-12-21, served December 27, 2001.

BMAC is a wholly-owned subsidiary of Pan American Airlines, Inc. (“PAA”), a holding company which also owns Pan American Airways Corp. (“Pan Am”). Pan Am is a certificated air carrier which is currently operating interstate and foreign scheduled and charter air transportation services utilizing a fleet of Stage 3-compliant Boeing B-727-200 aircraft (see Orders 99-8-15, served August 19, 1999 and Order 99-9-8, served September 9, 1999).

The purpose of this Application is to enable BMAC to perform interstate scheduled passenger operations utilizing 141-passenger B-727-200 aircraft in various interstate city-pair markets, both in conjunction with the interstate and foreign scheduled service operations of its sister carrier, Pan Am, and as separate stand-alone operations, as described in this Application.

Under Section 204.5 (a) of the Department’s Regulations, a certificated or commuter air carrier which contemplates a “substantial change” in its operations must

submit new and updated evidence of its fitness to conduct the proposed changed operations. BMAC's proposed expansion into large-aircraft operations constitutes a "substantial change" in operations within the definition of Section 204.2(1), and thus requires a determination of its fitness to conduct the proposed new operations. In addition, Condition (3) to BMAC's Certificate of Public Convenience and Necessity issued by Order 2001-12-21 requires that BMAC must first be found to be fit before commencing large-aircraft operations.

The balance of this application will be divided into two parts, the first describing BMAC's proposed initial large-aircraft operations and related data in compliance with Sections 201.4, 204.3 and 302.202, and the second directed to the additional fitness evidence requirements set forth in Section 204.3. In that latter connection, BMAC hereby incorporates by reference evidence of its current fitness contained in its Form 41 Reports and other prior evidentiary submissions filed in connection with BMAC's July 19, 2000 application for initial certification in Docket OST-00-7668.

As noted above, BMAC respectfully requests the Department to expedite the processing of this application so as to enable BMAC to commence large-aircraft operations on or about November 1, 2002, or as soon thereafter as BMAC completes its related FAA Part 121 Operations Specifications amendment process.

II. PART 201 AND PART 204 DATA AND PROPOSED SERVICE

In compliance with Sections 201.4, 204.3 and 302.402, BMAC submits the following information:

1. Corporate Domicile And Headquarters. BMAC is a corporation duly organized and existing under and pursuant to the laws of the State of New Hampshire, with its principal offices located at 14 Aviation Avenue, Pease International Tradeport, Portsmouth, NH 03801.

2. Citizenship. BMAC is a citizen of the United States, as defined in 49 U.S.C. §40102(a)(15). The president and more than two-thirds of the board of directors and other managing officers of BMAC are citizens of the United States, and more than seventy-five percent of the issued and outstanding voting stock of BMAC is owned or controlled by persons who are citizens of the United States or one of its possessions. BMAC is prepared to furnish by affidavit or otherwise such evidence as may be necessary in support of the facts set forth above.

3. Current Authority and Operations. BMAC is an air carrier of persons, property and mail in interstate scheduled and charter air transportation, operating such services primarily in the eastern United States pursuant to an Interstate Certificate of Public Convenience and Necessity issued to BMAC by Order 2001-12-21, served December 27, 2001. That Certificate currently contains a condition limiting BMAC to small-aircraft (60 seats or fewer) operations. At this time, BMAC operates only the

19-passenger Jetstream 3100 turboprop aircraft in its passenger operations. In addition to its interstate operations, BMAC has recently inaugurated scheduled transborder services between the U.S. and Canada utilizing the 19-passenger Jetstream 3100 pursuant to the blanket exemption authority granted by Section 206.5 of the DOT's Economic Regulations.

4. **Requested New Authority.** BMAC hereby requests that it be issued an amended Certificate of Public Convenience and Necessity of indefinite duration authorizing BMAC to engage in interstate air transportation of persons, property and mail utilizing large aircraft. BMAC specifically requests that its existing certificate be amended to delete Condition (3), and re-number Conditions (4) through (9) to reflect that deletion.

5. **Proposed Service.** BMAC's initial interstate large-aircraft operations will be limited to the San Juan-St. Thomas, U.S. Virgin Islands market. BMAC plans to operate two nonstop round trip flights a day, five days a week, utilizing one B-727-200 aircraft configured to carry 141 passengers (Exhibit BMA-100). BMAC plans to lease that aircraft from Guilford Transportation Industries, Inc. ("Guilford"), which is the lessor of BMAC's existing Jetstream 3100 and CASA-212 aircraft. A description of the terms of that contemplated leasing arrangement is contained in Exhibit BMA-107. BMAC's initial B-727-200 aircraft will be based in San Juan, Puerto Rico, and will be serviced and maintained at BMAC's operational headquarters in Portsmouth,

New Hampshire, by BMAC's own maintenance personnel and pursuant to contractual arrangements with authorized repair stations in Puerto Rico. The fully-allocated cost of those maintenance arrangements is reflected in BMAC's first-year expense projection (Exhibit BMA-101).

III. FITNESS-RELATED INFORMATION

In compliance with Part 204.3, BMAC provides the following additional evidence of its fitness to provide the proposed large-aircraft services.

1. **Managerial and Operational Fitness.** During the course of over three years of air taxi and certificated operations, BMAC has established an excellent record of successful and reliable operations and a solid record of consistent compliance with all FAA and DOT laws, regulations and other requirements applicable to its operations. BMAC submits that the foregoing operating history conclusively establishes its managerial and operational fitness to expand its operations to include large-aircraft operations with Boeing 727-200 aircraft.

2. **Financial Fitness.** A detailed summary of BMAC's projected large-aircraft revenue forecast, and detailed projected operating expenses, for its first year of B-727-200 operations, broken down by calendar quarter, is set forth in Exhibit BMA-101. A projection of BMAC's projected first-year operating statistics and fuel

consumption estimate is set forth in Exhibit BMA-102¹. A projection of the pre-operating expenses entailed in BMAC's start-up of large-aircraft operations, including the pre-operating cost of acquisition of one leased B-727-200 aircraft, is set forth in Exhibit BMA-103.

On the basis of its net working capital on hand (Exhibit BMA-104) and the availability of a \$500,000 line of credit facility from BMAC's owners, BMAC has ample working capital to support its planned first year of large-aircraft operations under the Department's established financial fitness test for "substantial change" applicants (Exhibit BMA-106).

3. **Other Fitness Information.** In general, virtually all of the other fitness-related and U.S. citizenship information for BMAC, as specified in Section 204.3, remains essentially the same as the last prior submission of fitness information by BMAC to the Department on July 19, 2000, August 16, 2000, and December 19, 2000 in Docket OST-00-7668, except as noted below.

Thus, the corporate ownership and executive management of BMAC remain essentially unchanged. There has been one change in BMAC's key operating management group in the position of Director of Safety. On August 14, 2002,

¹ As shown in Exhibit BMA-102, the estimated annual fuel consumption required by the proposed service is far below the 10 million gallon threshold constituting a "major regulatory action" requiring an energy statement pursuant to Part 313 of the DOT's Special Regulations.

following the retirement of Captain Hobart T. Livingston as Director of Safety, BMAC hired Edwin C. MacNeil to fill the Director of Safety position and submitted Mr. MacNeil's geographical resume for review and approval by the FAA. A copy of Mr. MacNeil's biographical resume and completed fitness data questionnaire is set forth in Exhibit BMA-107. All of the issued and outstanding voting stock of BMAC continues to be owned by PAA. PAA continues to be owned by Messrs. Mellon (94.2 percent) and Fink (5.2 percent), both of whom are U.S. citizens, and both of whom are actively involved in the management of BMAC and its affiliated sister company, Pan Am.

No other person holds a substantial interest in BMAC, and BMAC continues to have no subsidiaries and holds no interest in any of the entities listed in Section 204.3(i).

There are no pending actions or outstanding judgments, no pending investigations, enforcement actions or formal complaints, and no charges of unfair, deceptive or anticompetitive business practices, or fraud, felony or antitrust violations, falling within the parameters set forth in Section 204.3(l), (m), (o) and (p), against BMAC or any relevant corporation or key personnel of BMAC. Neither BMAC nor any officer or key operations manager employed by BMAC has been involved in any aircraft accident or incident which occurred during the past year, or at any time in the past and which remains under investigation by the FAA, NTSB or BMAC itself.

At the present time, BMAC's aircraft fleet consists of ten leased British Aerospace Jetstream 3100 turboprop aircraft, configured to carry 19 passengers, and two CASA-121 twin turboprop freighter aircraft, having a maximum cargo payload of 6,000 pounds. As noted above, BMAC plans to lease one 141-passenger B-727-200 aircraft for use in its initial large-aircraft operations. Specific information pertaining to that planned lease arrangement is set forth in Exhibit BMA-108.

The DOT economic authority and FAA operating certificate held by BMAC remains identical to the authority awarded and described in Docket OST-00-7668. The FAA's Flight Standards District Office Number 5 in Portland, Maine, which supervises BMAC's operations, remains the same. On March 5, 2002, BMAC formally notified its FSDO of its desire to seek an amendment of its Part 121 Operations Specifications to authorize BMAC to operate B-727-200 aircraft in the geographical area encompassed by this application, and has commenced that process (Exhibit BMA-109).

Information pertaining to the current operations and financial condition of BMAC is contained in BMAC's Form 41 reports on file with the Department, which are incorporated herein by reference. BMAC's most recent Balance Sheet, as of December 31, 2001, and its Statement of Operations for the years ended December 31, 2000 and December 31, 2001, are set forth in Exhibits BMA-104 and BMA-105, infra.

BMAC submits that the foregoing information, and the projections related to its proposed large-aircraft operations in the previous section of this application, fully

satisfy the requirements of Part 204, and fully demonstrate the fitness of BMAC to conduct large-aircraft operations. A Title 18 Certification, executed by Mr. Nadolny, Senior Vice President and General Counsel of BMAC, verifying the accuracy and completeness of this application and supporting exhibits, is contained in Exhibit BMA-110.

IV. PROCEDURAL MATTERS

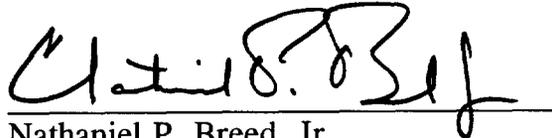
As noted above, BMAC requests that this application be processed pursuant to the expedited non-hearing procedures of Subpart B, and that the amended certificate authority at issue be granted for an indefinite period. Grant of such indefinite authority is consistent with the duration of BMAC's existing Certificate and with the policy and practice of the Department with respect to the granting of interstate certificate authority.

Finally, BMAC requests that this certificate amendment application be granted on an expedited basis in order to enable BMAC to commence large-aircraft operations on or about November 1, 2002, subject to BMAC's completion of its Part 121 Operations Specifications amendment process prior to that date.

WHEREFORE, BMAC requests the Department to issue an amended Certificate of Public Convenience and Necessity authorizing BMAC to provide interstate air

transportation of persons, property and mail, utilizing both small and large aircraft, as requested in this application.

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 Application of Boston-Maine 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.

August 27, 2002

1245048 v2

BOSTON-MAINE AIRWAYS CORP.
INDEX TO EXHIBITS

<u>Exh. No.</u>	<u>Title of Exhibit</u>
BMA-100	Proposed First-Year Large-Aircraft Interstate Flight Schedule
BMA-101	First-Year Projected Large-Aircraft Traffic, Revenue and Operating Expenses
BMA-102	First-Year Projected Large-Aircraft Operating Statistics and Fuel Consumption
BMA-103	Projected Pre-operating Expenses (Large-Aircraft Operations)
BMA-104	BMAC Balance Sheet as of June 30, 2002
BMA-105	BMAC Statement of Operations for the years ended December 31, 2000 and December 31, 2001
BMA-106	Financial Fitness Test Calculation
BMA-107	Director of Safety Qualifications
BMA-108	Summary of B-727-200 Aircraft Lease Terms
BMA-109	Notice to FAA of Intent to Apply for Operations Specifications Amendments to Authorize Large-Aircraft Operations
BMA-110	Verification of Working Capital Availability
BMA-111	Title 18 Certification

BOSTON-MAINE AIRWAYS CORP.
Proposed First-Year Large-Aircraft Flight Schedule

San Juan (SJU) to St. Thomas (STT)

<u>Freq.</u>	<u>Leave</u>	<u>Arrive</u>	<u>Flt No.</u>	<u>Aircraft</u>	<u>Stops</u>
x23	09:00	09:45	2151	72S	0
x23	15:15	16:00	2153	72S	0

St. Thomas (STT) to San Juan (SJU)

<u>Freq.</u>	<u>Leave</u>	<u>Arrive</u>	<u>Flt No.</u>	<u>Aircraft</u>	<u>Stops</u>
x23	11:15	12:00	2152	72S	0
x23	19:00	19:45	2154	72S	0

BOSTON-MAINE AIRWAYS CORP.
First-Year Projected Large-Aircraft Revenue and Operating Expenses

BOSTON and MAINE Airways

Projection of Revenue and Expense
for the First 12 Months of Operation

	Jan-03	Feb-03	Mar-03	Apr-03	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03	Total
Point to Point													
Flights	88	80	92	80	92	88	84	92	84	88	88	84	1040
Pax	2,640	2,400	2,760	2,400	2,760	2,640	2,520	2,760	2,520	2,640	2,640	2,520	31,200
Fare	109	109	109	109	109	109	109	109	109	109	109	109	109
Rev.	\$ 287,760	\$ 261,600	\$ 300,840	\$ 261,600	\$ 300,840	\$ 287,760	\$ 274,680	\$ 300,840	\$ 274,680	\$ 287,760	\$ 287,760	\$ 274,680	\$ 3,400,800
Flow and Connecting													
Flow Pax	5,368	4,880	5,612	4,880	5,612	5,368	5,124	5,612	5,124	5,368	5,368	5,124	63,440
OPERATING REVENUE													
Flights	88	80	92	80	92	88	84	92	84	88	88	84	1040
Pax	8,008	7,280	8,372	7,280	8,372	8,008	7,644	8,372	7,644	8,008	8,008	7,644	94,640
Fare	\$ 84.00	\$ 94.00	\$ 109.00	\$ 109.00	\$ 92.00	\$ 89.00	\$ 92.00	\$ 92.00	\$ 91.00	\$ 97.00	\$ 105.00	\$ 109.00	\$ 96.85
Rev.	\$ 672,672	\$ 684,320	\$ 912,548	\$ 793,520	\$ 770,224	\$ 712,712	\$ 703,248	\$ 770,224	\$ 695,604	\$ 776,776	\$ 840,840	\$ 833,196	\$ 9,165,884
OPERATING EXPENSES													
Management	13,669	12,426	14,290	12,426	14,290	13,669	13,047	14,290	13,047	13,669	13,669	13,047	161,539
Flight Crews	40,331	36,665	42,164	36,665	42,164	40,331	38,498	42,164	38,498	40,331	40,331	38,498	476,639
Operations Support	20,165	18,332	21,082	18,332	21,082	20,165	19,249	21,082	19,249	20,165	20,165	19,249	238,319
Fuel @ 1.20/Gal	102,660	93,600	107,640	93,600	107,640	102,960	98,280	107,640	98,280	102,960	102,960	98,280	1,216,500
Stations@\$1500/turn	132,000	120,000	138,000	120,000	138,000	132,000	126,000	138,000	126,000	132,000	132,000	126,000	1,560,000
Maintenance	71,159	64,690	74,394	64,690	74,394	71,159	67,925	74,394	67,925	71,159	71,159	67,925	840,972
Sales & Marketing	24,384	22,167	25,493	22,167	25,493	24,384	23,276	25,493	23,276	24,384	24,384	23,276	288,177
Admin	11,812	10,739	12,349	10,739	12,349	11,812	11,275	12,349	11,275	11,812	11,812	11,275	139,601
Total Expenses	402,512	366,193	421,122	366,193	421,122	402,812	384,503	421,122	384,503	402,812	402,812	384,503	4,760,208
Profit /(loss)	\$ 270,160	\$ 318,127	\$ 491,426	\$ 427,327	\$ 349,102	\$ 309,900	\$ 318,745	\$ 349,102	\$ 311,101	\$ 373,964	\$ 438,028	\$ 448,693	4,405,676
OPERATING STATISTICS													
ASM's	843,744	767,040	882,096	767,040	882,096	843,744	805,392	882,096	805,392	843,744	843,744	805,392	9,971,520
Revenue / ASM	\$ 0.7972	\$ 0.8922	\$ 1.0345	\$ 1.0345	\$ 0.8732	\$ 0.8447	\$ 0.8732	\$ 0.8732	\$ 0.8637	\$ 0.9206	\$ 0.9966	\$ 1.0345	\$ 0.9192
Cost / ASM	\$ 0.4771	\$ 0.4774	\$ 0.4774	\$ 0.4774	\$ 0.4774	\$ 0.4774	\$ 0.4774	\$ 0.4774	\$ 0.4774	\$ 0.4774	\$ 0.4774	\$ 0.4774	\$ 0.4774

BOSTON-MAINE AIRWAYS CORP.
First-Year Projected Large-Aircraft Operating Statistics and Fuel Consumption

<u>Item</u>	<u>First-Year Total</u>
Total B-727-200 Flights	1,040
Total B-727-200 Block Hours	779.8
Total Available Ton Miles	219,231
Total Available Seat Miles	9,971,520
Total First-Year Fuel Consumption (@ 1,300 gal. per block hour)	1,013,750

PRT23250.PRN
 EFF: JAN0103
 DIS: DEC3103

MARKET (RT) SUMMARY STATISTICS REPORT
 P A N A M E R I C A N A I R W A Y S C O P R .
 14 AVIATION AVE
 PORTSMOUTH, NH 03801-

FSAS: RPT06

 : MULTIPLIERS USED FOR THIS RUN :

 SEATS: 141.0 TONS: 3.10
 FUEL BURN PER BLOCK HOUR: 1300.00

CONTACT: DANIEL C FORTNAM - 603 766 2130
 SCHEDULE: BM727 VERSION: 01 AUG 19, 2002 -- 5:10 PM

BOEING 727-200 FOR THE PERIOD JAN0103 THROUGH JAN3103

MARKET(RT)	AIRCRAFT STATUTE MILES	AIRCRAFT BLOCK HOURS	AIRCRAFT DEPARTURES	TOTAL SEATS	AVAILABLE SEAT MILES	AVAILABLE TON MILES	FUEL IN GALLONS	FLEET SIZE	AVG BLK HRS PER DEP	STAGE LENGTH (MILES)
SJU STT	5,984	66:00	88	12,408	843,744	18,550	85,800	15	0:45	68.0
TOTALS	5,984	66:00	88	12,408	843,744	18,550	85,800	15	0:45	68.0

PRT23250.PRN
 EFF: JAN0103
 DIS: DEC3103

MARKET (RT) SUMMARY STATISTICS REPORT
 P A N A M E R I C A N A I R W A Y S C O P R .
 14 AVIATION AVE
 PORTSMOUTH, NH 03801-

FSAS: RPT06

: MULTIPLIERS USED FOR THIS RUN :

CONTACT: DANIEL C FORTNAM - 603 766 2130
 SCHEDULE: B4727 VERSION: 01 AUG 19, 2002 -- 5:10 PM

SEATS: 141.0 TONS: 3.10
 FUEL BURN PER BLOCK HOUR: 1300.00

BOEING 727-200 FOR THE PERIOD FEB0103 THROUGH FEB2803

MARKET(RT)	AIRCRAFT STATUTE MILES	AIRCRAFT BLOCK HOURS	AIRCRAFT DEPARTURES	TOTAL SEATS	AVAILABLE SEAT MILES	AVAILABLE TON MILES	FUEL IN GALLONS	FLEET SIZE	AVG BLK HRS PER DEP	STAGE LENGTH (MILES)
SJU STT	5,440	60:00	80	11,280	767,040	16,864	78,000	15	0:45	68.0
TOTALS	5,440	60:00	80	11,280	767,040	16,864	78,000	15	0:45	68.0

PRT23250.PRN
 EFF: JAN0103
 DIS: DEC3103

MARKET (RT) SUMMARY STATISTICS REPORT
 P A N A M E R I C A N A I R W A Y S C O P R .
 14 AVIATION AVE
 PORTSMOUTH, NH 03801-

FSAS: RPT06

 ; MULTIPLIERS USED FOR THIS RUN :

CONTACT: DANIEL C FORTNAM - 603 766 2130
 SCHEDULE: BM727 VERSION: 01 AUG 19, 2002 -- 5:10 PM

SEATS: 141.0 TONS: 3.10
 FUEL BURN PER BLOCK HOUR: 1300.00

BOEING 727-200 FOR THE PERIOD MAR0103 THROUGH MAR3103

MARKET(RT)	AIRCRAFT STATUTE MILES	AIRCRAFT BLOCK HOURS	AIRCRAFT DEPARTURES	TOTAL SEATS	AVAILABLE SEAT MILES	AVAILABLE TON MILES	FUEL IN GALLONS	FLEET SIZE	AVG BLK HRS PER DEP	STAGE LENGTH (MILES)
SJU STI	6,256	69:00	92	12,972	882,096	19,394	89,700	15	0:45	68.0
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTALS	6,256	69:00	92	12,972	882,096	19,394	89,700	15	0:45	68.0

PRT23250.PRN
 EFF: JAN0103
 DIS: DEC3103

MARKET (RT) SUMMARY STATISTICS REPORT
 P A N A M E R I C A N A I R W A Y S C O P R .
 14 AVIATION AVE
 PORTSMOUTH, NH 03801-

FSAS: RPT06

: MULTIPLIERS USED FOR THIS RUN :

CONTACT: DANIEL C FORTNAM - 603 766 2130
 SCHEDULE: B4727 VERSION: 01 AUG 19, 2002 -- 5:10 PM

SEATS: 141.0 TONS: 3.10
 FUEL BURN PER BLOCK HOUR: 1300.00

BOEING 727-200 FOR THE PERIOD APR0103 THROUGH APR3003

MARKET(RT)	AIRCRAFT STATUTE MILES	AIRCRAFT BLOCK HOURS	AIRCRAFT DEPARTURES	TOTAL SEATS	AVAILABLE SEAT MILES	AVAILABLE TON MILES	FUEL IN GALLONS	FLEET SIZE	AVG BLK HRS PER DEP	STAGE LENGTH (MILES)
SJU STY	5,440	60:00	80	11,280	767,040	16,864	78,000	15	0:45	68.0
TOTALS	5,440	60:00	80	11,280	767,040	16,864	78,000	15	0:45	68.0

PR123250.PRN
 EFF: JAN0103
 DIS: DEC3103

MARKET (RT) SUMMARY STATISTICS REPORT
 P A N A M E R I C A N A I R W A Y S C O P R .
 14 AVIATION AVE
 PORTSMOUTH, NH 03801-

FSAS: RPT06

CONTACT: DANIEL C FORTNAM - 603 766 2130
 SCHEDULE: BM727 VERSION: 01 AUG 19, 2002 -- 5:10 PM

 : MULTIPLIERS USED FOR THIS RUN :

 SEATS: 141.0 TONS: 3.10
 FUEL BURN PER BLOCK HOUR: 1300.00

BOEING 727-200 FOR THE PERIOD MAY0103 THROUGH MAY3103

MARKET(RT)	AIRCRAFT STATUTE MILES	AIRCRAFT BLOCK HOURS	AIRCRAFT DEPARTURES	TOTAL SEATS	AVAILABLE SEAT MILES	AVAILABLE TON MILES	FUEL IN GALLONS	FLEET SIZE	AVG BLK HRS PER DEP	STAGE LENGTH (MILES)
SJU STT	6,256	69:00	92	12,972	882,096	19,394	89,700	15	0:45	68.0
TOTALS	6,256	69:00	92	12,972	882,096	19,394	89,700	15	0:45	68.0

PRT23250.PRN
 EFF: JAN0103
 OIS: DEC3103

MARKET (RT) SUMMARY STATISTICS REPORT
 P A N A M E R I C A N A I R W A Y S C O P R .
 14 AVIATION AVE
 PORTSMOUTH, NH 03801-

FSAS: RP106

 : MULTIPLIERS USED FOR THIS RUN :

 SEATS: 141.0 TONS: 3.10
 FUEL BURN PER BLOCK HOUR: 1300.00

CONTACT: DANIEL C FORTNAM - 603 766 2130
 SCHEDULE: 8M727 VERSION: 01 AUG 19, 2002 -- 5:10 PM

BOEING 727-200 FOR THE PERIOD JUN0103 THROUGH JUN3003

MARKET(RT)	AIRCRAFT STATUTE MILES	AIRCRAFT BLOCK HOURS	AIRCRAFT DEPARTURES	TOTAL SEATS	AVAILABLE SEAT MILES	AVAILABLE TON MILES	FUEL IN GALLONS	FLEET SIZE	AVG BLK HRS PER DEP	STAGE LENGTH (MILES)
SJU STT	5,984	66:00	88	12,408	843,744	18,550	85,800	15	0:45	68.0
TOTALS	5,984	66:00	88	12,408	843,744	18,550	85,800	15	0:45	68.0

PRT23250.PRN
 EFF: JAN0103
 DIS: DEC3103

MARKET (RT) SUMMARY STATISTICS REPORT
 P A N A M E R I C A N A I R W A Y S C O P R .
 14 AVIATION AVE
 PORTSMOUTH, NH 03801-

FSAS: RPT06

: MULTIPLIERS USED FOR THIS RUN :

CONTACT: DANIEL C FORTNAM - 603 766 2130
 SCHEDULE: BM727 VERSION: 01 AUG 19, 2002 -- 5:10 PM

SEATS: 141.0 TONS: 3.10
 FUEL BURN PER BLOCK HOUR: 1300.00

BOEING 727-200 FOR THE PERIOD JUL0103 THROUGH JUL3103

MARKET(RT)	AIRCRAFT STATUTE MILES	AIRCRAFT BLOCK HOURS	AIRCRAFT DEPARTURES	TOTAL SEATS	AVAILABLE SEAT MILES	AVAILABLE TON MILES	FUEL IN GALLONS	FLEET SIZE	AVG BLK HRS PER DEP	STAGE LENGTH (MILES)
SJU STT	5,712	63:00	84	11,844	805,392	17,707	81,900	15	0:45	68.0
TOTALS	5,712	63:00	84	11,844	805,392	17,707	81,900	15	0:45	68.0

PRT23250.PRN
 EFF: JAN0103
 DIS: DEC3103

MARKET (RT) SUMMARY STATISTICS REPORT
 P A N A M E R I C A N A I R W A Y S C O P R .
 14 AVIATION AVE
 PORTSMOUTH, NH 03801-

FSAS: RPT06

 : MULTIPLIERS USED FOR THIS RUN :

CONTACT: DANIEL C FORTNAM - 603 766 2130
 SCHEDULE: BM727 VERSION: 01 AUG 19, 2002 -- 5:10 PM

SEATS: 141.0 TONS: 3.10
 FUEL BURN PER BLOCK HOUR: 1300.00

BOEING 727-200 FOR THE PERIOD AUG0103 THROUGH AUG3103

MARKET(RT)	AIRCRAFT STATUTE MILES	AIRCRAFT BLOCK HOURS	AIRCRAFT DEPARTURES	TOTAL SEATS	AVAILABLE SEAT MILES	AVAILABLE TON MILES	FUEL IN GALLONS	FLEET SIZE	AVG BLK HRS PER DEP	STAGE LENGTH (MILES)
SJU STY	6,256	69:00	92	12,972	882,096	19,394	89,700	15	0:45	68.0
TOTALS	6,256	69:00	92	12,972	882,096	19,394	89,700	15	0:45	68.0

PRT23250.PRN
 EFF: JAN0103
 DIS: DEC3103

MARKET (RT) SUMMARY STATISTICS REPORT
 P A N A M E R I C A N A I R W A Y S C O P R .
 14 AVIATION AVE
 PORTSMOUTH, NH 03801-

FSAS: RPT06

 : MULTIPLIERS USED FOR THIS RUN :

 SEATS: 141.0 TONS: 3.10
 FUEL BURN PER BLOCK HOUR: 1300.00

CONTACT: DANIEL C FORTNAM - 603 766 2130
 SCHEDULE: BM727 VERSION: 01 AUG 19, 2002 -- 5:10 PM

BOEING 727-200 FOR THE PERIOD SEP0103 THROUGH SEP3003

MARKET(RT)	AIRCRAFT STATUTE MILES	AIRCRAFT BLOCK HOURS	AIRCRAFT DEPARTURES	TOTAL SEATS	AVAILABLE SEAT MILES	AVAILABLE TON MILES	FUEL IN GALLONS	FLEET SIZE	AVG BLK HRS PER DEP	STAGE LENGTH (MILES)
SJU STT	5,712	63:00	84	11,844	805,392	17,707	81,900	15	0:45	68.0
TOTALS	5,712	63:00	84	11,844	805,392	17,707	81,900	15	0:45	68.0

PR123250.PRN
 EFF: JAN0103
 DIS: DEC3103

MARKET (RT) SUMMARY STATISTICS REPORT
 P A N A M E R I C A N A I R W A Y S C O P R .
 14 AVIATION AVE
 PORTSMOUTH, N3 03801-

FSAS: RPT06

 : MULTIPLIERS USED FOR THIS RUN :

 SEATS: 141.0 TONS: 3.10
 FUEL BURN PER BLOCK HOUR: 1300.00

CONTACT: DANIEL C FORTMAN - 603 766 2130
 SCHEDULE: BM727 VERSION: 01 AUG 19, 2002 -- 5:10 PM

BOEING 727-200 FOR THE PERIOD OCT0103 THROUGH OCT3103

MARKET(RT)	AIRCRAFT STATUTE MILES	AIRCRAFT BLOCK HOURS	AIRCRAFT DEPARTURES	TOTAL SEATS	AVAILABLE SEAT MILES	AVAILABLE TON MILES	FUEL IN GALLONS	FLEET SIZE	AVG BLK HRS PER DEP	STAGE LENGTH (MILES)
SJU STT	5,984	66:00	88	12,408	843,744	18,550	85,800	15	0:45	68.0
TOTALS	5,984	66:00	88	12,408	843,744	18,550	85,800	15	0:45	68.0

PRT23250.PRN
 EFF: JAN0103
 DIS: DEC3103

MARKET (RT) SUMMARY STATISTICS REPORT
 P A N A M E R I C A N A I R W A Y S C O P R .
 14 AVIATION AVE
 PORTSMOUTH, NH 03801-

FSAS: RPT06

 : MULTIPLIERS USED FOR THIS RUN :

CONTACT: DANIEL C FORTNAM - 603 766 2130
 SCHEDULE: BM727 VERSION: 01 AUG 19, 2002 -- 5:10 PM

SEATS: 141.0 TCNS: 3.10
 FUEL BURN PER BLOCK HOUR: 1300.00

BOEING 727-200 FOR THE PERIOD NOV0103 THROUGH NOV3003

MARKET(RT)	AIRCRAFT STATUTE MILES	AIRCRAFT BLOCK HOURS	AIRCRAFT DEPARTURES	TOTAL SEATS	AVAILABLE SEAT MILES	AVAILABLE TON MILES	FUEL IN GALLONS	FLEET SIZE	AVG BLK HRS PER DEP	STAGE LENGTH (MILES)
SJU STT	5,984	66:00	88	12,408	843,744	18,550	85,800	15	0:45	68.0
TOTALS	5,984	66:00	88	12,408	843,744	18,550	85,800	15	0:45	68.0

PRT23250.PRN
 EFF: JAN0103
 DIS: DEC3103

MARKET (RT) SUMMARY STATISTICS REPORT
 P A N A M E R I C A N A I R W A Y S C O P R .
 14 AVIATION AVE
 PORTSMOUTH, NH 03801-

FSAS: RPT06

 : MULTIPLIERS USED FOR THIS RUN :

CONTACT: DANIEL C FORTNAM - 603 766 2130
 SCHEDULE: BH727 VERSION: 01 AUG 19, 2002 -- 5:10 PM

SEATS: 141.0 TONS: 3.10
 FUEL BURN PER BLOCK HOUR: 1300.00

BOEING 727-200 FOR THE PERIOD DEC0103 THROUGH DEC3103

MARKET(RT)	AIRCRAFT STATUTE MILES	AIRCRAFT BLOCK HOURS	AIRCRAFT DEPARTURES	TOTAL SEATS	AVAILABLE SEAT MILES	AVAILABLE TON MILES	FUEL IN GALLONS	FLEET SIZE	AVG BLK HRS PER DEP	STAGE LENGTH (MILES)
SJU STT	5,712	63:00	84	11,844	805,392	17,707	81,900	15	0:45	68.0
TOTALS	5,712	63:00	84	11,844	805,392	17,707	81,900	15	0:45	68.0

BOSTON-MAINE AIRWAYS CORP.
Projected Pre-operating Expenses (Large-Aircraft Operations)

<u>Item</u>	<u>Total Projected Pre-Operating Expense</u>	<u>Total Pre-Op Remaining Unpaid</u>
New Station Expense (SJU & STT)	\$ 24,000	\$ 24,000
Advertising and Promotion	30,000	30,000
Reservation System	- - -	- - -
DOT/FAA Certification Expense (including legal and consulting fees)	6,000	6,000
Aircraft Acquisition and Upgrade Expense	250,000	- - -
Dispatch Center	5,000	- - -
Crew Training and Salaries	110,000	110,000
Hull and Liability Insurance	<u>282,000</u>	<u>- - -</u>
Totals	\$707,000	\$170,000

BOSTON-MAINE AIRWAYS CORP.
Balance Sheet
(Unaudited)
June 30, 2002

CURRENT ASSETS

CASH	\$ 128,050
ACCOUNTS RECEIVABLE	103,790
SPARE PARTS AND SUPPLIES	399,410
ASSETS HELD FOR DISPOSITION	324,680
PREPAID ITEMS	3,080
AVAILABLE CREDIT FACILITY	500,000

OTHER ASSETS

Property and Equipment	
Aircraft (Improvements to Leased Property)	1,621,200
Flight Equipment Rotable Parts	795,010
Ground Equipment & Vehicles	46,000
Test Equipment & Tooling	1,48,250
Office Furniture & Equipment	21,400
Accumulated Depreciation	(221,600)
Net	2,410,260
Intellectual Property/Goodwill	50,000

TOTAL ASSETS **\$3,919,270**

CURRENT LIABILITIES

Trade Accounts Payable	\$ 197,750
Accrued Salaries & Wages	37,900
Accrued Taxes	25,300
Accrued Lease Obligations	58,680
Other Current Liabilities	5,120

TOTAL CURRENT LIABILITIES **\$ 324,750**

AVAILABLE CREDIT FACILITY \$ 500,000

STOCKHOLDERS EQUITY

Common Stock	100,000
Additional Paid-in Capital	6,990,000
Retained Earnings	(3,995,480)

TOTAL LIABILITIES AND EQUITY **\$3,919,270**

BOSTON-MAINE AIRWAYS CORP.
Profit & Loss Statement
January-December 2000

Operating Revenues:

Passenger (Scheduled)	-0-
Passenger (Charter)	1,587,150
Property (Charter)	18,452
Misc. Operating Revenue	1,974
Total Operating Revenue	<u>1,607,576</u>

Operating Expenses:

Flying Operations	888,209
Maintenance	975,002
Passenger Service	85,663
Aircraft & Traffic Servicing	147,598
Promotion & Sales	34,610
General & Administrative	134,672
Depreciation	98,325
Total Operating Expense	<u>2,364,079</u>

Non-Operating Income & Expense:

Interest on Long-Term Debt	-0-
Other Interest Expense	-0-
Income Before Income Taxes	(756,503)
Income Taxes	-0-
Net Income (Loss)	(756,503)

BOSTON-MAINE AIRWAYS CORP.
Profit & Loss Statement
January-December 2001

Operating Revenues:

Passenger (Scheduled)	937
Passenger (Charter)	1,824,399
Property (Charter)	28,834
Misc. Operating Revenue	2,430
Total Operating Revenue	<u>1,895,588</u>

Operating Expenses:

Flying Operations	1,453,568
Maintenance	1,800,680
Passenger Service	98,755
Aircraft & Traffic Servicing	177,330
Promotion & Sales	45,985
General & Administrative	458,012
Depreciation	101,023
Total Operating Expense	<u>4,135,353</u>

Non-Operating Income & Expense:

Interest on Long-Term Debt	-0-
Other Interest Expense	-0-
Income Before Income Taxes	(2,239,765)
Income Taxes	-0-
Net Income (Loss)	(2,239,765)

BOSTON-MAINE AIRWAYS CORP.
Financial Fitness Test Calculation

Working Capital Requirement

25% of First-Year Operating Expense	\$1,190,052	
Projected Unpaid Pre-Operating Expense	<u>170,000</u>	
Total Working Capital Requirement		<u>\$1,360,052</u>

Working Capital

Net Working Capital on Hand (current assets less current liabilities)	634,260	
Line of Credit Facility (from PAA)	<u>750,000</u>	
Total Working Capital		<u>1,384,260</u>
Working Capital Surplus/(Deficit)		<u>\$ 24,208</u>



Boston-Maine Airways

14 Aviation Avenue
Portsmouth, N.H. 03801
Tel: (603) 766-2032
Fax: (603) 766-2225

August 14, 2002

Edward Angelo
FAA-FSDO #5
Portland International Airport
2 Al. McKay Avenue
Portland, Maine 04102

Ref: Director of Safety Position

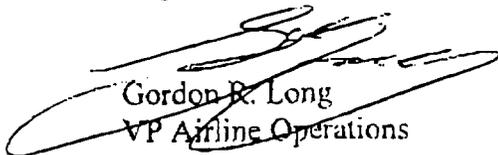
Dear Mr. Angelo:

On June 21st of this year, Boston-Maine Airways notified your office of a change in our Director of Safety position.

Enclosed for your review and acceptance is the resume of Mr. Edwin MacNeil. Mr. MacNeil has joined the company on a full time status for the position of Director of Safety. In addition, can you please amend our Operation Specification, page A006-1 to reflect the change in personnel.

If you have any questions, or need any further information, please feel free to contact our office.

Regards



Gordon R. Long
VP Airline Operations

Edwin C. MacNeil

60 Walnut Avenue, North Hampton, NH 03862

Phone: (603) 964-6671 e-mail: macneil@nh.ultranet.com FAX: (603) 964-7734

EDUCATION:

BS, Aviation Management, Hawthorne College, Summa Cum Laude

Principal Safety Training

Flying Safety Officer Course, Univ. of Southern Calif., 1975
 Safety Program Management Course, American Management Assn. 1979
 Civilian Flight Instructor Tng, Beverly, MA (1979)
 Gas Turbine Engine Investigation Course, Chanute AFB, IL 1981

Principal Flight Training

Undergraduate Pilot Training, USAF, Williams AFB, AZ, 1964
 B-52 Combat Crew Training, Castle AFB, CA, 1964
 B-52 Central Flight Instructor Course, Castle AFB, CA, 1969
 FB-111 Combat Crew Training, Carswell AFB, TX, 1971
 FB-111 Central Flight Instructor Course, Plattsburgh AFB, NY 1974

ORGANIZATIONS:

International Society of Air Safety Investigators (ISASI), formerly President of
 Northeast Regional Chapter.
 Experimental Aircraft Association
 Aircraft Owner's and Pilot's Association
 Air Force Association
 Retired Officer's Association

FAA RATINGS:

Commercial Airplane Single & Multi-Engine Land, Instruments #1586094
 Certificated Flight Instructor, #1586094CFI, Expires 30 Apr 03
 Medical, Second Class, Expires 04/30/03

FLIGHT EXPERIENCE:

Airplane Single Engine Land	1357.7
Airplane Multi-engine Land	4549.5
Flight Instructor	595.2
Cross Country	5251.6
Day	4218.8
Night	1688.4
Instrument	850.6
Simulated Instrument (Hood)	436.8
Simulator (not included in flight totals)	1195.2
Instruction Received	263.2
Pilot in Command	4295.9
Second in Command	1348.1
Total Flying Time	5907.2

Principal Military Aircraft Flown:

B-52 (B,C,D,E,F & H)-----	2918.8
FB-111A -----	1329.6

Principal Civilian Aircraft flown

American AA-1 Approx. (self-owned acft) -----	1200.0
Cessna 150/172 -----	185.0

CAREER PROGRESSION (There is some overlap):

2002 to Date. Director of Safety, Boston-Maine Airways.

1998 to Date. Self-employed immigration counselor. Provide advice and assistance in matters involving immigration to immigrants and refugees.

1979-Date. Self-employed Flight Instructor. Do BFRs and some primary training.

1984-Date. Self-employed safety consultant. Provide aircraft accident investigation and analysis, primarily plaintiffs in litigation.

1995-1998. State Refugee Coordinator, State of New Hampshire. Developed and administered state level programs to assist newly arrived refugees in achieving economic independence. Coordinated federal grants and let contracts for refugee assistance. Provided counseling on immigration matters. In first two years doubled the rate of resettlement in New Hampshire.

1988-1994. Field Officer, Episcopal Church Center, NY,NY. Traveled throughout US providing training and evaluation to over 40 separate refugee resettlement programs. Much of this travel was by self-flown light aircraft. Assured that each program met the requirements set out by the U.S. Department of State, Office of Refugee Resettlement.

1984-1988. Adjunct Professor, Aviation Safety, Hawthorne College. Developed and taught a series of courses leading to a degree in Aviation Management with a concentration in Aviation Safety. Courses were crafted to prepare students to work at NTSB or as private investigators (usually hired by litigators and insurance companies).

1975-1996. Developed and managed major refugee resettlement programs in three states (as a volunteer). These programs had to be developed from a standing start. We used a unique model that relied entirely on volunteers. These programs provided reception and placement services to almost 1,000 refugees from 19 different countries.

1981-1984. Safety Program Manager, 45th Air Division, Pease AFB, NH. Provided overall management of safety programs encompassing over 26,000 military personnel. Conducted aircraft accident investigation throughout US. Maintained currency as an FB-111 Instructor Pilot. At the time I retired I had investigated more flight accidents than any other (then) serving officer.

1976-1981. Chief, Safety Division, 509th Bombardment Wing, Pease AFB, NH. Supervised mishap prevention programs in the general areas of nuclear, ground,

Resume, Edwin C. MacNeil (Continued)

industrial, flying and traffic safety. Maintained currency as an FB-111 Instructor Pilot. Investigated major aircraft and ground mishaps and supervised a staff of 13 military and civilian personnel.

1975-1976. Instructor, Training Division. Provided flight and simulator instruction for FB-111 aircrews.

1971-1975. Aircraft Commander, FB-111 aircraft.

1967-1971, Aircraft Commander and Flight Instructor, B-52D, 28th Bombardment Wing, Ellsworth AFB, SD. Much of this period was spent deployed to Southeast Asia where I flew combat missions from Guam, Okinawa and Thailand.

1964-1967, Co-Pilot, B-52E, 6th Strategic Aerospace Wing, Walker AFB, NM. Flew training missions as well as airborne alert missions at this major SAC base.

1962-1964. Attended Officer Candidate School and USAF Pilot Training.

1956-1962. Enlisted service, USAF, as a Radio Operator and B-52H Gunner.

MISCELLANEOUS

U.S. Citizen, Passport #159236765, Expires 12 October 2008

BOSTON-MAINE AIRWAYS CORP.
DOT Fitness Information Questionnaire

NOTE: This questionnaire will be submitted to the DOT in connection with BMA's DOT certificate 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:

EDWIN C. MACNEIL

60 WALNUT AVENUE

N. HAMPTON, NH 03862

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)

EMPLOYED FULLTIME BY COMPANY

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

N/A

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).

BOSTON-MAINE AIRWAYS CORP.
Summary of B-727-200 Aircraft Lease Terms

Lessor:	Guilford Transportation Industries, Inc. 14 Aviation Avenue Portsmouth, NH 03801
Lessee:	Boston-Maine Airways Corp. 14 Aviation Avenue Portsmouth, NH 03801
Lease Term:	120 days with automatic renewal
Lease Payment:	\$10,000/month
Maintenance Reserves:	Not required
Deposits:	Not required

Boston-Maine Airways

14 Aviation Avenue
Portsmouth, N.H. 03801
Tel: (603) 766-2032
Fax: (603) 766-2225

March 5, 2002

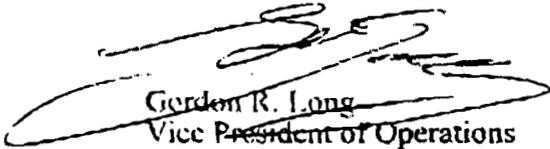
Mr. Robert Dziadzio
Principal Operations Inspector
Federal Aviation Administration
Flight Standards District Office
Portland International Airport
2 Al McKay Avenue
Portland, ME 04102

Re: Addition of Boeing 727 to Operation Specifications

Dear Mr. Dziadzio:

This letter has been prepared to advise your office that Boston-Maine Airways Corp. intends to add the Boeing 727-200 aircraft to its Operation Specifications. We are in the process of preparing manuals and other documentation for your review, and these will be forwarded under separate cover. In the meantime, if you have any questions, please contact me directly.

Sincerely,



Gordon R. Long
Vice President of Operations

BOSTON-MAINE AIRWAYS CORP.
Verification of Working Capital Availability

CREDIT LINE AGREEMENT

THIS CREDIT LINE AGREEMENT, dated this 1st day of August, 2002, is between Boston-Maine Airways Corp., a New Hampshire corporation having a mailing address of 14 Aviation Avenue, Portsmouth, New Hampshire 03801 (the "Borrower") and Pan American Airlines, Inc., a Florida corporation having a mailing address of 14 Aviation Avenue, Portsmouth, New Hampshire 03801 ("Lender").

Reference is made to the following facts:

A. The Borrower has requested that the Lender extend credit to the Borrower in the form of a revolving line of credit in the amount of \$750,000, and the Lender is willing to establish such credit on the terms and subject to the conditions hereinafter set forth.

B. As consideration for the Lender to establish the credit hereunder and to make the advances under the line of credit, the Borrower is willing to undertake the various agreements, covenants and representations contained herein.

NOW, THEREFORE, the parties hereto, in consideration of the premises and the mutual covenants hereinafter set forth and intending to be legally bound hereby, agree as follows:

ARTICLE I

AMOUNT AND TERMS OF CREDIT FACILITY

1.1 Credit Facility.

- (a) Loans. Subject to the terms and conditions hereof and relying upon the representations and warranties and covenants set forth herein, the Lender hereby establishes a revolving line of credit in favor of the Borrower in the aggregate principal amount of up to Seven Hundred Fifty Thousand Dollars (\$750,000) and agrees to make and remake one or more revolving loans to the Borrower. Borrower may borrow from time to time from the Lender such amounts (individually, a "Loan" and collectively, the "Loans") as the Borrower may request, provided that the aggregate principal amount outstanding at any one time shall not exceed Seven Hundred Fifty Thousand Dollars (\$750,000). Within such limits, the Borrower may from time to time borrow, prepay without penalty, except as required under Section 2.7 of the Agreement, and reborrow in accordance with the provisions of this Agreement. The Loans (i) shall bear interest as provided in Section 1.2, (ii) may be repaid and reborrowed in accordance with the terms hereof, (iii) shall be payable in full at the Maturity Date, and (iv) shall be evidenced by one or more promissory notes of the Borrower payable to the order of the Lender.

- (b) Requests for Advances. An Authorized Representative of the Borrower shall give written or oral notice to the Lender of each such Loan period in advance of the Loan, not exceeding two (2) Business Days, as the Lender may from time to time require. The notice shall specify the amount and date (which shall be a Business Day) of each Loan. Any oral notice permitted by the Lender shall be promptly confirmed by the Borrower in writing. The Lender shall

make the Loan to the Borrower on the date specified in immediately available funds.

- (c) Promissory Note. On the Closing Date, the Borrower shall execute and deliver to the Lender the Note payable to the order of the Lender for the full amount of the Loan. The amount of principal owing on the Note at any given time shall be the aggregate amount of all advances made under subsection 1.1(a) above, less all payments of principal theretofore paid by the Borrower.

1.2 Interest.

- (a) General. The Borrower shall pay interest on all outstanding principal amounts hereunder and evidenced by the Note at the rate and the manner provided below. The Note shall bear interest until paid in full at the Note Rate in effect from time to time from the Closing Date. Interest shall be payable on the applicable Interest Payment Dates. Interest on all Loans shall be calculated on the basis of the actual number of days elapsed over a year of 360 days. Interest on overdue amounts shall accrue and be paid at a rate equal to the Note Rate plus two and one half percent, payable on demand.
- (b) Monthly Interest Payments. The unpaid principal sum for each Loan from time to time outstanding shall bear interest at a rate of Ten Percent (10%) per annum (the "Note Rate").

1.3 Rights in Property Held by the Lender. As security for the prompt satisfaction of all Obligations, the Borrower hereby assigns, transfers and sets over to the Lender all of its right, title and interest in and to, and grants the Lender a lien on and a security interest in, all amounts that may be owing from time to time by the Lender to the Borrower or any of its Affiliates in any capacity, in addition to any right of set-off that the Lender has under this Agreement or otherwise.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

- (a) Corporate/Partnership Existence and Power. Boston-Maine Airways Corp. is a corporation duly incorporated and valid existing under the laws of the State of New Hampshire and is properly licensed and in good standing in every jurisdiction in which it is doing business.
- (b) Corporate Authority. The execution, delivery and performance by the Borrower of this Agreement is within the Borrower's corporate powers, has

been duly authorized by all necessary corporate action, and does not, and will not, contravene, violate, conflict with, or constitute a default under (i) any provision of the certificate of incorporation or bylaws, of the Borrower or other documents of internal governance of the Borrower, (ii) any law or order or (iii) any contractual restriction binding on or affecting the Borrower, and do not result in or require the creation of any lien, security interest or other charge or encumbrance (except as provided in or contemplated by this Agreement) upon or with respect to any of its properties.

- (c) No Governmental Approvals. No authorization or approval or other action by, and no notice to or filing with any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Agreement.
- (d) Binding Effect. This Agreement is the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency or other laws or equitable principles relating to creditors' rights generally.
- (e) Litigation. There is no pending or, to the best knowledge of the Borrower, threatened action, investigation or proceeding before any court, governmental agency or arbitrator against or affecting the Borrower which may materially adversely affect the financial condition or operations of the Borrower or the ability of the Borrower to perform its obligations hereunder or which purports to affect the legality, validity or enforceability of this Agreement.
- (f) Taxes. The Borrower has filed all United States federal income tax returns and all other federal, state and local tax returns which are required to be filed by it and has paid all taxes due pursuant to such returns or pursuant to any assessments received by the Borrower.
- (g) Compliance with Applicable Laws. The Borrower has all necessary franchises, permits, licenses and other rights to allow it to conduct its business as presently conducted and to own its properties, and is not in default in any respect which would have a materially adverse affect on the financial position, business or properties of the Borrower, under any judgment, order or decree of any court or governmental authority or under the provisions of any agreement to which it is a party or by which it or its property may be bound. To the best of the Borrower's knowledge, the Borrower is complying with all applicable statutes and regulations of each governmental authority having jurisdiction over it or its business.

ARTICLE III

COVENANTS

3.1 Affirmative Covenants of the Borrower. From the date hereof and at all times until the Loans, together with interest thereon, are repaid in full and all other Obligations are satisfied in full, the Borrower will, unless the Lender shall otherwise consent in advance in writing:

- (a) Maintenance of Insurance. Maintain insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks

as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower operates. The Borrower will deliver to the Lender certificates of insurance or copies of policies of insurance required to be carried by or on behalf of the Borrower pursuant hereto with appropriate endorsements designating the Lender, as an additional insured or a loss payee, as the case may be, and cause each such policy of insurance to contain a notice of cancellation provision satisfactory to the Lender and in accordance with insurance industry practice.

- (b) Preservation of Existence, Etc. Preserve and maintain its corporate existence, rights and franchises in good standing and not dissolve or otherwise discontinue its existence or operations and maintain its current ownership structure.
- (c) Compliance with Laws, Etc. Comply with the requirements of all applicable laws, rules, regulations and orders of any governmental or regulatory authority, non-compliance with which would materially adversely affect the Borrowers' business or credit or properties.
- (d) Examination Rights. At any reasonable time and from time to time, permit the Lender or any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and to discuss the affairs, finances and accounts of the Borrower and its business and properties.
- (e) Keeping of Books. Keep proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower in accordance with generally accepted accounting principles consistently applied.
- (f) Maintenance of Properties, Etc. Maintain and preserve all of its properties which are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.
- (g) Performance and Compliance with Other Covenants. Pay, perform and comply with each of the terms, covenants and conditions set forth in this Agreement.
- (h) Payment of Taxes, Etc. Pay and discharge, before the same shall become delinquent and before interest starts to accrue, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its property, and (ii) all lawful claims which, if unpaid, might by law become a lien upon its property.
- (i) Payment of Expenses. Pay all expenses in connection with the negotiation, preparation, execution, administration, amendment or enforcement of this Agreement (whether or not the Loan is made) and the making, collection and issue of the Loan, including without limitation, the reasonable fees and disbursements of counsel for the Lender.
- (j) Release or Disposal of Hazardous Substances. If the presence or release of any Hazardous Substances by the Borrower or at or from any property owned, occupied or operated by the Borrower has resulted in contamination or deterioration of any portion of such property or any other affected property

resulting in a level of contamination greater than the levels permitted or established by any governmental agency having jurisdiction, then the Borrower shall promptly take any and all action necessary to remove, clean up or otherwise properly dispose of such contamination to the extent required by any governmental authority having jurisdiction or as a condition to the issuance or continuing effectiveness of any governmental approval or any insurance policy that relates to the Borrower or its properties or the property contaminated.

- (k) Indemnification for Hazardous Waste. To the fullest extent permissible according to law, without limiting any other rights or remedies of the Lender, the Borrower unconditionally, absolutely and irrevocably agrees to defend, hold harmless and indemnify the Lender and its officers, employees, agents and contractors against all damages (including consequential damages), claims, costs, losses, liabilities and expenses, including attorneys' fees and costs, suffered or incurred by the Bank due to the existence at any time of any Hazardous Substances at any property owned, occupied or operated by the Borrower or by any other person for whose conduct the Borrower is responsible, or due to any acts or omissions of the Borrower relating to Hazardous Substances, including without limitation, any such claims, costs, losses, liabilities, and expenses arising from the violation of any Hazardous Materials Laws, or the institution of any action by any party against the Borrower or any property owned, occupied or operated by the Borrower based upon nuisance, negligence or other tort theory alleging liability due to the improper generation, storage, disposal, removal, transportation or treatment of Hazardous Substances, or the imposition by any local, state or federal government or governmental agency, department, or authority of a lien, attachment or other encumbrance on any property owned, occupied or operated by the Borrower or by any other person whose conduct the Borrower is responsible.

3.2 Negative Covenants. From the date hereof and at all times until the Loans, together with all interest thereon, are repaid in full and all other Obligations are satisfied in full, the Borrower will not without the prior written consent of the Lender:

- (a) Liens, Etc. Sell or factor any of its accounts receivable or create, incur, assume or suffer to exist, any lien, security interest or other charge or encumbrance, or any other type of preferential arrangement, upon or with respect to any of its properties, whether now owned or hereafter acquired, or assign, any right to receive income, in each case to secure any debt of any person or entity other than liens to the Lender contemplated under this Agreement.
- (b) Sales, Etc. of Assets. Sell, transfer, lease or otherwise dispose of any of its assets except in the ordinary course of business.
- (c) Mergers, Sales, Etc. Merge with or into or consolidate with or into, or sell, convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any person.
- (d) Restrictions on Distributions. Declare or pay any dividend (except dividends payable solely in its own capital stock) on, or make any other distribution on, or purchase, redeem, retire or otherwise acquire, directly or indirectly, any shares of its stock, or make any distribution of cash, property or assets among

the holders of shares of its stock, or make any material change in its capital structure.

- (e) Loans and Investments. Acquire or retain obligations or stock of, or any other interest in, or make any loan or advance to, or investment in, any person other than (i) direct obligations of or obligations guaranteed by, the United States of America or any agency thereof maturing not more than one year from the date of issue thereof, or (ii) certificates of deposit, commercial paper, repurchase agreements or other money market instruments maturing not more than one year from the date of issue thereof, or (iii) interest bearing accounts in a bank which may be withdrawn upon not more than ninety (90) days notice or (iv) commercial paper rated at least A-1, P-1 or the equivalent by any nationally recognized rating agency maturing not more than one year from the date of issue thereof.

ARTICLE IV EVENTS OF DEFAULT

4.1 Events of Default. An Event of Default (an "Event of Default") shall mean the occurrence of one or more of the following described events which is not cured within any applicable period of grace or cure:

- (a) the Borrower shall fail to make a payment of principal or interest under the Note when due and a ten (10) day grace period shall have expired;
- (b) any representation or warranty made, or deemed made, by or on behalf of the Borrower (including by any of its officers or directors) herein or by or on behalf of the Borrower (including by any of its officers or directors) in writing in connection with this Agreement shall prove to have been incorrect in any material respect when made or deemed made;
- (c) the Borrower shall fail to pay, perform or observe any other term, covenant, obligation or agreement contained in this Agreement on its part to be performed or observed or if the Borrower shall have notified the Lender of such failure, such failure shall remain unremedied for thirty (30) days (except where a period of grace is specifically otherwise provided or negated, in which case such specific periods of time or negation shall govern), provided, however, if such failure is not capable of being remedied within such thirty (30) day period, such grace period shall be extended for a reasonable period of time (not to exceed forty-five (45) days) provided Borrower shall commence and diligently take such actions as are necessary to effect such cure;
- (d) any material provision of this Agreement shall, at any time for any reason, cease to be valid and binding on the Borrower or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Borrower or a proceeding shall be commenced by any governmental agency or authority having jurisdiction over the Borrower seeking to establish the invalidity or unenforceability thereof, or the Borrower, shall deny that it has any or further liability or obligation under this Agreement or any other Loan Document;
- (e) a proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of the Borrower, in an

involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Borrower, or for any part of its assets, or for the winding-up or liquidation of its affairs, and such proceeding shall remain undismissed or unstayed and in effect for a period of forty-five (45) days or such court shall enter a decree or order granting the relief sought in such proceeding; or

4.2 Consequences of Event of Default.

- (a) If an Event of Default of Section 4.1 shall occur and be continuing then the Lender shall not be obligated to make any further Loans hereunder, the Lender shall have the right to terminate the credit and the Lender may, by notice to the Borrower, declare the unpaid principal amount of the Note and interest accrued thereon and all other liabilities of the Borrower hereunder and thereunder to be forthwith due and payable, and the same shall thereupon become and be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived.
- (b) If any Event of Default specified in Section 4.1 shall occur, the Lender may exercise all rights and remedies contained in any of the Loan Documents subject to the express terms, conditions, and limitations thereof and shall also have available to it all rights and remedies at law or in equity, all of which may be exercised cumulatively.

ARTICLE V MISCELLANEOUS

5.1 No Implied Waiver; Cumulative Remedies; Writing Required. No delay or failure of the Lender in exercising any right, power or privilege hereunder shall affect such right, power or privilege, nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power or privilege preclude any further exercise thereof or of any other right, power or privilege. The rights and remedies of the Lender hereunder are cumulative and not exclusive of any rights or remedies which it would otherwise have. Any waiver, permit, consent or approval of any kind or character on the part of the Lender of any breach or default under this Agreement, or any such waiver of any provision or condition of this Agreement must be in writing and shall be effective only to the extent in such writing specifically set forth.

5.2 Notices. All notices and other communications provided for hereunder shall be in writing (including required copies) and sent by receipted hand delivery (including Federal Express or other receipted courier service), telecopy, telex or regular mail, if to the Borrower, at its mailing address set forth in the initial paragraph of this Agreement and if to the Lender, at its mailing address set forth in the initial paragraph of this Agreement or, as to each party, at such other address as shall be designated by such party in a written notice to the other party. All such notices and communications shall, when delivered, telecopied or telexed, be effective when deposited with the courier or telexed, respectively, addressed as aforesaid.

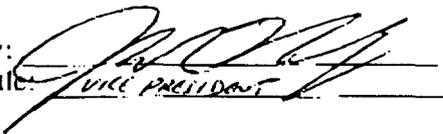
5.3 Governing Law. This Agreement, the Note and the other Loan Documents and rights and obligations of the parties hereto and thereto shall be governed by and construed and enforced in accordance with the laws of the State of New Hampshire.

5.4 Prior Understandings. This Agreement and the other Loan Documents supersede all prior understandings and agreements, whether written or oral, between the parties hereto relating to the transactions provided for herein, including but not limited to a similar Agreement between the parties dated as of June 1, 2000.

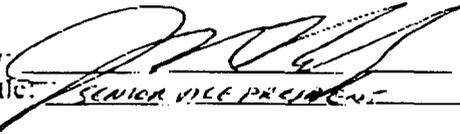
5.5 Modifications and Amendments. This Agreement may be amended or modified only by an instrument in writing signed by the party against whom enforcement is sought.

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed and delivered this Agreement effective as of the day and year first above written.

BOSTON-MAINE AIRWAYS CORP.

By: 
Title: VICE PRESIDENT

PAN AMERICAN AIRLINES, INC.

By: 
Title: SENIOR VICE PRESIDENT

9429139794 BOSTON & MAINE AIRWAY CORP. UPDATED JUL 1 02.00 EDT

LEDGER BALANCE	102,641.17	←
COLLECTED BALANCE	102,428.17	
AVAILABLE BALANCE	102,641.17	
1 DAY FLOAT	213.00	
2 DAY FLOAT	0.00	
TOT CREDITS	0.00	
TOT DEBITS	4,110.00	
TOT INCOMING WIRES	0.00	
TOT OUTGOING WIRES	0.00	
TOT NBR CREDITS	0	
TOT NBR DEBITS	11	

----- D E B I T S -----

CHECKS PAID (CKOR)

2,050.00 CHECK	BANKREF 0036188544
CUSTREF 0000002997	
561.00 CHECK	BANKREF 0036170746
CUSTREF 0000002990	
400.00 CHECK	BANKREF 0036104551
CUSTREF 0000002995	
175.00 CHECK	BANKREF 0036170072
CUSTREF 0000002021	
100.06 CHECK	BANKREF 0036200551
CUSTREF 0000002944	
125.00 CHECK	BANKREF 0045347238
CUSTREF 0000002027	
110.16 CHECK	BANKREF 0036040574
CUSTREF 0000003043	
101.05 CHECK	BANKREF 0036185329
CUSTREF 0000003031	
92.46 CHECK	BANKREF 0036170073
CUSTREF 0000003012	
81.54 CHECK	BANKREF 0036258585
CUSTREF 0000002951	
29.04 CHECK	BANKREF 0034572887
CUSTREF 0000002014	

4,110.00 CHECKS PAID (CKOR) REQUESTED
4,110.00 TOTAL DEBITS REQUESTED

9429132577 BOSTON MAINE AIRWAY CORP. UPDATED JUL 1 02.00 EDT

LEDGER BALANCE	25,412.20	←
COLLECTED BALANCE	25,412.20	
AVAILABLE BALANCE	25,412.20	
1 DAY FLOAT	0.00	
2 DAY FLOAT	0.00	
TOT CREDITS	0.00	

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

Application of

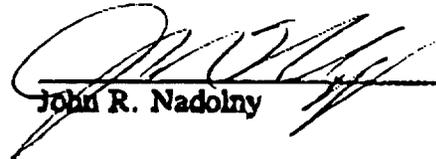
BOSTON-MAINE AIRWAYS CORP.

Docket OST-00-7668

for issuance of an amended certificate of public
convenience and necessity pursuant to 49 U.S.C. § 41102
(Interstate Large-Aircraft Operations)

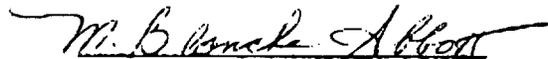
CERTIFICATION

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 26 day of August, 2002.


Notary Public

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

SERVICE LIST (Boston-Maine Airways SJU-STT)

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Senior Vice President and
General Counsel
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