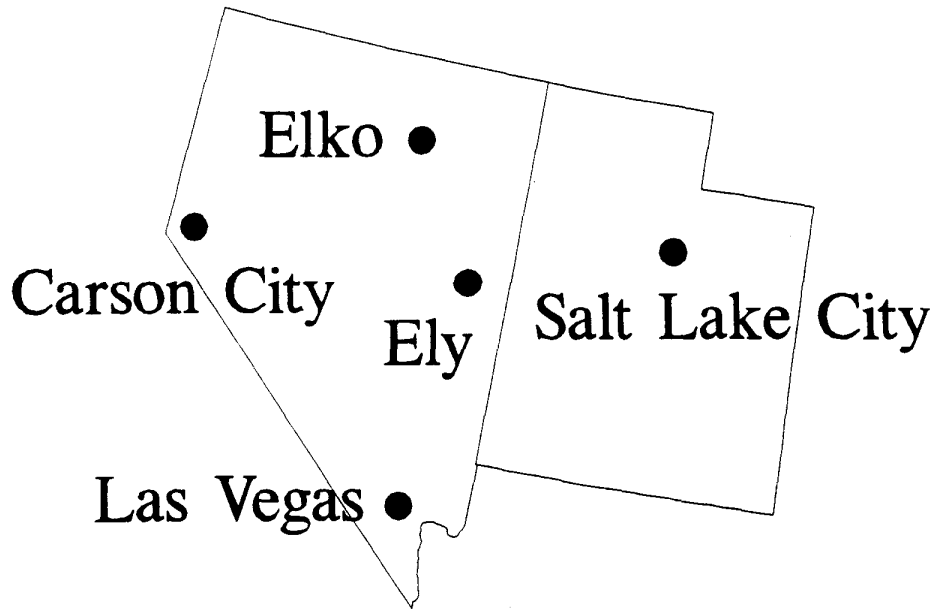


AREA MAP



**SCENIC AIRLINES
ESSENTIAL AIR SERVICE TO BE PROVIDED AT
ELY, NEVADA**

Effective Period: Inauguration of service through the end of the twenty-fourth month thereafter

Service: Six nonstop round trips each week to Las Vegas

Aircraft: DeHavilland DH-6 Twin Otter (19 passenger seats)

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

Subsidy Rate: Per year - \$976,533
Per arrival from or departure to Seattle - \$1,595.64 ¹

Weekly
Compensation Ceiling: \$19,147.68 ²

¹ Annual compensation of \$976,533, divided by the number of arrivals and departures estimated to be performed annually (612), calculated by multiplying 12 arrivals and departures each week x 52 weeks x 98 percent completion.

² The subsidy rate for each arrival/departure (\$1,595.64) multiplied by the number of scheduled subsidy-eligible flights per week (12).

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.

**SCENIC AIRLINES
ESSENTIAL AIR SERVICE AT ELY, NEVADA
SUBSIDY CALCULATION**

	<u>1 Round Trip</u>
Flight Hours	1,223 1/
ELY-LAS Pax.	1,300
ELY-LAS Pax. Rev. @ \$74	\$96,200
<u>Freight</u>	<u>\$1,000</u>
Total Revenue	\$97,200
Aircraft Lease, 1 full Aircraft \$16,000/mo	\$192,000
Hull Insurance (1.45% x \$1.2m)	\$17,400
<u>Pax and Liability Insurance (392,600 RPM x \$.018)</u>	<u>\$7,067</u>
Total Fixed Expense	\$216,467
Captain @ \$50,000 ea.	\$75,000
First Officer @ \$35,000 ea.	\$35,000
Mechanics @ \$45,000 ea.	\$45,000
Ticket Agent - MCN, Ely (\$25K ea.)	\$50,000
<u>Benefits & Taxes (18%)</u>	<u>\$36,900</u>
Total Wages and Benefits	\$241,900
Reservations Agents @ \$2.50/pax.	\$3,250
CRS per Pax. @ \$8.35/pax.	\$10,855
Passenger Inconvenience @ \$2.50/pax.	\$3,250
<u>Commissions @ 7%</u>	<u>\$6,804</u>
Total Rev. and Psgr. Related	\$24,159
Crew Car at Ely	\$6,000
Busing at Las Vegas	\$6,000
Housing / Per Diem (A/C based ELY)	\$49,920
Counter Rental - Ely \$500/mo	\$6,000
Counter Rental @ LAS @ \$1.25/O&D pax.	\$1,625
Advertising & Promotion	\$7,500
Deicing Expense	\$30,000
GPU Cost	\$4,200
Uniforms - Cost & Maintenance	\$2,400
Landing Fees	\$1,836
Misc / Depreciation	\$23,726
<u>Crew Training</u>	<u>\$18,200</u>
Misc. Operating Expense	\$157,407
Fuel (\$127.60/hr) (88 gph @ \$1.45 per gallon)	\$156,055
Airframe & Avionics Parts (\$75/FH)	\$91,725
<u>Engine MX & Reserves (\$60/FH)</u>	<u>\$73,380</u>
Variable Directs	\$321,160

Total Expenses Before Profit and G&A	\$961,093
G&A at 6.4%	\$61,510
<u>Profit at 5%</u>	<u>\$51,130</u>
Total Economic Cost	\$1,073,733
Subsidy @ 98% Completion	\$976,533

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- 1/ ELY-LAS: 12 flts./week x 2 hrs. x 52 weeks x .98 = 1,223 flight hours.
2/ ELY-LAS: 24 flts./week x 2 hrs. x 52 weeks x .98 = 2,446 flight hours.