

MINUTES

Monday, July 12, 2010
12:00 Noon

Manistee County Blacker Airport
Conference Room

Members Present: Ervin Kowalski, Chairperson; Paul Schulert, Vice-Chairperson; Ross Spencer; Dale Picardat; Bob Wilson; and Glenn Lottie

Members Absent: Ed Haik

Others Present: Barry Lind, Airport Manager; George Saylor, Airport Legal Counsel; Ken Grabowski, Manistee News Advocate; Russ Pomeroy, Airport Authority Treasurer; and Rachel Nelson, Airport Authority Secretary

Ervin Kowalski, Chairperson, called the meeting to order at 12:00 P.M. Roll was taken by the Secretary.

The Chairman confirmed that each member had received a copy and had an opportunity to review the minutes from the regular meeting of the Airport Authority held on Monday, June 14, 2010.

There was a motion by Mr. Schulert, supported by Mr. Wilson to approve the Airport Authority regular meeting minutes of Monday, June 14, 2010, as presented. Motion carried by unanimous vote.

Mr. Lind reported that the emergency plan was reviewed on June 25, 2010 with the various organizations that would be involved in an emergency at the airport (Sheriff, State Police, Fire Department, Hospital, etc.). It is required that this plan be reviewed annually.

The taxiway lighting project is scheduled to begin on August 1, 2010, however, there may be a slight delay because the contractor is currently working on a project in Marquette and will not be able to start the Manistee project until the Marquette project is finished. The project should take approximately three weeks to complete once started. The main runway will need to be closed at night for 3 or 4 days, however, this will not impact the Great Lakes flights. Great Lakes has requested that the runway is not closed on Saturday night because they swap planes at that time, and Mr. Lind has forwarded this request on to the contractor.

Mr. Lind informed the Authority of the Small Community Air Service Development Program (SCASDP) Grant. Most of these grants are used to encourage carrier service and Manistee could not apply because of the EAS service. However, Mr. Lind found out that the grants can also be used for marketing purposes, and he intends to apply this year for a marketing grant. Mr. Lind will also be applying this fall for a Local Revenue Sharing Grant to cover the costs of onsite firefighter training in the spring of 2011. Mr. Lind reminded the Authority that the firefighter training is required annually for Part 139. In 2010, the training was completed in Escanaba, however, there are many benefits to onsite training (townships and other supporting agencies can participate). Mr. Spencer inquired why the Airport Authority didn't pay the expenses that were incurred when Mr. Lind and three Orchard Beach Aviation employees went to Escanaba for the firefighter training. Mr. Lind explained that he felt these smaller Part 139 obligations were covered by the money that is paid every year to Orchard Beach Aviation. Mr. Spencer felt that the Airport Authority should at least reimburse the fuel expense and Mr. Lind will provide an invoice for this expense at the next meeting.

Mr. Lind pointed out that the Part 139 contract with Orchard Beach Aviation expired at the end of May 2010 because it was written to expire at the same time as the carrier contract (EAS - Great Lakes). Mr. Lind added that Orchard Beach Aviation has continued to bill as if the contract had been extended. The

Authority felt that since the carrier contract has been extended through August, the Orchard Beach Aviation contract should be extended and then re-negotiated when the new EAS contract is signed.

There was a motion by Mr. Kowalski, supported by Mr. Lottie to extend the Orchard Beach Aviation Part 139 contract to August 31, 2010 and then on a month by month basis until the new EAS air carrier contract is signed.

A roll call vote was taken:

Yeas: 6 (Kowalski; Schulert; Spencer; Picardat; Wilson; Lottie)

Nays: 0

Absent: 1 (Haik)

Mr. Kowalski noted that he recently heard that larger airports are fined for delayed flights, so they are starting to cancel flights to avoid fines. Mr. Lind explained that there can only be a fine if passengers are on-board the plane for three hours or more without taking off. Mr. Lind also added that for the Manistee airport, "delay" refers to 6 minutes late for a departure and 15 minutes late for an arrival.

The Authority next reviewed the June 2010 Accounts Payable Report (APPENDIX A). Mr. Pomeroy noted that the Nationwide Construction Group payment is for repairs to the fence, however, \$4,400 was reimbursed by the insurance company, so it was really only a \$500 expense for the deductible. He also noted that the Calhoun-Ayers Plumbing & Heating payment was for a heat pump in the TSA area and the Custom Sheet Metal & Heating payment was for an issue with the emergency drain from the annual inspection.

There was a motion by Mr. Lottie, supported by Mr. Kowalski to approve the June 2010 Accounts Payable Report and authorize payment of the outstanding invoices totaling \$29,895.91.

A roll call vote was taken:

Yeas: 6 (Lottie; Wilson; Picardat; Spencer; Schulert; Kowalski)

Nays: 0

Absent: 1 (Haik)

Motion carried.

The Authority next reviewed the June 2010 Financial Statement (APPENDIX B) which includes a Balance Sheet, a Statement of Revenue and Expenses, and a running account of the Public Improvement Fund. Mr. Pomeroy stated that he will be attending the Manistee County Ways & Means Committee meeting on July 13, 2010 to request that the Airport be allowed to pay off the fuel farm loan. This money could be paid out of the Public Improvement Fund, which was previously used for grant matches, but now grant matches are paid from the PFC Fund. Once this loan is paid off, money from fuel sales will go directly into the airport cash flow.

There was a motion by Mr. Schulert, supported by Mr. Wilson to approve the June 2010 Financial Statement.

A roll call vote was taken:

Yeas: 6 (Picardat; Wilson; Lottie; Kowalski; Schulert; Spencer)

Nays: 0

Absent: 1 (Haik)

Motion carried.

There was no report from the Promotion Committee. Mr. Lind noted that the B17 bomber that was at the airport during the Forest Festival in 2009 has contacted him about being at the airport during the Forest Festival in 2011.

Mr. Saylor noted that the Billboard proposal for Lamar has been accepted with a minor modification to the license agreement. They have also requested that there continue to be two agreements instead of

combining them into one.

Mr. Lind presented information on the EAS bids, which were due on July 6, 2010 (APPENDIX C). Two bids were received - Charter Air Transport and Sovereign Air - and community feedback is due July 16, 2010. Great Lakes did not bid. Several Airport Authority members had attended a presentation by Charter Air Transport and had positive comments. There were many concerns about service by Sovereign Air, and the Airport Authority felt that it was clear that Charter Air Transport would be the best choice. Mr. Lind felt that the DOT should make a decision by the end of July.

There was a motion by Mr. Schulert, supported by Mr. Wilson for Mr. Lind to communicate the Airport Authority's support of the Charter Air Transport bid for service at Manistee to the Department of Transportation.

A roll call vote was taken:

Yeas: 6 (Schulert; Kowalski; Lottie; Wilson; Picardat; Spencer)

Nays: 0

Absent: 1 (Haik)

Motion carried.

Sheets were handed out showing airplane passenger numbers for 2010 as well as the previous five years (APPENDIX D), and the Orchard Beach Aviation rent information (APPENDIX E). There were no Airport incidents to report.

With there being no further business to come before the Authority, the meeting was adjourned at approximately 1:05 P.M.

Respectfully submitted,

Rachel Nelson, Airport Authority Secretary

Visit: www.manisteecountymi.gov
to view Calendar of Events, County Board Agendas and Minutes, Committee meeting reports (under Board of Commissioners); Airport Authority Minutes, link to Manistee Airport website, etc.

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MANISTEE COUNTY BLACKER AIRPORT

JUNE 2010 ACCOUNTS PAYABLE

| CHECK # | VENDOR NAME | AMOUNT |
|---------|--|---------------------|
| | BARRY LIND | \$ 3,000.00 |
| | CONSUMERS ENERGY | \$ 1,852.06 |
| | A T & T | \$ 33.62 |
| | MICHCON (DTE ENERGY) | \$ 31.80 |
| | GOCKERMAN, WILSON, SAYLOR | \$ 264.50 |
| | MANISTEE TIRE SERVICE | \$ 97.00 |
| | WEATHER SERVICES INTERNATIONAL | \$ - |
| | NAPA AUTO PARTS | \$ - |
| | ACE HARDWARE | \$ - |
| | FASTENAL | \$ 88.87 |
| | DIRECT TV | \$ 83.99 |
| | WAHR HARDWARE | \$ 3.79 |
| | CUSTOM SHEET METAL AND HEATING | \$ 386.89 |
| | PECKHAM ENGINEERING | \$ 50.00 |
| | CALHOUN-AYERS PLUMBING & HEATING | \$ 240.15 |
| | BLUE GLOBES, LLC | \$ 43.99 |
| | NATIONWIDE CONSTRUCTION GROUP | \$ 4,900.00 |
| | MANISTEE COUNTY | \$ 1,152.11 |
| | TOTAL | \$ 12,228.77 |
| | ADVERTISING INVOICES | |
| | MS CREATIVE SERVICES | \$ - |
| | TOTAL | \$ - |
| | ORCHARD BEACH AVIATION | \$ 17,667.14 |
| | REGULAR HOURS 360 @ 15.00 | 5,400.00 |
| | MAINTENANCE HOURS 110 @ 15.00 | 1,650.00 |
| | PART 139 LABOR | 10,467.14 |
| | INTERNET | 150.00 |
| | GRAND TOTAL | \$ 29,895.91 |
| | PUBLIC IMPROVEMENT FUND | |
| | TOTAL PUBLIC IMPROVEMENT FUNDS | \$ - |

APPENDIX B

MANISTEE COUNTY BLACKER AIRPORT

| | JUNE 2010 REVENUE & EXPENSES | | BUDGET REMAINING | | 25% |
|--|------------------------------|----------------------|----------------------|----------------------|------------|
| | CURRENT MONTH | YEAR-TO DATE | ANNUAL BUDGET | BALANCE \$ | % |
| INCOME: | | | | | |
| HANGER RENTAL | \$ 1,375.00 | \$ 14,479.80 | \$ 17,940.00 | \$ 3,460.20 | 19% |
| LANDING FEES - GREAT LAKES | \$ 13,290.24 | \$ 119,612.36 | \$ 184,320.00 | \$ 64,707.64 | 35% |
| LANDING FEES - GENERAL AVIATION | \$ 252.00 | \$ 621.00 | \$ 1,500.00 | \$ 879.00 | 59% |
| AUTO RENTAL SPACE | \$ - | \$ 1,918.51 | \$ 4,600.00 | \$ 2,681.49 | 58% |
| OFFICE RENT | \$ 955.00 | \$ 8,595.00 | \$ 11,700.00 | \$ 3,105.00 | 27% |
| COUNTY OF MANISTEE | \$ 9,625.00 | \$ 86,625.00 | \$ 115,500.00 | \$ 28,875.00 | 25% |
| FUEL SALES | \$ 1,152.11 | \$ 3,348.87 | \$ 6,500.00 | \$ 3,151.13 | 48% |
| SIGN LEASE | \$ - | \$ 3,400.00 | \$ 3,400.00 | \$ - | 0% |
| MISCELLANEOUS | \$ 4,400.00 | \$ 5,283.63 | \$ 1,000.00 | \$ (4,283.63) | -428% |
| TOTAL INCOME | \$ 31,049.35 | \$ 243,884.17 | \$ 346,460.00 | \$ 102,575.83 | 30% |
| EXPENSES: | | | | | |
| PERSONNEL - MANAGEMENT | \$ 3,000.00 | \$ 27,000.00 | \$ 36,720.00 | \$ 9,720.00 | 26% |
| PERSONNEL - OPERATIONS & MAINTENANCE | \$ 17,517.14 | \$ 148,598.76 | \$ 203,440.00 | \$ 54,841.24 | 27% |
| DUES & MEETINGS | \$ - | \$ 795.00 | \$ 500.00 | \$ (295.00) | -59% |
| SUPPLIES | \$ 92.66 | \$ 825.17 | \$ 1,500.00 | \$ 674.83 | 45% |
| UTILITIES | \$ 2,117.85 | \$ 26,153.60 | \$ 35,000.00 | \$ 8,846.40 | 25% |
| FUEL | \$ - | \$ 4,591.30 | \$ 5,000.00 | \$ 408.70 | 8% |
| REPAIRS & MAINTENANCE | \$ 768.03 | \$ 8,536.18 | \$ 9,500.00 | \$ 963.82 | 10% |
| TERMINAL IMPROVEMENTS | \$ - | \$ - | \$ - | \$ - | 0% |
| CONTRACTED SERVICES | \$ - | \$ 1,071.00 | \$ 2,000.00 | \$ 929.00 | 46% |
| LEGAL | \$ 264.50 | \$ 2,512.75 | \$ 5,000.00 | \$ 2,487.25 | 50% |
| AUDIT | \$ - | \$ 1,500.00 | \$ 1,500.00 | \$ - | 0% |
| ADVERTISING | \$ - | \$ - | \$ - | \$ - | 0% |
| TELEPHONE | \$ 33.62 | \$ 206.10 | \$ 300.00 | \$ 93.90 | 31% |
| INSURANCE | \$ - | \$ 19,234.86 | \$ 26,000.00 | \$ 6,765.14 | 26% |
| TRAINING (FIRE FIGHTER) | \$ - | \$ - | \$ 8,500.00 | \$ 8,500.00 | 0% |
| EQUIPMENT | \$ - | \$ - | \$ - | \$ - | 0% |
| BOOKKEEPING | \$ - | \$ - | \$ 3,000.00 | \$ 3,000.00 | 100% |
| NOTES PAYABLE | \$ 1,152.11 | \$ 3,348.87 | \$ 6,500.00 | \$ 3,151.13 | 48% |
| TRANSFER OUT/FUND BALANCE | \$ - | \$ - | \$ - | \$ - | 100% |
| MISCELLANEOUS | \$ 4,950.00 | \$ 6,538.48 | \$ 2,000.00 | \$ (4,538.48) | -227% |
| | \$ 29,895.91 | \$ 250,912.07 | \$ 346,460.00 | \$ 95,547.93 | 28% |
| EXCESS REVENUE OVER/(UNDER) EXPENDITURES | \$ 1,153.44 | \$ (7,027.90) | | | |
| BALANCE ON HAND - AIRPORT FUND | | | | | |
| BEGINNING BALANCE 06/01/10 | \$ 27,187.42 | | | | |
| JUNE RECEIPTS | \$ 30,147.61 | | | | |
| MAY DISBURSEMENTS | \$ (24,421.10) | | | | |
| | \$ 32,913.93 | | | | |

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MANISTEE COUNTY BLACKER AIRPORT

JUNE 2010 BALANCE SHEET

| ASSETS | 6/30/2010 | 5/31/2010 |
|---|---------------------|---------------------|
| CASH | \$ 32,913.93 | \$ 27,187.42 |
| ACCOUNTS RECEIVABLE | | |
| GREAT LAKES AIRLINES | \$ 13,290.24 | \$ 13,290.24 |
| STATE OF AUTO RENTAL | \$ - | \$ - |
| MISC. | \$ 1,904.11 | \$ 1,002.37 |
| TOTAL ASSETS | \$ 48,108.28 | \$ 41,480.03 |
| | | |
| LIABILITIES | 6/30/2010 | 5/31/2010 |
| ACCOUNTS PAYABLE - TRADE | \$ 29,895.91 | \$ 24,421.10 |
| ACCOUNTS PAYABLE - COUNTY | \$ - | \$ - |
| PREPAID HANGER RENT | \$ - | \$ - |
| TOTAL LIABILITIES | \$ 29,895.91 | \$ 24,421.10 |
| | | |
| FUND BALANCE | \$ 18,212.37 | \$ 17,058.93 |
| | | |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 48,108.28 | \$ 41,480.03 |

| | |
|--|-------------------------|
| PASSENGER FACILITY CHARGES COLLECTED THROUGH 06/30/2010 | \$ 23,824.74 |
| STATE OF MICHIGAN - TAXIWAY LIGHTING PROJECT | \$ (475.00) |
| STATE OF MICHIGAN - PAVEMENT MARKING PROJECT | \$ (1,400.00) |
| STATE OF MICHIGAN - TAXIWAY LIGHTING PROJECT | \$ (5,900.00) |
| PFC FUNDS AVAILABLE | \$ 16,049.74 |

| | |
|---|-------------------------------|
| BALANCE DUE TO MANISTEE COUNTY ON THE FUEL FARM AS OF: | 9/30/2009 \$ 19,577.36 |
| | 6/30/2010 \$ 16,228.49 |

Sovereign Air Bid

- Submitted bid with two options
 - 3 daily flights
 - To Chicago O'Hare
 - 8 seat Beech King Air 90's
 - \$2.55M
- Or
 - 2 daily flights
 - To Chicago O'Hare
 - 9 seat Beech King Air 200
 - \$2.05M

Sovereign Air Bid

- Concerns with bid
 - No commuter authority from DOT
 - Docket DOT-OST-2008-0285
 - Application has been in process since 9/15/08
 - No aircraft currently (only aircraft the company has is a leased C-172 that is currently sub-leased out to another company)
 - No interline relationships with other airlines
 - No ticketing system integration
 - Lack of communication

Charter Air Transport Bid

- Submitted a single bid for IWD and MBL
 - 2 daily flights one-stop in MBL on way to IWD
 - Continued service to Milwaukee
 - EMB-120 “Brasilia” 30 seat turboprop
 - \$3.5M

Charter Air Transport Bid

- Positives

- Larger Aircraft
- Company has been around for a while
- Appear very willing to work with us
 - Visited and gave presentation on July 1
- Reasonable proposed fares (\$79 average)
- Opportunity for growth

Charter Air Transport Bid

- Negatives

- We would be their first EAS city
- Currently no airline agreements in place
- More complex business structure (two companies)

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Sovereign Air, Inc.

July 6, 2010

Dennis J. DeVany, Chief
EAS & Domestic Analysis Division, X-53
Office of Aviation Analysis
Department of Transportation
1200 New Jersey Ave. SE
Washington, DC 20590

Re: Proposal to Provide Essential Air Service at:

Ironwood, Michigan/Ashland, Wisconsin, DOT-OST-1996-1266
Manistee/Lundington, Michigan, DOT-OST-1996-1711

Dear Mr. DeVany:

In response to Order 2010-6-4, Sovereign Air, Inc. offers the following proposal:

Sovereign Air, Inc. (SAI) is planning to use either two 8 passenger seat King Air C90's with three round trips or one 9 passenger King Air 200 with two round trips for this Essential Air Service routes.

Our flights will service only the EAS cities and the ORD Hub. Sovereign Air believes that with good schedules, proper pricing and a recovering economy, the load factors will likely increase in these markets. SAI will base its aircraft, crews and maintenance personnel, banking and purchase fuel in Ironwood. This will help keep the EAS monies in the local community. Additional flights will be added as needed to accommodate periods of increased demand.

SAI will have baggage and ticket agreements with the major air carriers in Chicago by the start of this EAS service. SAI will also have cargo agreements for both domestic and international air freight movements.

SAI will be HAZMAT approved and will be working in conjunction with hospitals to expedite various HAZMAT materials that they need to transport.

SAI's goal is to work hand-in-hand with EAS communities to reduce the need for EAS subsidies within the next four to six years.

Sovereign Air is currently in the process of acquiring its Scheduled Service Authority and anticipates being able to start this Essential Air Service.

Sovereign Air will be fully integrated into the Global Distribution System (GDS) in conjunction with Worldspan. SAI is not tied to just one airline, allowing Sovereign Air better visibility in the various reservation systems. Passengers will have a broad range of channels through which to purchase tickets, including all airline reservation systems and travel agencies. Customers will be able to call our reservation offices or visit our website to book flights. Passengers can also purchase tickets and make reservations at our ticket counters.

SAI's final schedules will be developed by the EAS City Airport Boards and SAI to reduce layover times in Chicago and provide the best possible arrival and departure times for the travelling public. As such, the following schedules will likely be adjusted:

Proposed Schedule Options

Option #1

SCHEDULES BEECH C-90
IWD-KBL-ORD 3 RT DAILY

| Flt # | Freq | From | TO | Dpt-Arr | TO | Dpt-Arr |
|-------|----------|------|-----|-------------|-----|-------------|
| 10 | 1234567 | IWD | KBL | 6:00 -7:00 | ORD | 7:10-7:50 |
| 11 | 1234567 | ORD | KBL | 9:30-10:10 | IWD | 10:20-11:20 |
| 20 | 12134567 | IWD | KBL | 12:00-01:00 | ORD | 01:10-01:50 |
| 21 | 1234567 | ORD | KBL | 02:30-03:10 | IWD | 03:20-04:20 |
| 20 | 1234567 | IWD | KBL | 04:00-05:00 | ORD | 05:10-05:50 |
| 21 | 1234567 | ORD | KBL | 08:00-08:40 | IWD | 08:50-09:50 |

Option #2

SCHEDULES BEECH 200
IWD-KBL-ORD 2 RT Daily

| Flt # | Freq | From | TO | Dpt-Arr | TO | Dpt-Arr |
|-------|---------|------|-----|-------------|-----|-------------|
| 10 | 1234567 | IWD | KBL | 6:00 -7:00 | ORD | 7:10-7:50 |
| 11 | 1234567 | ORD | KBL | 9:30-10:10 | IWD | 10:20-11:20 |
| 20 | 1234567 | IWD | KBL | 04:00-05:00 | ORD | 05:10-05:50 |
| 21 | 1234567 | ORD | KBL | 08:00-08:40 | IWD | 08:50-09:50 |

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Option #1 Subsidy: \$2,551,725

Sovereign Air, Inc.

Annual Compensation Requirement for Essential Air Service for

| IWD | KBL | ORD | 3 | Round Trips |
|-------------------------------|-----|-----|----------------------------------|-----------------------|
| Aircraft Type | | | | 8-seat Beechcraft |
| Available Seats Per Departure | | | | 8 |
| Passengers Per Trip | | | | 3.6 |
| Block Hours | | | | 4,196 |
| Departures | | | | 4,237 |
| Total Passengers | | | | 7,762 |
| Average Fare | | IWD | | \$125.50 |
| Average Fare | | KBL | | \$69.00 |
| Revenue Passenger Miles | | | | 1,532,776 |
| Available Seat Miles | | | | 7,151,988 |
| Passenger Revenue | | | | \$664,963.00 |
| Other Rev. @ 6% of pax. Rev. | | | | \$39,897.78 |
| <u>Total Revenue</u> | | | | <u>\$704,860.78</u> |
| Aircraft and Hull Insurance | | | | \$135,500.00 |
| Fuel and Oil | | | | \$944,062.48 |
| Flying Operations | | | | \$407,030.62 |
| Other Direct Costs | | | | \$549,817.81 |
| Maintenance | | | | \$303,959.51 |
| <u>Total Direct Costs</u> | | | | <u>\$2,340,370.43</u> |
| Total Indirect Costs | | | | \$761,140.00 |
| Total Operating Expenses | | | | <u>\$3,101,510.43</u> |
| Operating Loss | | | | \$2,396,649.65 |
| Profit @ 5% | | | | <u>\$155,075.52</u> |
| | | | Annual Compensation Requirement | \$2,551,725.17 |
| | | | Monthly Compensation Requirement | \$212,643.76 |
| Completion Rate | | | | 97% |
| Subsidy per leg | | | | \$602.25 |
| Load Factor | | | | 44.4% |

Option #2 Subsidy: \$2,053,759

Sovereign Air, Inc.

Annual Compensation Requirement for Essential Air Service for

| | | | | |
|-------------------------------|-----|-----|----------------------------------|-------------|
| IWD | KBL | ORD | 2 | Round Trips |
| Aircraft Type | | | 9-seat Beechcraft | |
| Available Seats Per Departure | | | 9 | |
| Passengers Per Trip | | | 2.7 | |
| Block Hours | | | 2,574 | |
| Departures | | | 2,825 | |
| Total Passengers | | | 7,762 | |
| Average Fare | | IWD | ORD | \$125.50 |
| Average Fare | | KBL | ORD | \$69.00 |
| Revenue Passenger Miles | | | 1,532,776 | |
| Available Seat Miles | | | 5,363,991 | |
| Passenger Revenue | | | \$664,963.00 | |
| Other Rev. @ 6% of pax. Rev. | | | \$39,897.78 | |
| <hr/> | | | <hr/> | |
| Total Revenue | | | \$704,860.78 | |
| Aircraft and Hull Insurance | | | \$222,000.00 | |
| Fuel and Oil | | | \$780,216.93 | |
| Flying Operations | | | \$313,349.73 | |
| Other Direct Costs | | | \$342,137.86 | |
| Maintenance | | | \$219,392.66 | |
| <hr/> | | | <hr/> | |
| Total Direct Costs | | | \$1,877,097.18 | |
| Total Indirect Costs | | | \$750,160.00 | |
| Total Operating Expenses | | | <hr/> | |
| | | | \$2,627,257.18 | |
| Operating Loss | | | \$1,922,396.40 | |
| Profit @ 5% | | | \$131,362.86 | |
| | | | <hr/> | |
| | | | Annual Compensation Requirement | |
| | | | \$2,053,759.26 | |
| | | | Monthly Compensation Requirement | |
| | | | \$171,146.60 | |
| Completion Rate | | | 97% | |
| Subsidy per leg | | | \$727.09 | |
| Load Factor | | | 59.2% | |

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Customer safety and service are Priority One with SAI. Sovereign Air looks forward to providing Essential Air Service to both Ironwood and Manistee.

Sincerely,

Jon Payne, CFO

Sovereign Air, Inc.

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**Revised Proposal to Provide Essential Air Service at
Ironwood, Manistee/Ludington, Michigan
DOT-OST-1996-1266; DOT-OST-1996-1711**

Dated: 07/06/2010

Introduction

Charter Air Transport, Inc. is a Charter Operator that currently has a "Show Cause" Order for Commuter Fitness Determination (Docket # DOT-OST-2009-0187) with a fleet of four 30 seat Turbo Prop EMB-120 aircraft with an option to purchase 2 additional EMB-120 aircraft and two 19 seat BAE3200 Jetstream aircraft. We also operate aircraft including Hawker Jet, Citation Jet, Beech Jet, and manages King Air-200 equipment. Charter Air Transport is an Air Carrier that truly provides the most flexibility within its current fleet to operate aircraft and grow with each community we serve.

We have entered into a partnership Aviation Technologies, Inc., who commonly owns Public Charters, Inc., to enhance our inventory distribution (seat sales) by also operating these flights as public charters and distributing them through the major Global Distribution Systems (GDS) used by all of the major Scheduled Airlines to sell their inventory to the worldwide Travel Agent Community. So, in addition to the classic Internet based Reservations System sales; EAS seats would be available to the Travel Communities in North America including Canada, Mexico, and the Caribbean for true global distribution. While filing these seats as public charters is not required to serve EAS markets; the extra *potential* seat sales have increased our market projections to over double the current ridership in each community from their current levels of enplanements. Our goal is to maximize load factors and fly proven routes for each community.

This public charter inventory would be loaded into Public Charters, Inc.'s IATA certified CRS system (Computerized Reservations System) that currently interfaces with the Sabre and Amadeus GDS systems. These systems are commonly used by Travel Agencies worldwide, and are the portal of sales for large clearing houses like Travelocity and Expedia. Using Public Charters, Inc.'s advanced CRS enables us to distribute seat inventory seamlessly through the GDS systems by settling the sales through ARC (Airline Reporting Company). All ticket sales are additionally protected when filing our flight inventory through the public charter venue, as all ticket sales revenue is directed into a DOT certified & bonded escrow bank and held until flight completion. All flight information displayed on the GDS systems would include the statement: "Operated by Charter Air Transport". This is exactly the way that commuter operators display for the major airlines.

Public Charters, Inc.'s CRS system also contains a Departure Control System (DCS) that includes a complete baggage and ticketing system for a convenient airport check-in process. Since this system has Type "A" connectivity, it provides the basic components for baggage and ticketing agreements with most main-line carriers. It is certified E-Ticketing with both Sabre and Amadeus; and has plans to implement with Travelport (Worldspan) in the near future. This will enable our inventory to also be picked up by Orbitz and Price Line for additional distribution opportunities.

Additionally we use the Check TSA, Inc. system that offers the latest security technologies that are used for TSA screening including compliance with Secure Flight and CBP AQQ communication for International APIS transmissions. You can visit their security web-site at www.CheckTSA.com for more information.



Charter Air Transport would like to face the challenge of providing service to EAS communities, mainly by identifying better, but more condensed schedules that serve a larger part of community traffic for O&D (origination and destination) routes. While we continue to work on our Interlining agreements, getting passengers to their final destination conveniently and more efficiently has always been the goal.

Because the DCS described above is a 100% Internet based System; we are able to provide on-site check-ins with any connecting Carrier that permits Internet check-ins as part of their web-site services. This enables the passenger to print their boarding card for their connecting flight at the EAS departure airport. Returning passengers may obtain their boarding pass at the Charter Air Transport/Public Charters gate and do not have to go to the check-in counter. Once we get the passengers delivered to the sterile gate areas; they would already have their connecting boarding cards and we would arrange a local transfer of baggage either directly to the gate or through a local baggage arrangement with each carrier. We continue to work with several major airlines for Interline and Ticketing agreements, and are confident that; with our current business practices; that the travel experience will be practical, expeditious, and convenient for each passenger.

We use a color coded "Disney Type" baggage coding for convenient recognition of interlined baggage both for out bound and inbound flight baggage retrieval and transfers. While we do not charge baggage fees, we must collect any fees that may be charged by other carriers. These charges will be posted on our web-site and collected at the time of check-in. We have been advised by carriers like Southwest Airlines, that if a passenger is carrying a Southwest Boarding card or has a Southwest ticket, they will be treated like a Southwest passenger. This includes the acceptance of baggage. This is true for most major airlines. There are several regulations that expect carriers to accommodate interlining traffic for feeder flights.

Both Charter Air Transport and Public Charters, Inc. are committed to the highest on-time performance and flight completion records to our passengers. In the event of an aircraft mechanical, our first resource to is use back up aircraft from within the Charter Air Transport fleet. However, we are not limited to these resources and have access to retain sub-service utilizing other certified FAA Air Carrier's aircraft that could consist of aircraft type ranging from pressurized Twin Turbo Prop aircraft to Corporate Jet aircraft. Should sub-service be necessary, we will utilize aircraft sufficient to provide coverage based on the actual ticketed passengers for each flight leg. Whether we use one or two aircraft to complete a flight sequence, we provide this service with no surcharge or penalty to the EAS Community Service.

One of our mottos is "Go with Us so that we can Grow with You!" Charter Air Transport can offer daily service operating multiple flights per day for any EAS route that is up to 150 nautical miles point to point from the origination city to the destination city. We now offer the choice of operating with either the Jetstream 19 seat aircraft (or 18 with one lavatory) or the 30 seat EMB-120 (including one Flight Attendant) to serve the community's travel needs. While we recognize that communities want more frequency and larger aircraft, the statistics and history have dictated that these routes need to be revamped and rebuilt to meet the true community need. We offer prime time departures and arrivals, including early morning and late afternoon, to optimize both the O&D and potential connecting passenger enplanements. Our desire is to provide the local communities flight service to an airport that will provide the most vantage points for connecting into the National Transportation System at large.

The combined partnership between Charter Air Transport and Public Charters, Inc. is designed to fit each market need, offering capabilities to provide additional aircraft capacities in order to grow with each community we serve; while providing enhanced ticket sale distribution.



Proposals Included: IWD and MBL-MKE Combined Service

Non Stop & One Stop Service – Appendix “A”

Aircraft Type: 30 Seat EMB-120

Aircraft Base: IWD

Serves **Milwaukee (MKE)** 2 times per day Monday through Friday and 1 time per day on Saturday and Sunday
12 Non Stop & One Stop flights per week.

Average One Way Fare: \$79.00

Requested subsidy amount per year: \$3,491,513.00

Please refer to Appendix “A” of this proposal for detailed flight schedules and cost models.

Please contact either Charter Air Transport, Inc. or Public Charters, Inc. with any questions you may have.

For Charter Air Transport, Inc.:

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For Public Charters, Inc.:

Jim Gallagher

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Email: JG727@aol.com

Our tentative schedules are subject to final gate and slot approval for each airport we serve.

APPENDIX D

Manistee County Blacker Airport

Enplaned/Deplaned

| | 2005 | | 2006 | | 2007 | | 2008 | | 2009 | | 2010 | |
|-------|------------|-------|-------------|-------|------------|-------|------------|-------|------------|-------|----------------|------------|
| | Out/In | Total | Out/In | Total | Out/In | Total | Out/In | Total | Out/In | Total | Out/In | Total |
| Jan | MW 141/118 | 259 | M/W 150/101 | 251 | MW 210/164 | 374 | MW 234/169 | 403 | GL 138/106 | 244 | GL 212/145 | 357 |
| Feb | 183/147 | 330 | 137/133 | 270 | 198/184 | 382 | 215/200 | 413 | 112/93 | 205 | 196/150 | 346 |
| Mar | 168/199 | 367 | 197/203 | 400 | 224/229 | 453 | 213/200 | 413 | 149/139 | 288 | 216/231 | 447 |
| Apr | 132/152 | 284 | 191/218 | 409 | 183/239 | 422 | 18/38 | 56 | 119/140 | 259 | 272/255 | 527 |
| May | 162/152 | 314 | 200/217 | 417 | 238/251 | 489 | 0/0 | 0 | 184/180 | 364 | 263/302 | 565 |
| Jun | 147/169 | 316 | 233/283 | 516 | 252/309 | 561 | GL 94/113 | 207 | 166/213 | 379 | 311/366 | 677 |
| Jul | 232/208 | 440 | 318/332 | 650 | 340/348 | 688 | 278/301 | 579 | 388/439 | 827 | | |
| Aug | 223/228 | 451 | 349/358 | 707 | 348/305 | 653 | 300/293 | 593 | 429/359 | 788 | | |
| Sep | 171/158 | 329 | 268/267 | 535 | 278/217 | 495 | 219/190 | 409 | 285/293 | 578 | | |
| Oct | 131/135 | 266 | 263/221 | 484 | 276/248 | 524 | 173/174 | 347 | 282/275 | 557 | | |
| Nov | 159/148 | 307 | 210/205 | 415 | 275/280 | 555 | 168/166 | 334 | 257/269 | 526 | | |
| Dec | 142/146 | 288 | 224/242 | 466 | 203/205 | 408 | 159/122 | 281 | 228/279 | 507 | | |
| Total | | 3951 | | 5520 | | 6004 | | 4035 | | 5522 | | 2919 |

Ontime Performance

| | 2005 | | 2006 | | 2007 | | 2008 | | 2009 | | 2010 | |
|-----|--------------|--------|--------------|--------|--------------|--------|--------------|--------|--------------|--------|---------------|------------|
| | Cancel/Delay | Ontime | Cancel/Delay | Ontime |
| Jan | | | | | | | | | 13%/25% | 62% | 23%/22% | 55% |
| Feb | | | | | | | | | 18%/16% | 66% | 13%/32% | 55% |
| Mar | | | | | | | | | 8%/11% | 79% | 11%/19% | 70% |
| Apr | | | | | | | | | 10%/16% | 74% | 13%/17% | 70% |
| May | | | | | | | | | 2%/10% | 88% | 12%/10% | 78% |
| Jun | | | | | | | | | 7%/18% | 75% | 6%/26% | 68% |
| Jul | | | | | | | | | 4%/16% | 80% | | |
| Aug | | | | | | | | | 2%/12% | 86% | | |
| Sep | | | | | | | | | 0%/9% | 91% | | |
| Oct | | | | | | | 11%/31% | 57% | 10%/8% | 81% | | |
| Nov | | | | | | | 13%/32% | 55% | 3%/10% | 87% | | |
| Dec | | | | | | | 36%/44% | 20% | 25%/39% | 36% | | |

ORCHARD BEACH AVIATION

June 2010

RENT

| | | |
|--------------|------------|-------------|
| OFFICE | \$325.00 | |
| HANGER | \$175.00 | |
| FUEL | \$1152.11 | |
| LANDING FEES | | |
| TWIN | \$0.00 | (0 @ \$9) |
| JET | \$252.00 | (14 @ \$18) |
| TOTAL | \$1904.11 | |
| 100 | 1751.7 Gal | |
| JET | 5929.0 Gal | |
| TOTAL | 7680.7 Gal | |