

Appendix A

**SUBSIDY CALCULATION FOR
CORPORATE AIRLINES, INC.,
AT MARION/HERRIN, ILLINOIS**

Aircraft type	Jetstream 32
Block hours <u>1/</u>	1,987
Passengers	20,034
Avg. Fare	\$75
Passenger Revenue	\$1,502,550
Freight Revenue @ 0.5%	<u>7,513</u>
Total Revenue	\$1,510,063
Flight Crew @ \$90.29/hr.	\$179,406
Fuel & Oil @ \$168.30/hr.	375,940
Insurance @ \$25.96/hr.	51,583
Maintenance @ \$214.37/hr.	425,953
Lease @ \$73.08/hr.	<u>145,210</u>
Total Direct Costs <u>2/</u>	\$1,178,092
MWA Station Costs	\$195,600
STL Station Costs	163,221
MWA Ldg. Fees @ \$3.90/turn <u>3/</u>	5,140
STL Ldg. Fees @ \$33.40/turn <u>3/</u>	44,021
Commissions @ 6.84% of rev.	102,774
Res./tickets @ \$6.40/pax	128,218
Liability Ins. @ \$2.53/pax	50,686
Advertising	15,000
G & A @ \$.0610/ASM <u>4/</u>	<u>311,623</u>
Total Indirect Costs	\$1,016,283
Total Operating Expense	\$2,194,375
Return @ 5%	\$109,719
Total Economic Cost	\$2,304,094
Annual subsidy need at 97.5% completion	<u>\$794,031</u>

1/ 52 flights/week x 52 weeks x .975 completion factor x 45 minutes/60 = 1,987 hours.

2/ Unit costs based on system experience for 6 months ended 8/31/00, except fuel, which is based on the most recent month's costs at the STL subsystem, 110 gph & \$1.72 per gallon.

3/ 26 landings/week x 52 weeks x .975 (completion factor) = 1,318 turns or landings

4/ Unit costs based on system experience for the quarter ended 8/31/00 increased for projected MWA ASM's to take into account the trend in reduced unit cost over the year as Corporate Airlines has grown. 52 flights/week x 52 weeks x .975 x 102 miles x 19 seats = 5,108,568 ASM's.

Appendix B

CORPORATE AIRLINES, INC. ESSENTIAL AIR SERVICE TO BE PROVIDED AT MARION/HERRIN, ILLINOIS

<u>Effective Period:</u>	Two-year period beginning on November 30, 2000
<u>Service:</u>	Twenty-six nonstop round trips each week to St. Louis
<u>Aircraft:</u>	Jetstream 32 (19-seat)
<u>Timing of Flights:</u>	Flights must be well timed and well spaced to ensure full compensation.
<u>Subsidy Rate:</u>	Per year - \$794,031 Per flight - \$301.23 ¹
<u>Weekly Compensation Ceiling:</u>	\$15,663.96 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 \$794,031, divided by the estimated number of annual completed flights (2,636), calculated as follows: number of flights per week (52) x 52 weeks = 2,704 x's .975 (completion factor) = 2,636

² The subsidy rate per flight (\$301.23) multiplied by the number of scheduled subsidy-eligible flights per week (52).