Applications of

BOSTON-MAINE AIRWAYS CORP.

for issuance of new or amended certificates of public convenience and necessity pursuant to 49 U.S.C. 41102 (Interstate and Foreign Large-Aircraft Operations)

Docket OST-00-7668 and Docket OST-03-14985

FURTHER RESPONSE OF BOSTON-MAINE AIRWAYS CORP.
TO REQUEST FOR UPDATED FITNESS INFORMATION

Communications with respect to this document should be sent to:

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(202) 973-7919 (tel)
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npbreed@zsrlaw.com

Attorneys for BOSTON-MAINE AIRWAYS CORP.

December 19, 2006
BEFORE THE
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON DC

Applications of

BOSTON-MAINE AIRWAYS CORP.

for issuance of new or amended certificates of public
convenience and necessity pursuant to 49 U.S.C. 41102
(Interstate and Foreign Large-Aircraft Operations)

Docket OST-00-7668 and
Docket OST-03-14985

December 19, 2006

FURTHER RESPONSE OF
BOSTON-MAINE AIRWAYS CORP.
TO REQUEST FOR UPDATED FITNESS INFORMATION

Boston-Maine Airways Corp. ("BMAC") hereby submits this Further Response to the June 23, 2006 letter from the Department’s Acting Assistant Secretary for Aviation and International Affairs to counsel for BMAC, as modified by the August 22, 2006 letter from the Acting Assistant Secretary, requesting BMAC to submit certain additional financial fitness information and documents, and to report on any other changes affecting BMAC’s previously-filed fitness-related information, including BMAC’s July 18, 2006 Response to the Department’s June 23, 2006 letter.

BMAC’s responses to the Department’s further requests are furnished below in the same sequence as those requests are set forth in the Acting Assistant Secretary’s August 22nd letter.
I. INTRODUCTORY NOTE

Subsequent to the issuance of the Department’s August 22, 2006 letter, the board of directors and senior management of BMAC, and of its parent company, Pan Am Systems, Inc. (“PASI”) decided to partially recapitalize BMAC’s financial structure, and to make an additional cash capital contribution to BMAC, so as to make BMAC independent of any need for further financial support from its parent corporation (PASI), or from any other affiliated corporations, including Pan Am Railways, Inc. (“PAR”), for the purposes of BMAC’s required demonstration of its financial fitness in connection with its limited current application for authority to add only two additional B727-200 aircraft to its current three-B727 aircraft fleet during the next twelve months following its receipt of the expanded large-aircraft authority currently at issue in this proceeding.

To strengthen BMAC’s financial condition, and thus liberate BMAC from its dependence for financial support on its parent and affiliated corporations, in connection with this current more limited two-aircraft application, the board of directors and senior management of BMAC and its parent company have taken two specific steps, as follows:

1. First, PASI has transferred a substantial inventory of B727 aircraft parts and spare engines formerly held by PASI to BMAC. In recent years, PASI has partially liquidated that inventory through sales to U.S. and foreign airlines and repair facilities, and, from time to time, PASI has replenished that parts and engines inventory through more recent purchases. That inventory, which is currently valued at $4,265,416, and
which PASI and BMAC believe to be highly liquid and marketable in today’s aviation market,¹ is listed as a Current Asset on BMAC’s audited August 31, 2006 Balance Sheet, a copy of which is set forth in Exhibit BMAC-FR-100, infra.

2. Second, BMAC’s affiliated company, PAR, has recently transferred exactly $500,000 in cash to BMAC as an unconditional capital contribution. Third-party verification of that cash transfer into a newly-opened bank account of BMAC as of December 19, 2006 is set forth in Exhibit BMA-FR-102, infra.

On the basis of the foregoing recapitalization and capital infusion, BMAC neither needs, nor intends, to seek or rely on any additional financial support from PASI, PAR and its affiliated companies to finance the addition of two additional B727 aircraft to its current large-aircraft fleet, and to provide adequate working capital to support the operation of those two additional B727 aircraft during the first full year following their addition to BMAC’s large aircraft fleet. For that reason, BMAC respectfully submits that the audited current and year-end 2005 financial statements for PAR, which the Department has directed BMAC to provide to establish the current financial condition of PAR, is no longer relevant to the question of BMAC’s financial fitness with respect to the additional two-aircraft B727 service proposal at issue in this proceeding.

¹ During the 14-month period between October 2005 and November 2006, BMAC and its predecessor parent company, Guilford Transportation Industries sold a total of 23 JT8D turbine engines, and approximately 8,300 B727 parts for an aggregate total cash sales price in excess of $5 million.
Finally, BMAC acknowledges that, although its current request for expanded large-aircraft authority is limited to only two additional B727's, BMAC is not withdrawing its pending request for authority to operate a total of seven B727 aircraft. BMAC has decided to defer prosecution of that portion of its pending application in the interest of expediting the completion of its application for authority to add only two B727 aircraft to its fleet in the immediate future. If, in the longer-term future, BMAC decides to seek authority to operate any additional B727 (or other) large aircraft, BMAC acknowledges that it may require limited and temporary financial assistance from its parent company, PASI, or another affiliated company, at that future time.

BMAC will, of course, fully apprise the Department of any such proposed future increase in its currently-planned five B727 aircraft fleet, and will fully describe any future change in its need for financial support from its parent corporation, if any, in a further application in this or another proceeding for authority to operate more than five B727 aircraft (in addition to its current and ongoing small-aircraft operations).

II. BMAC FINANCIAL FITNESS EVIDENCE

1. Audited Current Financial Statements of BMAC

In its August 22, 2006 letter, the Department has directed BMAC “to provide the Department with current audited financial statements, along with any detailed explanatory footnotes” (DOT Letter, p. 2).

A copy of BMAC’s audited financial statements as of August 31, 2006, with all appropriate footnotes and independent accountant statements, is set forth in Exhibit
BMA-FR-100, infra. BMAC notes that, as a privately-owned closely-held corporation, BMAC is seldom required to produce audited financial statements for any business or governmental purpose, and that the time required by BMAC’s independent accountants to prepare audited statements in this instance has delayed the submission of this Further Response by approximately three months.

2. **Explanation of All Significant Changes In Balance Sheet Accounts**

In its August 22nd letter, the Department has requested BMAC to explain the changes in certain Balance Sheet accounts between BMAC’s audited December 31, 2005 Balance Sheet (filed with the Department in this proceeding on April 24, 2006) and BMAC’s unaudited March 31, 2006 Balance Sheet (filed with the Department with BMAC’s first quarter Form 41 reports). BMAC has also been requested to identify the specific affiliated companies referred to in a Balance Sheet liability account identified as “Due to Affiliates”.

BMAC’s detailed responses to the Department’s foregoing requests are contained in Exhibit BMA-FR-101, infra.

3. **Audited Current and Year-End 2005 Financial Statements for PAR**

For the reasons discussed in the Explanatory Note, above, and as demonstrated in BMAC’s audited August 31, 2006 Balance Sheet (Exhibit BMA-FR-100, supra) and BMAC’s recently-established $500,000 bank account with the Bank of America and its other verified current working capital balances (Exhibits BMA-FR-102 and BMA-FR-103, infra), BMAC does not need, or intend, to seek any financial assistance from its
Boston-Maine Airways Further Response
To Updated Fitness Information Request

parent corporation, PASI, or its affiliated company, PAR, in connection with its working capital requirements associated with its proposal to add only two additional B727 aircraft to its fleet at this stage of this proceeding under the Department’s established financial fitness test formula (see, Exhibit BMA-FR-104, infra).

For that reason, evidence of PAR’s current financial condition as an indication of its ability to support BMAC financially at this stage of this proceeding, and under the limitations of BMAC’s current pending two-aircraft request, is not relevant to any issue currently requiring review and determination by the Department. Accordingly, BMAC is not submitting the current and year-end 2005 financial statements of PAR with this Further Response.

BMAC wishes to emphasize, however, that BMAC is not, by any means, refusing to submit its affiliated corporation’s current financial statements. On the contrary, if the Department determines that it continues to view PAR’s financial condition as relevant and material to the issues at this stage of this proceeding, BMAC will promptly furnish complete and verified consolidated financial statements for PAR and its affiliated companies upon request by the Department.

In light of the extremely long time required to obtain audited financial statements for BMAC, however, and in light of the virtual certainty that the preparation of audited financial statements for PAR—which is a much larger company with far more diverse operations than BMAC—would take as long as five or six months to complete, BMAC would urgently request the Department to permit the submission of unaudited financial
statements for PAR, and NOT to insist upon the submission of audited PAR financial statements. The further delay entailed by such a requirement would inflict serious and unnecessary further damage on BMAC, and would thus work at cross-purposes to BMAC’s long struggle to demonstrate its financial fitness to operate additional large aircraft so as to enable BMAC to finally be authorized to operate and compete efficiently in the highly competitive U.S. airline industry.

4. **Irrevocable Standby Letter of Credit Agreement**

   In its August 22nd letter, the Department requested BMAC to provide detailed information pertaining to “the terms and conditions of the irrevocable standby letter of credit [between PAR and BMAC]” referred to in BMAC’s July 18, 2006 Response to the Department’s June 23, 2006 request for detailed financial fitness information pertaining to BMAC’s possession of adequate working capital to support its application to operate two additional B727 aircraft in chart-only operations.

   As discussed in the Introductory Note above, the material strengthening of BMAC’s financial condition through the cash infusion and marketable asset transfers described previously has made BMAC’s need for the additional working capital to be provided by a Letter of Credit Agreement unnecessary. Accordingly, BMAC has no such Irrevocable Standby Letter of Credit Agreement between itself and either any of its affiliated companies, or with any other financial institution, to provide to the Department at this time. If, in the future, BMAC finds it necessary or desirable to obtain additional financing from any third-party source, BMAC will immediately notify the Department of
any such financing transaction, and will promptly provide copies of all pertinent documents to the Department.

5. **Bank of America Credit Agreement dated June 30, 2006**

In connection with BMAC’s previously-submitted plan to enter into an Irrevocable Standby Letter of Credit Agreement with its affiliated company, PAR, and because the funds to be provided to BMAC pursuant to the PAR-BMAC Letter of Credit Agreement were to be drawn from the larger PAR-Bank of America Credit Agreement dated as of June 30, 2006, the Department’s August 22, 2006 letter requested BMAC to provide the Department “with a complete copy of PAR’s $30 million line of credit with Bank of America, together with its terms and conditions”. In light of BMAC’s decision not to enter into a Letter of Credit Agreement with PAR, BMAC respectfully submits that the Bank of America Credit Agreement is no longer relevant to any current issue relating to BMAC’s financial fitness at this stage of this proceeding, and is not including that Agreement as an exhibit in this Further Response.

If, however, the Department continues to view the June 30, 2006 Bank of America Credit Agreement as relevant to BMAC’s pending limited two-aircraft application, BMAC will promptly file that entire Agreement upon request by the Department.

6. **Verification of All Funds on Deposit in the Name of BMAC**

Copies of four bank account statements, issued by the Bank of America (two accounts), the United Heritage Bank, and the Valley National Bank, verifying the
existence of a total of $595,630.47 in cash on deposit in the name of Boston-Maine Airways Corp. as of November 30, 2006, are set forth in Exhibit BMA-FR-103, infra.

7. **Current Financial Fitness Test Calculation**

A revised calculation of BMAC’s working capital requirement and working capital availability to support the addition of two additional B727-200 aircraft to BMAC’s current aircraft fleet, and reflecting a working capital surplus of $382,791, under the Department’s established financial fitness test formula, is set forth in Exhibit BMA-FR-104, infra.

BMAC notes that the first-year projected operating cost amounts shown in Exhibit BMA-FR-104 are somewhat lower than the operating cost projections shown in Exhibit BMA-107, which was filed as an attachment to BMAC’s initial Response, filed on July 18, 2006 in this proceeding. As shown in the explanation also included in Exhibit BMA-FR-104, the principal reason for the decreased first-year cost projections for the 4th and 5th B727 aircraft is attributable to a projected reduction in total flight hours by those two aircraft in charter operations during the first year after their addition to the fleet.

### III. OTHER BMAC FITNESS-RELATED MATTERS

1. **New Management Personnel**

In September 2006, Captain Russell Q. Jester, Jr. was promoted to the position of Director of Operations for BMAC. Captain Jester was promoted from his prior position as Manager of Flight Operations for BMAC following the promotion of Gordon R. Long, who previously held the position of Director of Operations for BMAC, to the position of
Executive Vice President – Airline Operations. A copy of Captain Jester’s biographical resume and completed fitness information questionnaire is contained in Exhibit BMA-FR-105, infra.

In October 2006, Mr. David Gehner was promoted to the position of Director of Quality Assurance for BMAC, in place of Mr. Kurt Lugar who resigned from BMAC shortly after Mr. Gehner’s promotion. A copy of Mr. Gehner’s biographical resume and completed fitness information questionnaire is contained in Exhibit BMA-FR-106.

Apart from the foregoing promotions of Mr. Long, Captain Jester and Mr. Gehner, there have been no other changes in BMAC’s ownership, board of directors, executive management or key operating management personnel since BMAC’s most recent prior filings in this proceeding.

2. Compliance Disposition, Pending Litigation and Other Fitness Matters

There have been no developments adversely and materially affecting BMAC’s fitness determination subsequent to BMAC’s most recent prior comprehensive fitness information filings in this proceeding on December 30, 2005, April 24, 2006 and July 18, 2006. BMAC believes it appropriate to note, however, a recent significant development in certain pending litigation affecting BMAC and its affiliated company, PAR.

That development involved the recent issuance of a Final Order by the U.S. Federal District Court for the District of New Hampshire in the long-pending case entitled Air Line Pilots Association v. Pan American Airways Corp., et al., case number 1:04-cv-00331 JD. In its Final Order, the District Court found that the owners of Pan American
Airways Corp. ("Pan Am"), an affiliated company owned by PASI, had properly shut down Pan Am’s operations in October 2004 for substantial business reasons, and not because of any animus toward labor unions, as alleged by ALPA.

Among the business considerations which the Court found to be major factors in the decision to shut down Pan Am’s operations included the very significant losses incurred by Pan Am in the aftermath of the September 11, 2001 terrorist attacks in New York City and Washington, the absence of any basis for confidence that Pan Am’s losses could be mitigated in its operations in the foreseeable future, and the belief of PASI’s senior management that BMAC had a more favorable prospect for achieving profitable operations, if B727 aircraft were added to BMAC’s fleet so as to enable BMAC to operate more efficiently and compete more effectively, and based on management’s certainty that jet aircraft would offer a higher degree of passenger acceptance than small turboprop aircraft in the highly competitive U.S. airline industry.

3. Resolution of Concerns Expressed in FAA June 27, 2006 Letter to BMAC

In as a final matter in its August 22, 2006 letter, the Department requested BMAC to explain the background of certain concerns on the part of the Federal Aviation Administration ("FAA") Flight Standards District Office ("FSDO") overseeing BMAC’s operations, which caused the FAA to deny a request by BMAC to add an additional small aircraft to its Part 121 Operations Specifications. The Department also requested BMAC to describe the corrective actions it has taken to address the FAA’s concerns, and to provide an update on the current status of the matter.
As indicated in the FAA’s June 27, 2006 letter, the FAA’s concerns related primarily to difficulties affecting BMAC’s Inventory Control System which appeared to adversely affect BMAC’s ability to maintain an adequate serviceable parts inventory at its maintenance facilities in Portsmouth, New Hampshire and Sanford, Florida.

BMAC took immediate steps to respond to, and correct, the cause of the FAA’s concerns. Those remedial steps are outlined in detail in an October 5, 2006 letter from Gordon Long, BMAC’s V.P.-Airline Operations to BMAC’s Principal Maintenance Inspector, Mr. Roxas. In addition, as reflected in a letter dated September 26, 2006 from Mr. David A. Fink, President of BMAC, to Mr. Bruce Haseltine, BMAC’s Principal Operations Inspector in the FAA’s Tampa, Florida FSDO, advising him of the promotion of Mr. Long to the position of Executive Vice President – Airline Operations, and describing the benefits expected to flow from that promotion.

The FAA’s satisfaction with the corrective actions taken by BMAC is reflected in the FAA’s issuance of amended Operations Specifications adding the small aircraft at issue to BMAC’s active fleet.

Copies of the FAA’s June 27, 2006 letter to BMAC, the amended Section D085 of BMAC’s Operations Specifications, effective December 14, 2006, Mr. Fink’s September 26, 2006 letter to Mr. Haseltine, and Mr. Long’s detailed October 5, 2006 letter to FAA Inspector Roxas, are set forth in Exhibit BMA-FR-107, infra.
IV. CONCLUSION AND REQUEST FOR EXPEDITION

BMAC respectfully submits that it has shown that it is demonstrably and unequivocally fit for certification to operate the additional B727 aircraft at issue in this proceeding, and in all other respects consistent with the continuing fitness requirement of Section 41110(e) of the Federal Aviation Statutes.

As BMAC has requested many times, BMAC earnestly and respectfully requests the Department to review the information set forth in this Response, and any other fitness-related information the Department believes to be relevant and material to the issues in this proceeding, with all due diligence and expedition, and to proceed to issue an Order authorizing BMAC to operate the two additional B727 aircraft at issue at this stage of this proceeding as expeditiously as possible.

Respectfully submitted,

[Signature]

Nathaniel P. Breed, Jr.
ZUCKERT SCOUTT & RASENBERGER, LLP

Attorneys for
BOSTON-MAINE AIRWAYS CORP.
CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing Further Response of Boston-Maine Airways Corp. by messenger, fax, electronic transmission or United States mail, properly addressed and with postage prepaid, upon each of the persons listed in the Service List attached hereto.

Nathaniel P. Breed, Jr.

Washington, D.C.
December 19, 2006
SERVICE LIST (Boston-Maine Large Aircraft)

Michael C. Thomas, Manager
Flight Standards District Office 29
FEDERAL AVIATION ADMINISTRATION
8600 NW 36th Street -- Suite 201
Miami, FL 33166

Todd J. Zinser
Acting Inspector General
DEPARTMENT OF TRANSPORTATION
400 7th Street, S.W. – Room 9210
Washington, D.C. 20590

Jerry D. Anker, Esq.
Russell Bailey, Esq.
AIR LINE PILOTS ASSOCIATION
1625 Massachusetts Ave., N.W.
Washington, DC 20036
## Updated And Revised Fitness Information

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Title or Description of Contents</th>
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</thead>
<tbody>
<tr>
<td>BMA-FR-100</td>
<td>BMAC Audited Financial Statements as of August 31, 2006</td>
</tr>
<tr>
<td>BMA-FR-101</td>
<td>Detailed Explanation of Balance Sheet Account Revisions</td>
</tr>
<tr>
<td>BMA-FR-102</td>
<td>BMAC $500,000 Investment Account with Bank of America</td>
</tr>
<tr>
<td>BMA-FR-103</td>
<td>Third-Party Verification of BMAC Cash Balances as of 11/30/06</td>
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<tr>
<td>BMA-FR-104</td>
<td>Revised Two-B727 Financial Fitness Calculation</td>
</tr>
<tr>
<td>BMA-FR-105</td>
<td>Resume and Fitness Questionnaire of Russell Q. Jester, Jr.</td>
</tr>
<tr>
<td>BMA-FR-106</td>
<td>Resume and Fitness Questionnaire of David Gehner</td>
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<tr>
<td>BMA-FR-107</td>
<td>FAA June 27, 2006 Letter to BMAC and BMAC Amended Operations Specifications effective December 14, 2006, and Related Correspondence Between BMAC and the FAA</td>
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</table>
BOSTON – MAINE AIRWAYS CORP.
(A Wholly-Owned Subsidiary of Pan Am Systems, Inc.)

AUDITED FINANCIAL STATEMENTS

AUGUST 31, 2006
NOTIFICATION TO THIRD PARTY USERS OF THIS REPORT

This report was prepared subject to the terms and conditions set forth in an engagement letter. By relying upon this report, all users shall be deemed to agree to the terms and conditions of that engagement letter. Users intending to rely upon this report should contact the issuer to obtain a copy of its applicable terms and conditions. This report is intended for the exclusive use of the clients of the issuer and others to whom the issuer has expressly granted consent.
BOSTON — MAINE AIRWAYS CORP.
(A Wholly-Owned Subsidiary of Pan Am Systems, Inc.)

AUDITED FINANCIAL STATEMENTS

AUGUST 31, 2006

INDEPENDENT AUDITORS' REPORT ................................................................. 1
BALANCE SHEET ............................................................................................ 2
STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT .................. 4
STATEMENT OF CASH FLOWS — INDIRECT METHOD ............................... 5
NOTES TO FINANCIAL STATEMENTS .......................................................... 6
INDEPENDENT AUDITORS' REPORT

Board of Directors

Boston – Maine Airways Corp.

(A Wholly-Owned Subsidiary of Pan Am Systems, Inc.)

We have audited the accompanying balance sheet of Boston – Maine Airways Corp. (A Wholly-Owned Subsidiary of Pan Am Systems, Inc.) as of August 31, 2006, and the related statements of operations and accumulated deficit and cash flows - indirect method for the eight months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 6 to the financial statements, the Company engages in significant transactions with subsidiaries within the consolidated group that are not included in this statement which may have a significant effect on the Company's financial position and results of operations.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boston – Maine Airways Corp. (A Wholly-Owned Subsidiary of Pan Am Systems, Inc.) as of August 31, 2006, and the results of its operations and its cash flows for the eight months then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 10 to the financial statements, the Company has suffered recurring losses and has an accumulated deficit of approximately $22,985,000 at August 31, 2006. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

GRAY, GRAY & GRAY, LLP

December 13, 2006
## BALANCE SHEET

**AUGUST 31, 2006**

### ASSETS

#### CURRENT ASSETS

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<th>Description</th>
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<td>Restricted cash</td>
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<td>Accounts receivable, net of allowance for doubtful accounts of $49,155</td>
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<td>Assets available for sale</td>
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<td><strong>TOTAL CURRENT ASSETS</strong></td>
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#### PROPERTY, PLANT, AND EQUIPMENT, at cost

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<th>Description</th>
<th>Amount</th>
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<td>Flight equipment</td>
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<tr>
<td>Ground equipment</td>
<td>187,385</td>
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<tr>
<td>Maintenance equipment</td>
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<td>Furniture and fixtures</td>
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<td>Leasehold improvements</td>
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<td><strong>Less accumulated depreciation and amortization</strong></td>
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<td><strong>NET PROPERTY, PLANT, AND EQUIPMENT</strong></td>
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#### OTHER ASSETS

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<td>Intangible asset</td>
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<td>Deferred legal fees</td>
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<td><strong>TOTAL OTHER ASSETS</strong></td>
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**TOTAL ASSETS**

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<tr>
<th>Description</th>
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<tr>
<td></td>
<td><strong>$12,333,596</strong></td>
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The accompanying notes are an integral part of these financial statements.
## Liabilities and Stockholders' Deficit

### Current Liabilities
- Accounts payable: $3,602,570
- Accrued expenses: 2,168,224
- Unearned revenue: 1,054,044

**Total Current Liabilities:** 6,824,838

### Non-Current Liabilities
- Due to affiliates: 24,227,299

**Total Non-Current Liabilities:** 24,227,299

### Commitments and Contingencies

### Stockholders' Deficit
- Common stock, no par value:
  - Authorized 10,000 shares, issued and outstanding 1 share: 1
  - Additional paid-in capital: 4,265,416
  - Accumulated deficit: (22,983,958)

**Total Stockholders' Deficit:** (18,718,541)

**Total Liabilities and Stockholders' Deficit:** $12,333,596

The accompanying notes are an integral part of these financial statements.
BOSTON - MAINE AIRWAYS CORP.  
(A Wholly-Owned Subsidiary of Pan Am Systems, Inc.)  
STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT  
EIGHT MONTHS ENDED AUGUST 31, 2006

<table>
<thead>
<tr>
<th>OPERATING REVENUES</th>
<th>$ 13,253,079</th>
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<td>Passenger and charter</td>
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<th>OPERATING EXPENSES</th>
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<td>Payroll and employee benefits</td>
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<td>Communications</td>
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<td>Other</td>
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<tr>
<td>Sales and marketing</td>
<td>41,653</td>
</tr>
</tbody>
</table>

| TOTAL OPERATING EXPENSES                        | 19,090,805   |

| LOSS FROM OPERATIONS                            | (5,837,726)  |

<table>
<thead>
<tr>
<th>NONOPERATING (EXPENSES) INCOME</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State and other taxes</td>
<td>(747)</td>
</tr>
<tr>
<td>Interest income</td>
<td>14,531</td>
</tr>
<tr>
<td>Other income</td>
<td>349,355</td>
</tr>
</tbody>
</table>

| NET NONOPERATING (EXPENSES) INCOME              | 363,139      |

| NET LOSS                                        | (5,474,587)  |

| ACCUMULATED DEFICIT AT BEGINNING OF PERIOD       | (17,509,371) |

| ACCUMULATED DEFICIT AT END OF PERIOD             | $ (22,983,558) |

The accompanying notes are an integral part of these financial statements.
BOSTON - MAINE AIRWAYS CORP.
(A Wholly-Owned Subsidiary of Pan Am Systems, Inc.)

STATEMENT OF CASH FLOWS - INDIRECT METHOD

EIGHT MONTHS ENDED AUGUST 31, 2006

OPERATING ACTIVITIES

Net loss $ (5,474,587)

Adjustments to reconcile net loss to net cash (used) by operating activities:

- Depreciation and amortization 336,892
- Amortization of deferred charges 683,058
- Disposal of property, plant, and equipment 570,978

(Increase) decrease in assets:

- Restricted cash (164,101)
- Accounts receivable (457,914)
- Other receivables 17,688
- Materials and supplies 394,811
- Prepaid expenses and deposits (541,440)

Increase (decrease) in liabilities:

- Accounts payable 134,053
- Accrued expenses (923,601)
- Unearned revenue (442,071)

NET CASH (USED) BY OPERATING ACTIVITIES $(5,866,234)

CASH FLOWS FROM INVESTING ACTIVITIES

- Purchase of property, plant, and equipment (694,290)
- Purchase of intangibles (49,049)
- Additions to deferred charges (52,990)
- Deferred legal fees (77,274)

NET CASH (USED) BY INVESTING ACTIVITIES $(873,603)

CASH FLOWS FROM FINANCING ACTIVITIES

- Cash overdraft (139,467)
- Increase in due to affiliates 7,325,726

NET CASH PROVIDED BY FINANCING ACTIVITIES $7,186,259

INCREASE IN CASH 446,422

CASH AT BEGINNING OF PERIOD

CASH AT END OF PERIOD $ 446,422

SCHEDULE OF NON-CASH, INVESTING AND FINANCING ACTIVITIES

Capital contribution of assets available for sale $ 4,265,416

SUPPLEMENTAL SCHEDULE

Cash paid for state taxes $ 500

The accompanying notes are an integral part of these financial statements.
NOTE 1 – BUSINESS

Boston - Maine Airways Corp. operates as The Pan Am Clipper Connection, a regional air carrier operating scheduled and charter service in the Eastern United States, the Caribbean, Canada, and Mexico. Boston - Maine Airways Corp. is a wholly-owned subsidiary of Pan Am Systems, Inc.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Cash – The Company maintains its deposits in high quality financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to $100,000. These balances fluctuate greatly during the year and can exceed the federally insured limit of $100,000. As of August 31, 2006 the balances exceeded the federally insured limit by approximately $350,000.

Restricted Cash – Restricted cash represents amounts paid to an escrow agent in advance of charter dates and is recorded as unearned revenue until the charter is provided. The account at this institution is insured by the Federal Deposit Insurance Corporation up to $100,000. The balance in this account fluctuates during the year and can exceed the federally insured limit of $100,000. As of August 31, 2006 the balance exceeded the federally insured limit by $732,401.

Materials and Supplies – Materials and supplies consist of flight equipment expendable parts, which are priced at lower of average cost or market, and fuel which is valued at the lower of cost, calculated using the first-in, first-out (FIFO) method, or market (net realizable value). Expendable inventory parts are charged to expense as used. An allowance for obsolescence is provided for spare parts currently identified as excess to reduce the carrying costs to net realizable value. These allowances are based on management estimates, which are subject to change.

Property, Plant, and Equipment – Property, plant, and equipment are recorded at cost. Depreciation and amortization is recorded over the estimated useful lives of the assets using straight-line and accelerated methods. Expenses for maintenance and repairs, excluding major overhauls, are charged to operations as incurred. Betterments and major overhauls are capitalized.

Deferred Charges – Deferred charges represent airframe and engine overhaul costs which have been capitalized and are amortized to the next overhaul, usually two years. Amortization expense is included in repairs and maintenance expense in the statement of operations.

Deferred Legal Fees – Deferred legal fees represent legal costs incurred to defend the Company's FAR Part 121 certificate. Subsequent to year end (See Note 9) this suit was settled in favor of the Company. In the subsequent year, these costs will be capitalized as part of the certificate and not amortized (See Intangible Asset).
NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition, Accounts Receivable, and Allowance for Doubtful Accounts — Passenger and charter revenues are recognized as earned when the transportation is provided. Amounts received in advance of the flight are reported as unearned revenue. The Company records accounts receivable when services are purchased and provide an allowance for doubtful accounts based on management evaluation of the age and assessed collectibility of each account. Collateral is generally not required on accounts receivable.

Concentrations of Credit Risk — Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of trade receivables.

Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Company's customer base. As of August 31, 2006 there were no significant concentrations of credit risk.

Other Receivables — Other receivables represents overpayments, of Federal taxes on fuel and Federal excise taxes on international air travel, to be refunded.

Income Taxes — The operations of the Company are included in a consolidated federal income tax return as well as consolidated or combined filings within several state jurisdictions. A current income tax provision is recognized as an allocable portion of consolidated and combined tax provisions, based upon separate company taxable income and losses. A deferred tax provision is recognized based upon changes in the separate company's own deferred tax attributes.

Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. The principal item giving rise to the Company's deferred tax accounts results from net operating loss carry forwards. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Advertising Costs — The Company's policy is to charge advertising and marketing costs to expense as incurred.

Use of Estimates — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results could differ from those estimates.

Intangible Asset — The Company has capitalized costs associated with the certificate to fly in certain areas. The intangible asset, which has an indefinite life, is not being amortized.
NOTE 3 – MATERIALS AND SUPPLIES

Materials and supplies consist of the following as of August 31, 2006:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expendable parts</td>
<td>$867,849</td>
</tr>
<tr>
<td>Fuel</td>
<td>3,825</td>
</tr>
<tr>
<td>Less: allowance</td>
<td>(150,000)</td>
</tr>
<tr>
<td><strong>Materials and supplies</strong></td>
<td><strong>$721,674</strong></td>
</tr>
</tbody>
</table>

NOTE 4 – ASSETS AVAILABLE FOR SALE

As of June 30, 2006 there was an equity contribution that consisted of aircraft engines, parts, and supplies that was funded by the Company’s parent, Pan Am Systems, Inc. (See Note 6). The value of $4,265,416 was derived from an independent valuation of the items contributed. The Company is actively engaged, and expects to sell these aircraft engines, parts, and supplies over the next 12 months.

NOTE 5 – INCOME TAXES

At December 31, 2005, the parent company and its subsidiaries have approximately $172,000,000 (including $41,000,000 for Boston – Maine Airways Corp.) of net operating loss carry forwards expiring in varying amounts, approximately $12,000,000 in 2006, and the remainder between 2018 and 2025. A valuation allowance for the entire amount of the Company’s operating loss carry forwards has been established as the expected tax benefit of these attributes cannot be determined as of August 31, 2006.

NOTE 6 – RELATED PARTY TRANSACTIONS

Aircraft Leases – The Company leases aircraft on a tenant-at-will basis from Pan Am Railways, Inc. (Railways), a wholly-owned subsidiary of the Company’s parent. The lease calls for monthly payments of $90,000. A summary of the leased aircraft is as follows:

<table>
<thead>
<tr>
<th>Description of Aircraft</th>
<th>Monthly Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Boeing &quot;727's&quot;</td>
<td>$60,000</td>
</tr>
<tr>
<td>6 Jetstreams</td>
<td>$30,000</td>
</tr>
</tbody>
</table>

Total lease payments were $720,000 for the period ended August 31, 2006.
NOTE 6 – RELATED PARTY TRANSACTIONS (CONTINUED)

Simulator Lease – The Company leases a simulator facility.

The facilities are leased by the Company from Pan Am Services, Inc. (PAS), a wholly-owned subsidiary of the Company's parent, on a tenant-at-will basis. The lease calls for monthly lease payments of $4,928. As of August 31, 2006 total lease payments amounted to approximately $39,000.

Due to Affiliates – Due to affiliates represents interest free advances made to and from affiliated companies within the consolidated group. There are no formal repayment terms and the amounts will not be repaid within the next operating cycle.

Additional Paid-in Capital – In June 2006, the Company's parent, Pan Am Systems, Inc., made an equity contribution consisting of aircraft engines, parts, and supplies with a value of $4,265,416 (See Note 4).

NOTE 7 – LEASES

The Company leases space from non-related parties under long-term operating lease agreements that expire over periods from 10 to 20 years. The monthly payments under the leases are currently $21,835 plus charges for the Company's pro rata share of operating costs, taxes, and insurance.

Future minimum rental payments on the leases for the next five years are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Minimum Rental Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$224,906</td>
</tr>
<tr>
<td>2008</td>
<td>$361,675</td>
</tr>
<tr>
<td>2009</td>
<td>$361,675</td>
</tr>
<tr>
<td>2010</td>
<td>$361,675</td>
</tr>
<tr>
<td>2011</td>
<td>$361,675</td>
</tr>
</tbody>
</table>

Lease expense, included in operating expenses, was $205,389 for the period ending August 31, 2006.

NOTE 8 – COMMON STOCK

Common shares are voting and dividends are paid at the discretion of the board of directors. There were no dividends declared or paid as of August 31, 2006.
BOSTON - MAINE AIRWAYS CORP.
(A Wholly-Owned Subsidiary of Pan Am Systems, Inc.)

NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2006

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Legal Contingencies – The Airline Pilots Association International filed suit in U.S. District Court charging Pan American Airways Corporation (PAA), (A wholly-owned subsidiary of Pan Am Systems, Inc.), with violation of Federal labor laws in 2004. Subsequently, the court issued an injunction ordering FAA to restore pay rates and working conditions for their pilots and flight crews to the status quo as of July 15, 2004 and to refrain from using Boston – Maine Airways Corp. or other affiliated operations to operate B-727 aircraft in service traditionally performed by PAA. The injunction was substantially overturned on appeal and the parties were litigating the remaining issues. Subsequent to year end, a judgment dated October 4, 2006, ended the lawsuit, ruling in favor of PAA.

Regulatory Matters – The Company is party to ongoing Federal Aviation Administration proceedings arising in the ordinary course of business. In the opinion of management and legal consul, the resolution of these matters will not have a material adverse effect on the Company’s combined financial position, results of operations, or cash flows.

NOTE 10 – GOING CONCERN

The Company has suffered significant operating losses and negative cash flows since it began operations and at August 31, 2006 had an accumulated deficit of approximately $22,985,000. Operating losses have been funded by capital contributions from the Company’s stockholders and payments made on the Company’s behalf by Railways. In addition, Railways has allowed the Company to defer the payment of certain expenses, including aircraft lease payments. Management expects the Company to require the continued support of Railways while it restructures its operations to reduce operating costs.

The Company’s restructuring plan includes increased scheduled passenger and charter service under its recently acquired certificate to operate B-727 aircraft. The Company is currently operating three 727 aircraft and will be requesting the U.S. Department of Transportation (DOT) to expand its service with additional 727 aircraft. The restructuring plan also includes an influx of cash from the proceeds of the asset sales (See Note 4).

These conditions raise substantial doubts about the Company’s ability to continue operating as a going concern. The financial statements do not include any adjustments that could be required if the Company is unable to continue as a going concern.
BOSTON-MAINE AIRWAYS CORP.  
ANALYSIS OF BALANCE SHEET CHANGES  
12/31/05 AUDITED FINANCIALS & UNAUDITED 3-31-06 FORM 41

ASSETS

Cash
The amount on the 3/31/06 Form 41 DOT report included the escrow account balance; the audited financials list the escrow balance separately under restricted cash on the balance sheet. The escrow balance at 3/31/06 was $557,269; at 12/31/05 it was $668,300. The net balance of the other cash accounts was -$25,000 at 3/31/06, resulting in the $572,484 amount recorded on the 3/31/06 Form 41 DOT report.

Notes and Accounts Receivable, Net
The reason for the change in receivables balance on the 3/31/06 Form 41 DOT report when compared to the 12/31/05 audited financials is the following: (1) the auditors segregated charter, parts and passenger receivables from all other receivables as a separate line item on the audited balance sheet, and the Form 41 report incorporates all the receivable amounts in one line item as “Accounts Receivable” and (2) the total receivables balance decreased from 12/31/05 to 3/31/06 due to increased collections efforts, resulting in the net change of -$227,000.

Materials and Supplies (Inventory)
Decrease in inventory of almost $250,000 from 12/31/05 to 3/31/06 is due to issuances out of parts inventory during that time period.

Prepaid expenses (and deposits)
Increase in prepaid expenses and deposits due to $25,000 deposit made with a certain vendor in combination with an overall increase of almost $56,000 in prepayments made to other vendors in the three-month period ended 3/31/06.

Fixed assets
First of all, the audited balance sheet breaks out fixed assets into more separate, distinctive groupings as compared to the Form 41 DOT reports – this fact alone creates comparison issues between an audited balance sheet and the DOT reports. The DOT report line item classifications are more general in comparison to the audited statements. The reason for the overall increase (approximately $150,000) between 12/31/05 and 3/31/06 net fixed assets is $100,000 in capital additions for aircraft equipment (including $60K for engine improvements) and a $50,000 upgrade in computer systems and equipment.

Other assets
The first comparison issue with regards to other assets is that the Form 41 DOT report is more general with regards to line item classification – the audited balance sheet distinguishes between costs capitalized under the Part 121 certificate and those
capitalized under "Deferred charges". While the costs for the Part 121 certificate remained constant, there was a net increase of approximately $117,000 in deferred charges for the three-month period ended 3/31/06 which will be amortized until the next C-checks are due for certain B727-200 aircraft.

**LIABILITIES & EQUITY**

*(Trade) Accounts payable*

Decrease of over $450,000 in accounts payable over the three-month period ended 3/31/06 due simply to increased payments of vendor balances, notably fuel vendors.

**Accrued expenses and other current liabilities**

Once again, there is a comparability issue due to the various line item descriptions and groupings utilized on the audited balance sheet in comparison to the 3/31/06 Form 41 DOT report. The DOT report breaks out the other (as in other than accounts payable) current liabilities into "Accts. Payable – Other", "Accrued Salaries & Wages", "Accrued Vacation Pay", "Accrued Taxes" and "Air Traffic Liability", while the audited balance sheet utilizes line items such as "Cash overdraft", "Accrued expenses" and "Unearned revenue". There is no "Cash overdraft" at 3/31/06, "Air Traffic Liability" is essentially the same as "Unearned revenue", and all the other items on the DOT report for current liabilities fall under the audited balance sheet description "Accrued expenses".

There was a slight decrease of $40,000 in unearned revenue/air traffic liability for the three months ended 3/31/06 as a result of flying operations.

Accrued salaries and wages decreased by approximately $50,000 simply as a result of the timing of period ends for processing payroll, as compared to 12/31/05. Accrued vacation pay remained constant for the three-month period ended 3/31/06.

Of the remaining items that composed "Accrued expenses" on the audited balance sheet, two items noticeably decreased in comparison to their 12/31/05 balance: (1) accrued payroll taxes decreased by $71,000 due to timing of payments for January through the end of March in comparison to recorded liabilities for payroll periods processed during that time span, and (2) substantial payments for accrued taxes and fees resulted in a decrease of $210,000 for "Accrued Taxes" – part of the "Accrued expense" category on the audited balance sheet – for the three months ended 3/31/06.

**Advances from associated companies/Due to affiliates**

There are two differences regarding this line item description; the first is that the 12/31/05 audited balance sheet represents the balance as being a current liability, while the equivalent item reported on the Form 41 DOT report is listed as a non-current liability. Let it be known that the 8/31/06 audited balance sheet now shows the amount as being non-current, and this change is also disclosed in the footnotes. The second difference is the increase in the amount due to associated/affiliated companies for the three months ended 3/31/06. As a result of cash advances, vendor payments made on behalf of the Company and other items, the balance increased approximately $2,400,000 in comparison to the 12/31/05 audited balance sheet.
Retained earnings (deficit)
The change for the first three months of 2006 is reflective of the net loss ($1,320,000) for the Company in that period of time, combined with approximately $71,000 of certain items applied against retained earnings, resulting in the $1,249,000 difference compared to the 12/31/05 audited financial statements.
BOSTON-MAINE AIRWAYS CORP - Business Accounts

Today is Tuesday, December 19, 2006.
You last signed in on December 18, 2006 at 03:43 PM ET.

Using Online Banking
Get more from Online Banking
Take the Online Banking and Bill Pay.

Bank Accounts

<table>
<thead>
<tr>
<th>Account</th>
<th>Balancea</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Economy Chk-8104</td>
<td>$500,000.00b</td>
</tr>
<tr>
<td>Full Analysis Busn Chk-2577</td>
<td>$9,259.54b</td>
</tr>
</tbody>
</table>

Other Accounts & Information

My Portfolio®
View and manage your online accounts, including non-Bank of America accounts at a single location.
Save money with our exclusive special offers
Check for available offers

Introducing $0 online equity trades
From Banc of America Investment Services, Inc. Restrictions apply

Customer Service

<table>
<thead>
<tr>
<th>Account Services</th>
<th>More Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Update Your E-mail Address</td>
<td>Manage Alerts</td>
</tr>
<tr>
<td>Update Your Street Address and/or Phone Number</td>
<td>Online Banking Users Guide</td>
</tr>
<tr>
<td>Stop Check Payment</td>
<td>Online Banking Guarantee</td>
</tr>
<tr>
<td>Reorder Checks</td>
<td>Online Banking Service Agree</td>
</tr>
<tr>
<td>Add/Edit Account Nickname</td>
<td>Browser information</td>
</tr>
<tr>
<td>Create your SiteKey (New)</td>
<td></td>
</tr>
</tbody>
</table>

a. The balance may reflect transactions that have not yet posted to your account.
b. As of today

https://onlineeast1.bankofamerica.com/cgi-bin/ias/yT9PuGtL_MS3itjVZJ8L7J1ku5iN9h... 12/19/2006
# Bank of America

**BOSTON - MAINE AIRWAYS CORP**

## Full Analysis Business Checking

**BOSTON - MAINE AIRWAYS CORP**

### Your Account at a Glance

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Statement Period</th>
<th>Statement Beginning Balance</th>
<th>Amount of Deposits/Credits</th>
<th>Amount of Withdrawals/Debits</th>
<th>Statement Ending Balance</th>
<th>Average Ledger Balance</th>
<th>Service Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>0094 2913 9794</td>
<td>11/01/06 through 11/30/06</td>
<td>$196,685.72</td>
<td>$1,985,474.44</td>
<td>$2,073,692.98</td>
<td>$103,467.13</td>
<td>$91,630.59</td>
<td>$1,031.46</td>
</tr>
</tbody>
</table>

### Enclosures

- **Account Number:** 0094 2913 9794
- **Page 3 of 16**
- **Statement Period:** 11/01/06 through 11/30/06
- **Enclosures:** 287 43

### Deposits and Credits

<table>
<thead>
<tr>
<th>Date</th>
<th>Customer Reference</th>
<th>Amount ($)</th>
<th>Description</th>
<th>Bank Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/01</td>
<td>4,261.09</td>
<td>Banked Settlement Des:POS Setl ID:000930000005114</td>
<td>900604007588263</td>
<td></td>
</tr>
<tr>
<td>11/01</td>
<td>1,107.74</td>
<td>Deposit</td>
<td>813001370573687</td>
<td></td>
</tr>
<tr>
<td>11/01</td>
<td>0.57</td>
<td>Banked Settlement Des:POS Setl ID:000930000005114</td>
<td>90060400613625</td>
<td></td>
</tr>
<tr>
<td>11/01</td>
<td>0001974085</td>
<td>Account Transfer Trf From 00942946649</td>
<td>906811010008829</td>
<td></td>
</tr>
<tr>
<td>11/02</td>
<td>10,000.00</td>
<td>Wire Type:Wire IN Date: 061102 Time:1229 Et</td>
<td>903711020138418</td>
<td></td>
</tr>
<tr>
<td>11/02</td>
<td>32,848.00</td>
<td>Trn:2006110200138418 Seq:061102113847Ek00/000124</td>
<td>Orig:Boston-Maine Airways Corp ID:40852652 Snd Bk: Valley National Bank ID:021201383 Pmt Det:Pymt For Completed Flight</td>
<td></td>
</tr>
<tr>
<td>11/02</td>
<td>33.57</td>
<td>Adjustments : Ck #16211 for $33.57 was processed twice. Sr# 1-10305695</td>
<td>924611020002957</td>
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</tr>
<tr>
<td>11/03</td>
<td>42,000.99</td>
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<td>90060606145643</td>
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</tr>
<tr>
<td>11/03</td>
<td>29,231.46</td>
<td>Wire Type:Wire IN Date: 061103 Time:1220 Et</td>
<td>903711030140331</td>
<td></td>
</tr>
<tr>
<td>11/03</td>
<td>12,000.00</td>
<td>Account Transfer Trf From 00942946649</td>
<td>906811030007500</td>
<td></td>
</tr>
<tr>
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<td>218.17</td>
<td>1658-02Nov06 Twipay 15133NY</td>
<td>944311030006856</td>
<td></td>
</tr>
<tr>
<td>11/06</td>
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<td>Wire Type:Wire IN Date: 061106 Time:1524 Et</td>
<td>903711060209920</td>
<td></td>
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<tr>
<td>11/06</td>
<td>38,000.00</td>
<td>Trn:2006110600128675 Seq:200611060000007/000571</td>
<td>Orig:Boston-Maine Airways Inc ID:101011433 Snd Bk: United Heritage Bank ID:063115123</td>
<td></td>
</tr>
<tr>
<td>11/06</td>
<td>30,203.17</td>
<td>Deposit</td>
<td>813001270571928</td>
<td></td>
</tr>
</tbody>
</table>
Full Analysis Business Checking

BOSTON-MAINE AIRWAYS CORP

Your Account at a Glance

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Statement Beginning Balance</th>
<th>Statement Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>0094 2915 2577</td>
<td>$9,386.27</td>
<td>$17,972.65</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Statement Period</th>
<th>Amount of Deposits/Credits</th>
<th>Amount of Withdrawals/Debits</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/01/06 through 11/30/06</td>
<td>$780,884.83</td>
<td>$772,298.42</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of Deposits/Credits</th>
<th>Number of Withdrawals/Debits</th>
<th>Number of Days in Cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>131</td>
<td>30</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average Ledger Balance</th>
<th>Service Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>$17,335.69</td>
<td>$958.28</td>
</tr>
</tbody>
</table>

Deposits and Credits

<table>
<thead>
<tr>
<th>Date</th>
<th>Customer</th>
<th>Amount ($)</th>
<th>Description</th>
<th>Bank Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/01</td>
<td>0001974101</td>
<td>111,769.39</td>
<td>Account Transfer Traf From 009429139794</td>
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</tr>
<tr>
<td>11/02</td>
<td>0001979222</td>
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<td>906811020007582</td>
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<tr>
<td>11/08</td>
<td>0001991635</td>
<td>113,661.11</td>
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<td>906811080007333</td>
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<tr>
<td>11/14</td>
<td>0002005301</td>
<td>42,503.63</td>
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<td>906811140008123</td>
</tr>
<tr>
<td>11/15</td>
<td>0002009419</td>
<td>95,085.75</td>
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<td>906811150008593</td>
</tr>
<tr>
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<td>0002018385</td>
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<td>906811170007460</td>
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<tr>
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<td>0002017915</td>
<td>1,973.01</td>
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</tr>
<tr>
<td>11/21</td>
<td>0002026211</td>
<td>75,340.10</td>
<td>Account Transfer Traf From 009429139794</td>
<td>906811210009039</td>
</tr>
<tr>
<td>11/22</td>
<td>0002029298</td>
<td>59,799.39</td>
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<td>906811220008361</td>
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<tr>
<td>11/22</td>
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<td>29,192.18</td>
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<tr>
<td>11/24</td>
<td>0002032774</td>
<td>12,274.97</td>
<td>Account Transfer Traf From 009429139794</td>
<td>906811240002421</td>
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<tr>
<td>11/29</td>
<td>0002042271</td>
<td>115,292.88</td>
<td>Account Transfer Traf From 009429139794</td>
<td>906811290009603</td>
</tr>
</tbody>
</table>
Checking

**BUSINESS CHECKING**

**ACCOUNT NUMBER**: 0101011435

<table>
<thead>
<tr>
<th>Previous Statement Balance as of 10/31/06</th>
<th>1,566.41</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plus 5 Deposits and Other Credits</td>
<td>188,709.40</td>
</tr>
<tr>
<td>Less 7 Checks and Other Debits</td>
<td>188,264.54</td>
</tr>
<tr>
<td>Current Statement Balance as of 11/30/06</td>
<td>2,011.27</td>
</tr>
</tbody>
</table>

**NUMBER OF DAYS IN THIS STATEMENT PERIOD**: 30

### Account Transactions

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Debits</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/01</td>
<td>AC-AMERICAN EXPRESS-COLLECTION</td>
<td>592.50</td>
<td></td>
</tr>
<tr>
<td>11/06</td>
<td>AC-AMERICAN EXPRESS-SETTLEMENT</td>
<td>38,000.00</td>
<td>38,319.00</td>
</tr>
<tr>
<td>11/07</td>
<td>AC-APR -CDISCOUNT</td>
<td>661.58</td>
<td></td>
</tr>
<tr>
<td>11/13</td>
<td>AC-AMERICAN EXPRESS-SETTLEMENT</td>
<td>60,000.00</td>
<td>60,923.11</td>
</tr>
<tr>
<td>11/13</td>
<td>ACCOUNT ANALYSIS FEE</td>
<td>10.46</td>
<td></td>
</tr>
<tr>
<td>11/20</td>
<td>WIRE TO BOSTON-MAINE AIRWAYS CORP</td>
<td>42,000.00</td>
<td>42,334.37</td>
</tr>
<tr>
<td>11/27</td>
<td>AC-AMERICAN EXPRESS-SETTLEMENT</td>
<td>343.30</td>
<td></td>
</tr>
<tr>
<td>11/27</td>
<td>WIRE TO BOSTON-MAINE AIRWAYS CORP</td>
<td>47,000.00</td>
<td>46,789.62</td>
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</tbody>
</table>

### Balance By Date

<table>
<thead>
<tr>
<th>Date</th>
<th>Balance</th>
<th>Date</th>
<th>Balance</th>
<th>Date</th>
<th>Balance</th>
<th>Date</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/31</td>
<td>1,566.41</td>
<td>11/01</td>
<td>973.91</td>
<td>11/06</td>
<td>1,292.91</td>
<td>11/07</td>
<td>631.33</td>
</tr>
<tr>
<td>11/13</td>
<td>1,543.98</td>
<td>11/20</td>
<td>1,878.35</td>
<td>11/27</td>
<td>2,011.27</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**OCOEE OFFICE NOW OPEN!**

11101 WEST COLONIAL DRIVE
(407)654-9211
<table>
<thead>
<tr>
<th>ACCOUNT</th>
<th>DESC.</th>
<th>POSTING DATE</th>
<th>DEBIT</th>
<th>CREDIT</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRAND TOTAL</td>
<td></td>
<td>838988.64</td>
<td>796950.62</td>
<td></td>
<td>472816.34</td>
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</tbody>
</table>
BOSTON-MAINE AIRWAYS CORP.
Total Working Capital Requirement and Resources
Addition of Two (2) B-727-200 Aircraft to the Fleet
8/31/2006

Working Capital Requirement

25% of Full-Year Operating Expense
(4th B-727 Aircraft) $ 881,000
25% of Full-Year Operating Expense for spare aircraft
(5th B-727 Aircraft) 320,000
Projected Unpaid Pre-Operating Expense 500,000

Total Working Capital Requirement $ 1,701,000

Working Capital

Net Working Capital on Hand (per 8/31/06 audited balance sheet)
(current assets less current liabilities) 1,583,891
Capital Contribution (December 19, 2006) 500,000

Total Working Capital 2,083,891

Working Capital Surplus $ 382,891
<table>
<thead>
<tr>
<th>727 Expenses</th>
<th>727 Current Fleet</th>
<th>Additional 4th 727</th>
<th>Additional 5th 727-Spare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passengers Carried</td>
<td>39,943</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Revenue Per Passenger</td>
<td>126.72</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Load Factor</td>
<td>58%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Charter Revenue Per Block Hour</td>
<td>5,533</td>
<td>6,000</td>
<td>6,000</td>
</tr>
</tbody>
</table>

**OPERATING REVENUES (000)**

<table>
<thead>
<tr>
<th></th>
<th>Charter Revenue</th>
<th>Passenger Revenue</th>
<th>Misc. Passenger Revenue</th>
<th>Miscellaneous Revenue</th>
<th>Total Operating Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>10,048</td>
<td>5,062</td>
<td>143</td>
<td>50</td>
<td>15,303</td>
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<tr>
<td>Charter Revenue</td>
<td>3,768</td>
<td>0</td>
<td></td>
<td></td>
<td>1,319</td>
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<tr>
<td>Passenger Revenue</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Misc. Passenger Revenue</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Miscellaneous Revenue</td>
<td>0</td>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**OPERATING EXPENSES (000)**

<table>
<thead>
<tr>
<th></th>
<th>Operations</th>
<th>Aircraft Fuel</th>
<th>Sched Passenger Taxes &amp; Fees</th>
<th>Operations Support-Pax Services</th>
<th>Maintenance</th>
<th>Facilities</th>
<th>Sales &amp; Marketing</th>
<th>Stations</th>
<th>General &amp; Administrative</th>
<th>Total Operating Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,193</td>
<td>8,003</td>
<td>697</td>
<td>191</td>
<td>2,064</td>
<td>499</td>
<td>277</td>
<td>2,748</td>
<td>2,394</td>
<td>20,066</td>
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<tr>
<td>Operations</td>
<td>300</td>
<td>2,013</td>
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<td>38</td>
<td>300</td>
<td>0</td>
<td>27</td>
<td>605</td>
<td>240</td>
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<td>Aircraft Fuel</td>
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<td>705</td>
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<td>105</td>
<td>0</td>
<td>9</td>
<td>212</td>
<td>120</td>
<td>1,269</td>
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<tr>
<td>Sched Passenger Taxes &amp; Fees</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Operations Support-Pax Services</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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</tr>
<tr>
<td>Maintenance</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Facilities</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Sales &amp; Marketing</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>Stations</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>General &amp; Administrative</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td></td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>246</td>
<td>50</td>
<td>881</td>
<td>317</td>
<td>1,198</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**Operating Income (Loss)**

|                          | (4,763)     | 246          | 50                          |

**Flight Summaries**

<table>
<thead>
<tr>
<th></th>
<th>Sched Service Flights</th>
<th>Sched Service Block Hours</th>
<th>Charter Flights</th>
<th>Charter Block Hours</th>
<th>All Flights</th>
<th>All Block Hours</th>
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<tbody>
<tr>
<td></td>
<td>487</td>
<td>870</td>
<td>948</td>
<td>1,816</td>
<td>1,435</td>
<td>2,686</td>
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<td>336</td>
<td>628</td>
<td>336</td>
<td>628</td>
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<tr>
<td>Sched Service Block Hours</td>
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<td>0</td>
<td>118</td>
<td>220</td>
<td>118</td>
<td>220</td>
</tr>
<tr>
<td>Charter Flights</td>
<td>0</td>
<td>0</td>
<td>118</td>
<td>220</td>
<td>118</td>
<td>220</td>
</tr>
<tr>
<td>Charter Block Hours</td>
<td>0</td>
<td>0</td>
<td>220</td>
<td>220</td>
<td>220</td>
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<td>All Flights</td>
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<td>All Block Hours</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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**Reserves**

<table>
<thead>
<tr>
<th>Addition Percentage</th>
<th>Amount (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(4th) Additional Aircraft @ 25%</td>
<td>881</td>
</tr>
<tr>
<td>(5th) Additional Aircraft@ 25%</td>
<td>317</td>
</tr>
<tr>
<td>Total</td>
<td>1,198</td>
</tr>
</tbody>
</table>
Boston Maine Airways Corporation

Projected Next Two B 727 Pre-Operating Expenses 8/31/06

<table>
<thead>
<tr>
<th>Tail Number</th>
<th>Expense Item</th>
<th>Estimated Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>N346PA</td>
<td></td>
<td>$0.00</td>
</tr>
<tr>
<td>N343 PA</td>
<td>C Check</td>
<td>$500,000.00</td>
</tr>
</tbody>
</table>

Total Cost for 2 Additional Planes in 2007 $500,000.00
December 15, 2006

Fm: Mark Sullivan

Re: Expense Differences from Exhibit BMA-101

The 727 expense differences from the Exhibit BMA-101 document against the revised 727 expenses are a result of using a greater period of expense projections versus actual expenses.

In the Exhibit BMA 101 the expenses were based on the actual operations from January 2006 to June 2006, with a projection of the next six-month period. The revised expense document is based upon the actual expenses from January 2006 through October 2006, with only two months of projections. Events that were projected to happen in the BMA-101 document didn’t, and actual flying was less than forecasted. As a result, expenses were less.
RUSSELL Q. JESTER, JR.  

108 Stage Rd  
Nottingham, New Hampshire  
C 603-834-3566  
W 603-766-2005

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>PIC Total Hours</th>
<th>TOTAL Total Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>B727</td>
<td>7111</td>
<td>7111</td>
</tr>
<tr>
<td>B737</td>
<td>897</td>
<td>1592</td>
</tr>
<tr>
<td>B707/720</td>
<td>1515</td>
<td>2702</td>
</tr>
<tr>
<td>T37/T38</td>
<td>54</td>
<td>188</td>
</tr>
<tr>
<td>T34/T28</td>
<td>20</td>
<td>164</td>
</tr>
<tr>
<td>CV580</td>
<td></td>
<td>89</td>
</tr>
<tr>
<td>DHC-6</td>
<td></td>
<td>13</td>
</tr>
<tr>
<td>DHC-8</td>
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<td>84</td>
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<tr>
<td>C500</td>
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<td>7</td>
</tr>
<tr>
<td>C310</td>
<td></td>
<td>7</td>
</tr>
</tbody>
</table>

121 Air Carrier PIC 8092 total hours  
Military PIC 1589 total hours

WORK HISTORY

Sep 06 to present  
Director of Operations, Boston Maine Airways, responsible for all flight operations, station operations, flight training, and FAA liaison.

Nov 04 to Sep 06  
Manager of Flight Operations Boston Maine Airways. Manage daily flight operations and liaison with other departments and the FAA at the direction of Director of Operations. Is responsible for operational control of the airline in the absence of the Director of Operations.

Apr 01 to Nov 04  
Director of Operations, Pan American Airways, responsible for all flight operations, station operations, flight training, and FAA liaison.

Jan 99 to Apr 01  
B727 Program Manager, Chief of Flight Standards, Pan American Airways, supervision of check airmen, ground and flight training and liaison with FAA at direction of the Director of Operations.

Sep 98 to Jan 99  
Check Airman B727, Ground School Instructor, CRM Facilitator, Pan American Airways, Portsmouth, New Hampshire.

Apr 98 to Sep 98  
Captain B727, Kitty Hawk Air Cargo, Dallas Texas flying air freight throughout the United States.

Apr 91 to Apr 98  
Captain B727, Ground School Instructor, Simulator Instructor, Carnival Airlines/Pan Am Airways, Ft. Lauderdale, Florida.
Dec 89 to Apr 91  Self employed, Custom Boat Pen and Ink Drawings, Screen Printing, etc., St. Petersburg, Florida.

July 86 to Dec 89  Captain DHC-8, First Officer B737, Presidential Airways, Dulles Int’l, Washington DC. Presidential declared bankruptcy and ceased operations in Dec 89.

Sep 84 to July 86  Fleet Manager B737, Check Airman B737, B727, Skybus Inc., Denver Colorado.

Sep 83 to Sep 84  Captain B727, Frontier Horizon Airlines, Simulator Instructor, Ground School Instructor, Denver, Colorado.

May 79 to Sep 83  Frontier Airlines Pilot Furlough, worked as Crew Scheduler (DEN), Ticket Counter Agent (BIL,DEN,LEX), Operations Agent (BIL, DEN,LEX), Ramp Agent (BIL,DEN,LEX), Air Freight Agent, (DEN).

Jan 79 to May 79  First Officer CV580, DHC-6, Frontier Airlines, Denver, Colorado.

Oct 77 to Jan 79  Leasing Representative for Lamb Chevrolet, San Diego, California.

July 69 to Oct 77  USAF, Standardization/Evaluation RC135, Eielson AFB, Alaska, Offutt AFB, Nebraska USN Aviation Officer Candidate School and Pilot Training, Pensacola, Florida.

Bachelor of Science in Biology, 1969 Murray State University, Murray, Kentucky

Hobbies: Western horse trainer, Bronco fan
NOTE: This questionnaire will be submitted to the DOT in connection with BMAC's DOT certificate application. Please answer all questions, with a more detailed explanation where requested, sign and date the form, and return it to Nat Breed at Zuckert Scoult & Rasenberger via telecopier (202/342-0683) or air express service (888 17th Street, N.W., Washington, D.C. 20006). Please indicate if you desire for any part of your response to be kept confidential.

1. Please state your name and residence address:
   Russell Q. Jester, Jr
   108 Stage Rd, Nottingham, NH 03290

2. Title or Position with Company:
   Director of Operations

3. Number and type of shares of Company stock owned, or to be acquired, if any:
   0 (zero)

4. Current Position, Business Address and Telephone: (complete only if you are not currently employed on a full-time basis by the Company)
   NA

5. Are you a citizen of the United States? Yes X No

6. If you are not a U.S. citizen, please indicate your nationality and current immigration status
7. Are you currently an officer, director or major shareholder (5 percent or more of the total stock), or do you have any other significant interest in, any other air carrier, foreign air carrier, common carrier, person substantially engaged in the business of aeronautics, or person whose principal business is the ownership or control of any such transportation or aeronautic activity? Yes ___ No ___X___

(If your answer is “yes”, please provide detailed information relating to each such relationship or interest in the space provided in Attachment A to this questionnaire).

8. Have you held, in the past, any position with any U.S. or foreign air carrier, or other aviation-related business? Yes ___ X___ No ___

(If “yes”, please provide information regarding all positions held, with dates of employment and responsibilities, and any other relevant information, on Attachment A, or attach a copy of a recent resume to this Questionnaire).

9. Are you the subject of any pending legal action, or outstanding judgment, involving a claim in excess of $5,000? Yes ___ No ___X___

(If “yes”, please provide date and amount of each claim or judgment, and the name of each claimant or judgment creditor, in the space provided in Attachment A).

10. Are you the subject of any pending legal action, or outstanding judgment, involving a claim of less than $5,000? Yes ___ No ___X___

(If “yes”, please supply the total number and aggregate amount of all claims and/or judgments outstanding against you in the space provided in Attachment A).

11. Have you been the subject of a formal complaint or enforcement investigation by the DOT or the FAA regarding compliance with the Federal Aviation Act of 1958, or any order, rule, regulation or other requirement issued pursuant to the Act, during the past five (5) years? Yes ___ No ___X___

(If “Yes”, describe each complaint, and indicate the current status or final disposition of each complaint in the space provided in Attachment A).

12. Have you been charged with any unfair or deceptive or anticompetitive business practices, or any fraud, felony or antitrust violation, during the past ten (10) years? Yes ___ No ___X___

(If “yes”, please describe, and indicate the disposition or current status of each proceeding in the space provided in Attachment A).
13. Have you been involved in any aircraft accident or incident during the past year, or in the past and which remains the subject of an open investigation by the FAA, NTSB or the Company? Yes ___ No ___X__

(If “yes”, please state the date and other details, including the status of any pending investigations, in the space provided in Attachment A).

Signature

Date

Russell Q. Jester Jr.

15 Dec 06

Printed Name  Russell Q. Jester Jr.
David Gehner

Objective
To continue performing in the Quality Control or Quality Assurance capacity, specifically at the heavy maintenance level.

Experience

Mar 2005 - Present Boston - Maine Airlines Portsmouth, NH
Reliability Manager
- Review performance of the maintenance programs
- Review performance of Quality Control/Assurance programs.
- Review engine performance monitoring program.
- Write Maintenance Programs for aircraft

Chief Inspector
- Manage the Quality Control and Quality Assurance Programs.
- Manage the internal audits of the aircraft records department and all repair and service provider vendors.
- Write Maintenance Programs for aircraft

Jan 2004 - Nov 2004 Pan Am Airlines Portsmouth, NH
Chief Inspector
- Manage the Quality Control and Quality Assurance Programs.
- Manage the internal audits of the aircraft records department and all repair and service provider vendors.
- Write Maintenance Programs for aircraft

Sept 2000 to Jan 2004 Pan Am Airlines Portsmouth, NH
CAS Analyst
- Review performance of the maintenance programs
- Review performance of Quality Control/Assurance programs.
- Review engine performance monitoring program.
- Write Maintenance Programs for aircraft

Nov 1999 - Sept 2000 Pan Am Airlines Portsmouth, NH
Chief Inspector
- Manage the Quality Control and Quality Assurance Programs.
- Manage the internal audits of the aircraft records department and all repair and service provider vendors.
- Write Maintenance Programs for aircraft

Sept. 1999 - Nov 1999 Pan Am Airlines Portsmouth, NH
Inspector
- Perform Inspections on aircraft as required.
- Ensure all RII inspections are performed in accordance with the RII program.
- Assist the Director, Quality Assurance as required.
- Return aircraft to service.
Feb. 1999 - Aug 1999  Business Express Airlines  Dover, NH
Manager, Quality Control
Manage the Quality Control and Quality Assurance Programs.
Manage the internal audits of the aircraft records department.
Assist the Director, Quality Control as required.

Supervisor of Inspection
Assist the Manager, Quality Control as required.
Ensure that the Inspection Department is adequately staffed and trained.
Implemented training course for new inspectors.

Inspector
Perform inspections on aircraft as required.
Ensure all RII inspections are performed in accordance with the RII program.
Assist the Director, Quality Control as required.
Return aircraft to service.

Nov. 1986 - Aug. 1991  Business Express Airlines  Dover, NH.
Inspector/ Mechanic
Perform required maintenance on BEX aircraft.
Assist the Maintenance Supervisor as required.
Perform duties of Inspector as required.

Education
CT7 Turboprop Engine Maintenance and Borescope Familiarization.
Jun. 1996  Messier - Dowty
Dowty Aerospace Propeller Types R354/389/375/390 Disassembly, Reseal, Minor Repairs, Assembly and Balancing.
Eddy Current Inspection.
Jun. 1995  Total Air Supply
Air-conditioning Training under 40 CFR 82 training, Type Universal.
Aug. 1994  T.J. Harz Associates
Magnetic Particle and Liquid Penetrant Inspection.
Apr. 1994  IMACA.
Mobile air conditioning training.
Ultrasonic Inspection of CT7 Turbo Shaft.
Manager Training.
Mar. 1992  Allied-Signal Aerospace Company
Interests and activities
Automotive Mechanics, Boating, Computers.

General
United States Citizen.

Additional information
June 2001 to present Pan Am Airlines Portsmouth, NH
Boeing 727 Maintenance Review Board (MRB) Member
Perform analysis of old 727 maintenance program and bring it to the MSG-3 level of maintenance. Also perform an annual review to monitor effectiveness of the MRB document for the Boeing 727 aircraft.
BOSTON-MAINE AIRWAYS CORP.
DOT Fitness Information Questionnaire

NOTE: This questionnaire will be submitted to the DOT in connection with BMAC's
DOT certificate application. Please answer all questions, with a more
detailed explanation where requested, sign and date the form, and return it to
Nat Breed at Zuckert Scott & Rasenberger via telecopier (202/342-0683) or
air express service (888 17th Street, N.W., Washington, D.C. 20006). Please
indicate if you desire for any part of your response to be kept confidential.

1. Please state your name and residence address:
   David Gehner
   739 Tru City Road
   Somersworth, NH 03878

2. Title or Position with Company:
   Director of Quality Assurance

3. Number and type of shares of Company stock owned, or to be acquired, if any:
   None

4. Current Position, Business Address and Telephone: (complete only if you are not
currently employed on a full-time basis by the Company)
   N/A Currently Employed by Company

5. Are you a citizen of the United States?  Yes ☑  No __

6. If you are not a U.S. citizen, please indicate your nationality and current immigration
   status
7. Are you currently an officer, director or major shareholder (5 percent or more of the total stock), or do you have any other significant interest in, any other air carrier, foreign air carrier, common carrier, person substantially engaged in the business of aeronautics, or person whose principal business is the ownership or control of any such transportation or aeronautic activity? Yes ☐ No ☑

(If your answer is “yes”, please provide detailed information relating to each such relationship or interest in the space provided in Attachment A to this questionnaire).

8. Have you held, in the past, any position with any U.S. or foreign air carrier, or other aviation-related business? Yes ☑ No ☐

(If “yes”, please provide information regarding all positions held, with dates of employment and responsibilities, and any other relevant information, on Attachment A, or attach a copy of a recent resume to this Questionnaire).

9. Are you the subject of any pending legal action, or outstanding judgment, involving a claim in excess of $5,000? Yes ☐ No ☑

(If “yes”, please provide date and amount of each claim or judgment, and the name of each claimant or judgment creditor, in the space provided in Attachment A).

10. Are you the subject of any pending legal action, or outstanding judgment, involving a claim of less than $5,000? Yes ☐ No ☑

(If “yes”, please supply the total number and aggregate amount of all claims and/or judgments outstanding against you in the space provided in Attachment A).

11. Have you been the subject of a formal complaint or enforcement investigation by the DOT or the FAA regarding compliance with the Federal Aviation Act of 1958, or any order, rule, regulation or other requirement issued pursuant to the Act, during the past five (5) years? Yes ☐ No ☑

(If “yes”, describe each complaint, and indicate the current status or final disposition of each complaint in the space provided in Attachment A).

12. Have you been charged with any unfair or deceptive or anticompetitive business practices, or any fraud, felony or antitrust violation, during the past ten (10) years? Yes ☐ No ☑

(If “yes”, please describe, and indicate the disposition or current status of each proceeding in the space provided in Attachment A).
13. Have you been involved in any aircraft accident or incident during the past year, or in the past and which remains the subject of an open investigation by the FAA, NTSB or the Company? Yes [ ] No [ ]

(If “yes”, please state the date and other details, including the status of any pending investigations, in the space provided in Attachment A).

Signature __________________________ Date 12/16/XX

Printed Name _______________________
June 29, 2006

Gordon Long, Director of Operations
Boston-Maine Airways Corp.
14 Aviation Avenue
Portsmouth, NH 03801

Dear Mr. Long:

On May 10, 2006, Boston-Maine Airways (BMA) submitted a request that aircraft N539PA be added to the Operations Specification. On June 1, 2006, BMA submitted a letter to the Principal Operations Inspector, with their intent to begin scheduled service to Elmira-Coming Regional Airport on September 6, 2006. We have completed our review and concluded that we cannot grant an approval due to the following:

In the past several months various inspections were conducted of the Boston-Maine Airways (BMA) maintenance facility at Sanford, Florida and Portsmouth, New Hampshire. As a result of these inspections the following was identified:

1. BMA was unable to show through the use of the "Inventory Control System" the ability to identify and maintain adequate serviceable parts in inventory which are necessary for the proper servicing, maintenance, and preventive maintenance of BMA aircraft.

2. BMA aircraft parts inventory consist of aircraft parts obtained from "Acquisitioned Aircraft" not properly processed in accordance with the General Maintenance Manual, Chapter 8, paragraph J. "Parts Removed "Serviceable" from "Acquisition Aircraft." As a result, the aircraft parts inventory contains parts that are not in serviceable condition.

Therefore, prior to the addition of any aircraft and, or line stations, BMA must demonstrate to the Administrator that adequate equipment (including spare parts, supplies, and materials) are available for the proper servicing, maintenance, and preventive maintenance of aircraft. To manage these identified risks effectively; it is incumbent upon Boston-Maine Airways to take corrective action to assure these conditions do not have a negative effect on the aircraft currently listed on its Operations Specifications.

If you would like to have a meeting to discuss this matter or have any questions with the noted concerns please contact this office.

Sincerely,

Bruce Haseltine
Principal Operations Inspector

Gordon Long
Director of Operations
Boston-Maine Airways Corp.

Jose E. Figueroa
Principal Avionics Inspector

Victor Roxas
Principal Maintenance Inspector

Cc: John Butler, VP Maintenance; Kurt Lugar, Dir of Quality Assurance; Leonard C. Beers, FAA Supervisor
a. The certificate holder is authorized to conduct operations under 14 CFR Part 121 using the aircraft identified on this operations specification.

Table 1. FAR 121 Aircraft

<table>
<thead>
<tr>
<th>Registration No.</th>
<th>Serial No.</th>
<th>Nose Number, If Available</th>
<th>Aircraft M/M/S</th>
</tr>
</thead>
<tbody>
<tr>
<td>N342PA</td>
<td>21893</td>
<td>342</td>
<td>B-727-222</td>
</tr>
<tr>
<td>N348PA</td>
<td>21921</td>
<td>348</td>
<td>B-727-222</td>
</tr>
<tr>
<td>N349PA</td>
<td>21898</td>
<td>349</td>
<td>B-727-222</td>
</tr>
<tr>
<td>S25PA</td>
<td>666</td>
<td>N/A</td>
<td>BA-JETSTM-3101</td>
</tr>
<tr>
<td>S29PA</td>
<td>771</td>
<td>N/A</td>
<td>BA-JETSTM-3101</td>
</tr>
<tr>
<td>S30PA</td>
<td>732</td>
<td>N/A</td>
<td>BA-JETSTM-3101</td>
</tr>
<tr>
<td>S31PA</td>
<td>748</td>
<td>N/A</td>
<td>BA-JETSTM-3101</td>
</tr>
<tr>
<td>S36PA</td>
<td>681</td>
<td>N/A</td>
<td>BA-JETSTM-3101</td>
</tr>
<tr>
<td>S38PA</td>
<td>751</td>
<td>N/A</td>
<td>BA-JETSTM-3101</td>
</tr>
<tr>
<td>S39PA</td>
<td>741</td>
<td>N/A</td>
<td>BA-JETSTM-3101</td>
</tr>
</tbody>
</table>

b. The certificate holder is authorized to conduct operations under 14 CFR Part 135 using the aircraft identified on this operations specification.

Table 2. FAR 135 Aircraft

<table>
<thead>
<tr>
<th>Registration No.</th>
<th>Serial No.</th>
<th>Aircraft M/M/S</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

1. The Certificate Holder applies for the Operations in this paragraph.
2. Support information reference: Added N539PA
3. These Operations Specifications are approved by direction of the Administrator.

DIGITALLY FAA SIGNED 12/14/2006 6:56:21 AM
Figueroa, Jose E
Principal Avionics Inspector

4. Date Approval is effective: 12/14/2006
Amendment Number: 19
5. I hereby accept and receive the Operations Specifications in this paragraph.

DIGITALLY INDUSTRY SIGNED 12/13/2006 1:31:17
Geihner, David
Chief Inspector

Date: 12/13/2006
September 26, 2006

Bruce Haseltine  
Principal Operations Inspector  
FAA-FSDO #29  
5601 Mariner Street, Suite 310  
Tampa, FL 33609

Re: Position Change for Gordon Long

Dear Mr. Haseltine:

Please accept this letter as notice that Gordon Long has assumed a new position within Boston-Maine Airways Corp. as Executive Vice President, effective today. In this new position, Mr. Long will now be responsible for the overall day to day operation of the airline, including the Operating, Maintenance and Marketing Departments, while continuing to fall under my supervision as the President of the airline group.

This position change has come about after many hours of discussion and review of the entire airline operation, and it is my sincere belief that this more streamlined management structure will improve communication and efficiencies significantly. I look forward to sharing the benefits of these changes with our employees, customers and the agencies with which we interact, and would encourage any thoughts that you might have on the implementation of this new structure.

Thank you for your attention to this matter. Please feel free to contact me if you should have any questions or comments.

Sincerely,

[Signature]

David A. Fink  
President
Vis: Overnight Mail:

October 5, 2006

Victor Roxas  
Principal Maintenance Inspector  
Federal Aviation Administration  
South Florida Certificate Management Office 29  
5950 Hazeltine National Drive  
Citadel International, Suite 500  
Tampa, Florida 32822

Ref: EIR 2006SO290094  
EIR 2005SO290033

Dear Mr. Roxas:

This letter will acknowledge receipt of your letter dated September 14, 2006 and received by our office on September 22, 2006 regarding the above two (2) EIR case numbers. Apparently, these two EIR’s initially seemed to be related; however, upon further investigation, as detailed below, it has been revealed that the two are in reality very dissimilar and not indicative of any pattern or course of conduct on the part of Boston-Maine Airways, Corp.

Reference File Number EIR 2006SO290094:

The facts underlying this EIR, issued in response to events that occurred on August 03, 2006 at SFB, plainly show that there was a man failure by the on duty maintenance controller, and no willful violations on the part of the aircraft crew or maintenance personnel. Quite simply, the maintenance controller on duty did not correctly determine the status of the next required Service Check as indicated on the aircraft status board in the maintenance control office, and incorrectly advised the crew that no Service Check was required at that time.

To substantiate our belief that “man failure” was the root cause of the alleged violation, I would like to offer a brief description of the facts, as we know them today.

a. Prior to accepting the aircraft on Thursday, August 3, 2006, Captain Hart spoke with Nestor, the on duty mechanic in TTN, about the logbook Service Check sign-off. Captain Hart believed the Service Check was due on September 2, 2006. In response, Nestor stated the Service Check was performed on July 31, 2006 (log book page #306506) and would be valid until midnight on September 3, 2006. Assured by the on duty mechanic / maintenance controller that the aircraft was in compliance with the required checks, Captain Hart then accepted the aircraft and operated Flt #3513 (TTN-BED) without incident.
Note: Captain Hart relative inexperience as a new Captain caused him to question his own understanding of the requirements concerning the checks and to rely upon the relatively greater experience of Maintenance Control. This is understandable, particularly since Maintenance Control assured him the aircraft was in compliance with the applicable checks.

b. The apparent violation was discovered by Captain Barrios who was relieving Captain Hart in BED at the terminating point of Flight # 3513. Captain Barrios determined that the aircraft was non-compliant and he would not accept the aircraft. After numerous discussions with the Maintenance Controller in SFB and with maintenance personal in Portsmouth (PSM) it was determined by all parties that the aircraft was in fact, non-compliant and the aircraft was taken out of service until the required Service Check was completed.

c. Once the apparent violation was discovered maintenance personnel from PSM were dispatched to BED to perform the required service check. As a result, Flight # 3506 (BED-TNN) was delayed approximately 2.5 hours.

d. In response to this incident, the company disciplined the maintenance controller by noting the circumstance in his employment record and provided him with additional training regarding the necessity for strict attention to "detail" given the responsibilities of the maintenance controller's position. In addition, training was provided to Captain Hart regarding his understanding of "interrupting" the maintenance sign-off's as shown in the aircraft log books.

e. To further substantiate our belief that a "man failure" occurred and was the primary root cause of the apparent violation, please review the attached statement from Captain Barrios.

Reference File Number: EIR 2005SO290033

Boston Maine Airways would like to offer the following in response to the FAA re-evaluating the Self Disclosure document as submitted by Mr. John Butler on August 30, 2005 and your acceptance of said Self Disclosure report in your letter dated November 23, 2005.

a. All the apparent violations noted in your letter dated August 10, 2005 were brought to the FAA attention via voluntarily disclosures. Those voluntarily disclosures "in and by themselves" provide insight into how seriously Boston-Maine Airways views the safety of its passengers, crews and the public, as well as the lengths to which Boston-Maine goes to "identify" and "correct" possible non-compliance with applicable Federal Aviation Regulations.
b. In your August 10th letter, you addressed four separate concerns in which previous comprehensive fixes may have been ineffective. Those concerns are:

1. Records Keeping
2. Computer Software
3. Organizational accountability
4. Time Limits

c. Boston-Maine Airways would like to offer the following details to further substantiate the “Comprehensive Fixes” proposed by Mr. Butler’s letter dated August 30, 2005 pertaining to the four concerns as listed above, as well as to explain how well this program has been working.

1. Records Keeping:
   Mr. Butler proposed that all recordkeeping, including “Records” “Auditing” and “Planning” departments be located in SFB, in one local area and be accomplished in a 60 day time frame. That “Fix” has been timely accomplished and is in operation today. However, it should be noted that the leased facility used by Boston-Maine Airways to house the department(s) was terminated by the SFB airport authority, thus requiring Boston-Maine to identify new space and relocate to a new location. The old facility will be demolished due to airport expansion. With the requirement to vacate the facility, resources and manpower were required to relocate those departments into the current facility located at 1642 Hangar Road, Sanford, Florida.

2. Computer Software
   Given the nature of the software purchased by Boston-Maine Airways, the phase-in portion has taken longer then originally anticipated, though we continue to believe that this new software will greatly enhance our capabilities and that short term delays will be offset by these benefits. Moreover, at all times your office has been well-versed in the progress that was being made. A time-line of events is listed below:

   a. Contract signed by the former VP of Maintenance (Mark Delahanty) on January 11, 2006 with the “DASH” group.

   b. Training for DASH was provided in late February, 2006 for Boston-Maine employees and representatives of the FAA was also in attendance.

   c. The “foundation” framework for the aircraft (727 and J31) developed and loaded into DASH between March thru June, 2006.
d. Aircraft parts inventory applicable to the 727 and J31 aircraft was inputted into DASH during July / August, 2006. Note: A physical inventory was taken at both PSM and SFB to ensure the accuracy of the items being loaded into DASH.

e. Required aircraft maintenance checks and time limited (time controlled) items for the applicable aircraft inputted into DASH during August / September, 2006 period.

f. Aircraft specific (by “N” number) data inputted during late September and early October, 2006.

g. Audits of the reports generated by DASH against known data now obtained from our current M13 spread-sheets being conducted. These audits will ensure correct information was entered into DASH and that DASH will generate the correct data necessary to ensure compliance with applicable FAR's. I want to also assure your office that this audit process has shown that DASH is working according to plan.

h. Planned implementation of DASH is expected during the week of October 9th thru the 13th, 2006.

Summary: The complexity of the DASH is more in-depth than originally foreseen. However, given the capabilities in the “End Product” that DASH will produce, the extended time is worth it.

Conclusion:
The “Comprehensive Fix” as proposed in Mr. Butler’s letter was procured and initiated by the company. However, certain mitigating circumstances contributed to the effective follow up that would have ensured a timely phase-in of the software. As you may recall, Steve Legere was the VP of Maintenance during the August, 05, time frame. In January, 06 when the contract with DASH was signed, Mark Delahanty was then the VP of Maintenance. However, due to the resignation of both Mr. Legere and Mr. Delahanty within a short period of time contributed to the delay in the implantation of DASH. It is also worth noting that we have made a significant change to our management structure—as described further below. As a result of this change, we are confident that we have the necessary day to day managerial oversight to maintain continuity in the event of—at this point unforeseen—management changes in the Maintenance Department.
3. Organizational Accountability

As detailed in item #1 above, this comprehensive fix is in place at the SFB location. As detailed in the August 30 letter from Mr. Butler, the “Maintenance Planner” is located at the SFB facility. This position was filled within the 90 day time frame. As also noted below, we have also changed our management structure to provide more day to day oversight of the Maintenance and other departments, and are confident that these changes will further enhance our ability to meet our responsibilities.

4. Time Limits Manual

As detailed in numerous correspondences with your office, the “Time Limits Manual” was created and submitted to your office for review in February, 06. Based on your review, the document was returned so the addition of the 727 aircraft could be included. The revised copy was then resubmitted to your office. From my understanding, your office has accepted this document has approved the manual.

Conclusion: Boston-Maine Airways respectfully submits that:

a. There is no relationship between EIR 2006SO290094 and EIR 2005SO290033. Yes, the apparent violation that occurred on September 3, 2006 was in fact the same type of apparent violation that occurred in 2005, however, the September 3 incident is a man failure and not the result of the issues identified in August of 2005 by your office, the majority of which have been addressed already and/or will be rectified in the very near future. Boston-Maine Airways fully understand that safeguards are put into place to ensure the traveling public is provided with the safest means of travel available and that it is imperative for the company providing that transportation to be in full compliance with the applicable regulations and we believe that we have established the necessary safeguards to meet this responsibility. However, no matter what the safeguards that have been established, man failures do occur.

b. The “Comprehensive Fixes” as outlined in the August, 05 letter are 75% in place and operational. The delay in completing the computer software was due to the misunderstanding of software purchased and the change in management personnel. Facts show that the company is totally committed to the implementation of the software in the very near future.
c. Safety.
Nothing is more important to the Boston-Maine Airways than safety. However, history has shown that certain maintenance requirements can be modified to allow more flexibility if certain established criteria are set. The September 3rd apparent violation deals with a “Service Check” that is required every three (3) calendar days. In the “Time Limits” manual that your office approved, the criteria has been modified and enhanced as it pertains to the "Service Check". The revised requirement, now requires a "Service Check" to be performed every three (3) flight days or every seven (7) calendar days, whichever occurs first. In reviewing the flight log pages for that specific aircraft, the apparent violation would not have occurred provided the new “Time Limits” manual had been in place and operational.

In further support of safety and to ensure full compliance with all applicable rules and regulations, Boston-Maine Airways has made a major change in the senior management structure within the company. On September 26, 2006, I was promoted to the position of Executive Vice President Airline Operations. This oversight now includes all the functions within the maintenance department including the maintenance and inspection departments. Review enclosed of copy of letter submitted to Mr. Haseltine from Dave Fink, our company President.

In addition, I have requested that Mark Sawyer (maintenance department trainer) re-evaluate "Resource Management" training as it pertains to the maintenance controller position. During the September 3rd occurrence, questions were raised about the validity of the aircraft status. Given a more thorough and comprehensive training and understanding of proper resource training, the maintenance controller would have asked: "Why is the Captain asking this question?" If that had happened one of three items should have occurred: (a) the controller would have determined his error and the aircraft would not have flown, or (b) the controller would have notified the JS1 Fleet Manager and advised him that Captain Hart may not have a clear understanding of required maintenance logbook entries, or (c) the on-duty mechanic at TTN had made an error in the logbook sign-off. However, this did not happen and the alleged violation occurred.

If you have any questions, or need any further information, please feel free to contact my office directly at (603) 766-2287 or my cell at (603) 674-9015.

Regards

Gordon Long

VP Airline Operations

CC: Rob Culliford
    John Butler