

**Mesa Air Group, Inc. 1/
Projected Operating Expenses**

Market:	Staunton, VA	Unit Basis	Historical unit cost	Adjustment factor <u>2/</u>	Projected unit cost <u>3/</u>	Projected units	Projected total cost
Direct Operating Expense							
<u>Flying Operations:</u>							
Flight Crew:							
Wages	Cost Per Block Hour	\$80.680	\$21.704 a	\$102.38	1,781	\$182,339	
Other	Cost Per Block Hour	\$20.350	\$12.266 b	\$32.62	1,781	\$58,096	
Total Flight Crew		\$101.030	\$33.970	\$135.00	1,781	\$240,435	
Insurance - Hull	Cost Per Block Hour	\$3.412	\$9.888 c	\$13.30	1,781	\$23,687	
Other	Cost Per Block Hour	\$12.266	(\$12.266) d	\$0.00	1,781	\$0	
Total Flying Operations	Cost Per Block Hour	\$116.708	\$31.592	\$148.30	1,781	\$264,122	
Total Fuel and Oil	Cost Per Block Hour	\$121.428	(\$14.828) e	\$106.60	1,781	\$189,855	
<u>Maintenance</u>							
Direct Maintenance	Cost Per Block Hour	\$150.179		\$150.18	1,781	\$267,471	
Overhaul reserves	Cost Per Block Hour	\$161.080	(\$161.080) f	\$0.00	1,781	\$0	
Maintenance Burden	Cost Per Block Hour	\$101.093	(\$6.182) g	\$94.91	1,781	\$169,035	
Total Maintenance	Cost Per Block Hour	\$412.351		\$249.83	1,781	\$444,947	
Depreciation/Rentals	Cost Per Block Hour	\$98.139	(\$16.049) h	\$82.09	1,781	\$146,202	
Total Direct Operating Expense						\$1,045,126	

Footnotes:

- 1/ This proposal is made by Mesa Air Group, Inc. (Mesa) on behalf of Air Midwest Airlines, Inc. (Air Midwest). Air Midwest is a wholly-owned subsidiary of Mesa. Flights will be operated by Air Midwest, which operates only Beech 1900D aircraft.
- 2/ a Allocation of Employee Benefits to each department, separate from G&A. Also reflects reduced pilot turnover, and therefore, a more senior work force.
b Reallocated from Flight Operations Other.
c Effects of post 9/11 insurance exposure.
d Reallocated to Flight Crew - Other.
e Reflects lower average fuel price of \$0.95 per gallon, utilizing a burn rate of 112.2 gallons per block hour.
f Historical amount is one time accounting charge for aircraft returns.
g Lower maintenance burden expenses due to ability to utilize company's Wichita maintenance base.
h Aircraft ownership costs reduced to reflect renegotiated lease rates, and lower depreciation of inventory due to assets held for sale.
- 3/ Projected costs over the two year period covering the term of the subsidy period.

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Indirect Operating Expense:							
Flight Attendants		na on 19 seat ac					
Traffic (RPM) Related Expense		Cost Per Revenue Seat Mile	\$0.069	\$0.001 i	\$0.07	2,720,000	\$190,400
USAirways Program Fees		Cost Per Enplaned PAX	\$12.12		\$12.12		\$193,920
Marketing		per EAS community		\$5,000.000 j	\$5,000.00	1	\$5,000
Capacity (departure) related		Cost Per Departure	\$117.591	\$0.000 k	\$117.59	1,936	\$227,654
Capacity (ASM) related		Cost Per Available Seat Mile	\$0.021	(\$0.011) l	\$0.01	6,253,280	\$62,533
Total Indirect Operating Expense							\$679,507
Total Operating Expense							\$1,724,633

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- 2/ i Traffic related expense increased \$.003 from \$.069 to \$.072 resulting from \$1.40 per pax increase in liability insurance.
- j Advertising expenses related to EAS.
- k Allocation of Employee Benefits to each department, separate from G&A.
- l Employee benefits reallocated to each department, separate from G&A.
- 3/ Projected costs over the two year period covering the term of the subsidy period.