

**SUBSIDY CALCULATION FOR
CORPORATE AIRLINES, INC.
AT KIRKSVILLE, MISSOURI**

Aircraft type	Jetstream 32
Block hours <u>1/</u>	1,136
Passengers	3,418
Avg. Fare	\$110
Passenger Revenue	\$375,980
Freight Revenue @ 1%	<u>3,760</u>
Total Revenue	\$379,740
Flight Crew @ \$114.90/hr.	\$130,526
Fuel & Oil @ \$168.30/hr.	191,189
Insurance @ \$25.96/hr.	29,491
Maintenance @ \$214.37/hr.	243,524
Lease @ \$73.08/hr.	<u>83,019</u>
Total Directs <u>2/</u>	\$677,749
IRK Station Costs	\$62,002
STL Station Costs	60,476
STL Ldg. Fees @ \$33.4/turn <u>3/</u>	20,307
Commissions @ 6.84% of rev.	25,717
Res./tickets @ \$6.40/pax	21,875
Liability Ins. @ \$2.53/pax	8,648
Advertising	6,000
G & A @ \$.0512/ASM <u>4/</u>	<u>176,372</u>
Total Indirects	\$381,397
Total Operating Expense	\$1,059,146
Return @ 5%	\$52,957
Total Economic Cost	\$1,112,103
Annual subsidy need at 97.5% completion	\$732,363

1/ 24 flights/week x 52 weeks x .975 completion x 56 minutes/60 = 1,136 hours.

2/ Unit costs based on system experience for 8 months ended 8/31/00, except fuel, which is based on the most recent month's costs at the STL subsystem, 110 gph & \$1.53 per gallon.

3/ 12 landings/week x 52 weeks x .975 = 608

4/ Unit costs based on system experience for the quarter ended 8/31/00 increased for projected IRK ASM's. to take into account the trend in reduced unit cost over the year as Corporate Airlines has grown. 24 flights/week x 52 weeks x .975 x 149 miles x 19 seats = 3,444,761 ASM's.

Appendix B

**CORPORATE AIRLINES, INC.
ESSENTIAL AIR SERVICE TO BE PROVIDED AT
KIRKSVILLE, MISSOURI**

Effective Period: Two-year period beginning on the date of commencement of service

Service: Twelve nonstop round trips each week to St. Louis

Aircraft: Jetstream 32 (19-seat)

Timing of Flights: Flights must be well timed and well spaced to ensure full compensation.

Subsidy Rate: Per year - \$732,363
Per flight - \$601.78 ¹

Weekly Compensation Ceiling: \$14,442.72 ²

Note: The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

¹ Annual compensation of \$732,363, divided by the estimated number of annual completed flights (1,217), calculated as follows: number of flights per week (24) x 52 weeks x .975 = 1,217

² The subsidy rate per flight (\$601.78) multiplied by the number of scheduled subsidy-eligible flights per week (24).