

**COLGAN AIR, INC.
ESSENTIAL AIR SERVICE AT KEENE, NEW HAMPSHIRE,
AND RUTLAND, VERMONT**

EFFECTIVE PERIOD: July 1, 1998, until further Department action

SCHEDULED PASSENGER SERVICE:

Keene: 12 nonstop and 6 one-stop round trips each week between Keene and Boston

Rutland: 18 nonstop and 6 one-stop round trips each week between Rutland and Boston.

AIRCRAFT TYPE: Beech 1900, 19-seats.

TIMING OF FLIGHTS Flights must be well-timed and well-spaced to ensure full compensation.

SUBSIDY RATE PER ARRIVAL/DEPARTURE \$352.88 ¹

COMPENSATION CEILING EACH WEEK:

Keene: \$12,703.68 ²

Rutland: \$16,938.24 ³

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 \$1,495,138 divided by the estimated annual completed departures and arrivals at a 97 percent completion factor:

Keene: 36 departures/arrivals x 52 weeks x .97 = 1,816;

Rutland: 48 departures/arrivals x 52 weeks x .97 = 2,421, or 4,237 total.

² Subsidy rate per arrival/departure of \$352.88 multiplied by 36 subsidy-eligible arrivals and departures each week.

³ Subsidy rate per arrival/departure of \$352.88 multiplied by 48 subsidy-eligible arrivals and departures each week.