

Mesa Air Group, Inc. 1/ Projected Operating Expenses

Market:	North Platte - Denver	<u>Unit Basis</u>	<u>Historical unit cost</u>	<u>Adjustment factor 2/</u>	<u>Projected unit cost 3/</u>	<u>Projected units</u>	<u>Projected total cost</u>
<u>Direct Operating Expense</u>							
<u>Flying Operations:</u>							
Flight Crew:							
		Cost Per Block Hour	\$80.680	\$21.704 a	\$102.384	1,982	\$202,925
		Cost Per Block Hour	\$20.350	\$12.266 b	\$32.616	1,982	\$64,645
		Total Flight Crew	\$101.030	\$33.970	\$135.000	1,982	\$267,570
		Cost Per Block Hour	\$3.412	\$9.888 c	\$13.300	1,982	\$26,361
		Cost Per Block Hour	\$12.266	(\$12.266) d	\$0.000	1,982	\$0
		Total Flying Operations	\$116.708	\$31.592	\$148.300	1,982	\$293,931
		Cost Per Block Hour	\$121.428	(\$14.828) e	\$106.600	1,982	\$211,281
<u>Maintenance</u>							
		Cost Per Block Hour	\$150.179		\$150.179	1,982	\$297,655
		Cost Per Block Hour	\$161.080	(\$161.080) f	\$0.000	1,982	\$0
		Cost Per Block Hour	\$101.093	(\$6.182) g	\$94.911	1,982	\$188,114
		Total Maintenance	\$412.351		\$249.827	1,982	\$495,157
		Cost Per Block Hour	\$98.139	(\$16.049) h	\$82.090	1,982	\$162,702
		Total Direct Operating Expense					\$1,163,071

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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<u>Indirect Operating Expense:</u>							
Flight Attendants		na on 19 seat ac					
Traffic (RPM) Related Expense		Cost Per Revenue Seat Mile	\$0.069	\$0.003 i	\$0.072	2,880,000	\$207,360
Marketing		per EAS community		\$5,000.000 j	\$5,000.000	1	\$5,000
Capacity (departure) related		Cost Per Departure	\$117.591	\$189.209 k	\$306.800	1,835	\$562,978
Capacity (ASM) related		Cost Per Available Seat Mile	\$0.021	(\$0.011) l	\$0.010	8,367,600	\$83,676
Total Indirect Operating Expense							\$859,014
Total Operating Expense							\$2,022,085

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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. Reflects adjustment to DEN cost reflecting costs above system average.
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.