

Essential Air Service Proposal



Crescent City, CA

DOT-OST-1997-2649

March 22nd, 2017



About Boutique Air

Our Story

Headquartered in San Francisco, California, Boutique Air has been in operation since 2007. We began by flying fire surveillance missions for the U.S. Forestry Service and Bureau of Land Management. We evolved to provide air charter services across the west coast with our fleet of Pilatus and Cessna aircraft. As a charter operator we have received certifications from both industry-leading safety organizations, ARG/US and Wyvern. Boutique Air employs pilots that are highly experienced and hold the most advanced FAA ratings - a key reason for our continued perfect safety record.

In July of 2012, Boutique Air applied for commuter operating authority from the Department of Transportation. We quickly passed tests on financial fitness and management competency, receiving authority for scheduled service in January of 2014. We began flying scheduled service between Los Angeles and Las Vegas in January of 2014.

We have worked to develop effective distribution channels. We have connections in place with all of the major Global Distribution Systems (GDSs), which travel agents use to access the market. You will find us on Worldspan and Galileo (Travelport), Sabre, and Amadeus. In addition, we are on the major Online Travel Agencies (OTAs), including Expedia, Travelocity, Priceline, Orbitz, CheapTickets, and CheapOAir.

EAS Contracts

On April 22, 2014 Boutique Air received its first EAS contract when the DOT selected the airline to provide service between Clovis and DFW. Since then, we have continued our track record of success and now serve 16 different EAS communities and operate out of 27 different airports. Continuing on a path of successful growth in the EAS market, Boutique Air will begin service to Massena, NY in April of this year.



What People Are Saying About Boutique Air

*Boutique Air PC-12, one of the **best turboprop aircraft** on the market!... Give them a try!!*

-Tarek A. via Yelp.com

*We also feel that the PC-12 aircraft bid by Boutique Air presents the **safest and most comfortable option for the traveling public.***

-Hon. Mayor David Lansford in Recommendation Letter
City of Clovis, NM

*Flew with Boutique from LA to Vegas and back and must say I was extremely surprised. From the ease of check-in, To the flight itself, **the whole process was great.** Price was competitive with any other airline out there. I plan on flying boutique for all my Vegas outings, and may even look into renting the whole plane for a group trip. Thanks Boutique!*

-Kevin J. via Yelp.com

*We find that Boutique Air is fit, willing and able to operate as a commuter air carrier, and **capable of providing reliable Essential Air Service...***

-Susan L. Kurland in Clovis EAS Award
Asst. Sec. for Aviation and International Affairs
US DOT

*Right now Boutique Air is a **very cool secret.***

-Examiner.com

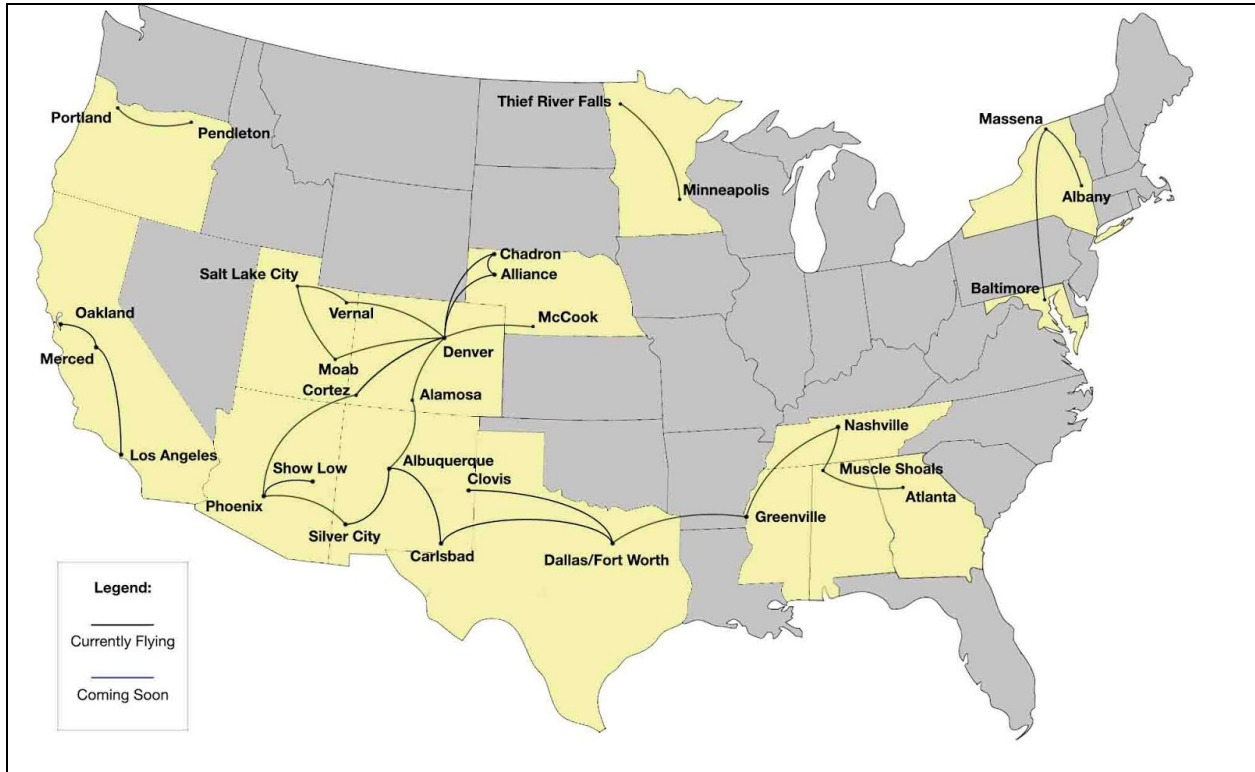
*Flew with Boutique Air from LA to Las Vegas round trip and it was a great experience. **Good service, on time departures, and a hassle free and nice way to travel in general.** A really nice pilot and copilot as well.*

-Patrick S. via Yelp.com

***Smooth flights and personable staff** are part of the experience...*

-Clovis News Journal

Route Map



Aircraft:

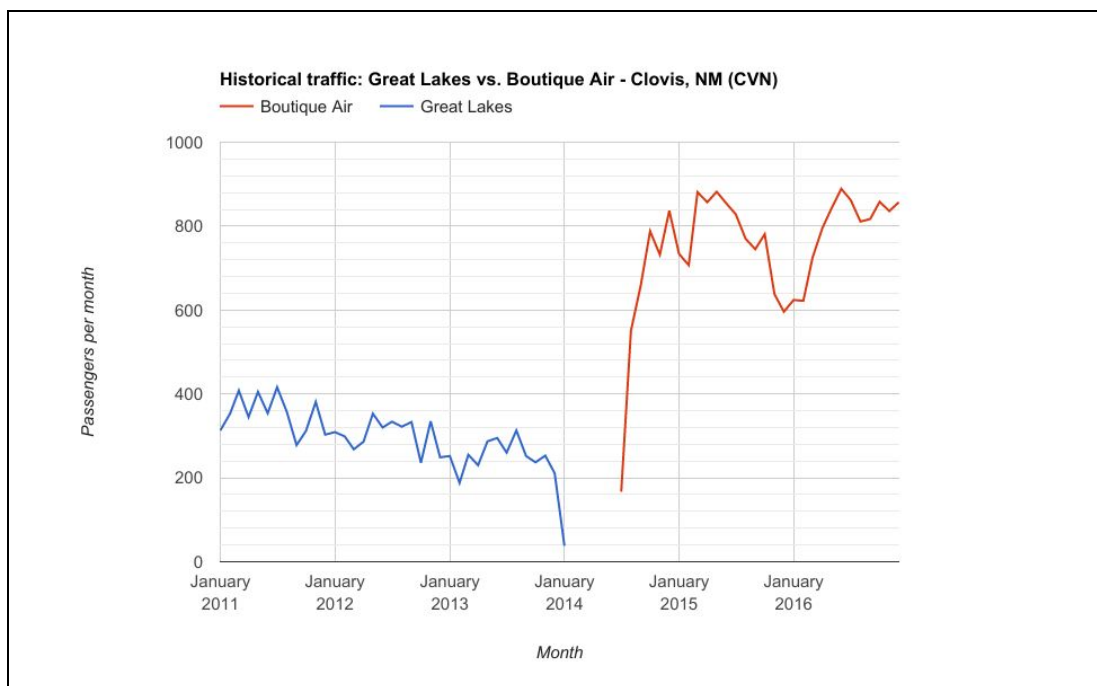
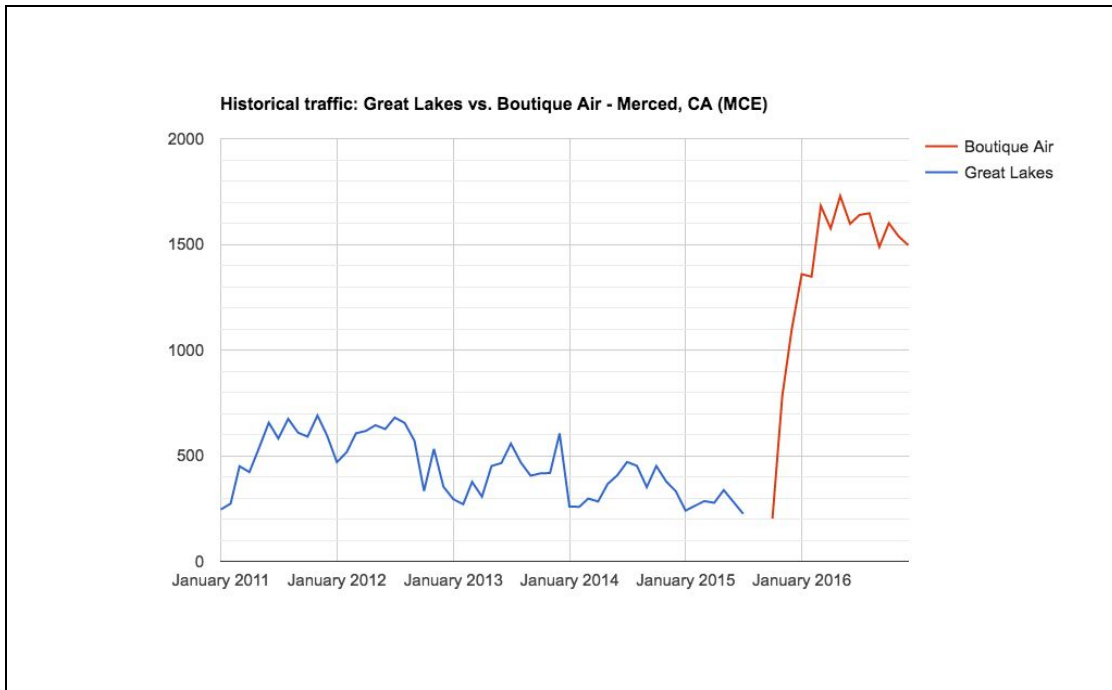
Boutique Air currently operates a modern fleet of Pilatus PC-12 and Beechcraft King Air 350 aircraft. All flights are flown by Captains with over 1,200 hours of flight experience and an instrument rating. While we are certified to fly single pilot we opt to fly with a two pilot crew. Boutique Air ensures pilots provide a level of customer service beyond that of normal commercial airlines.

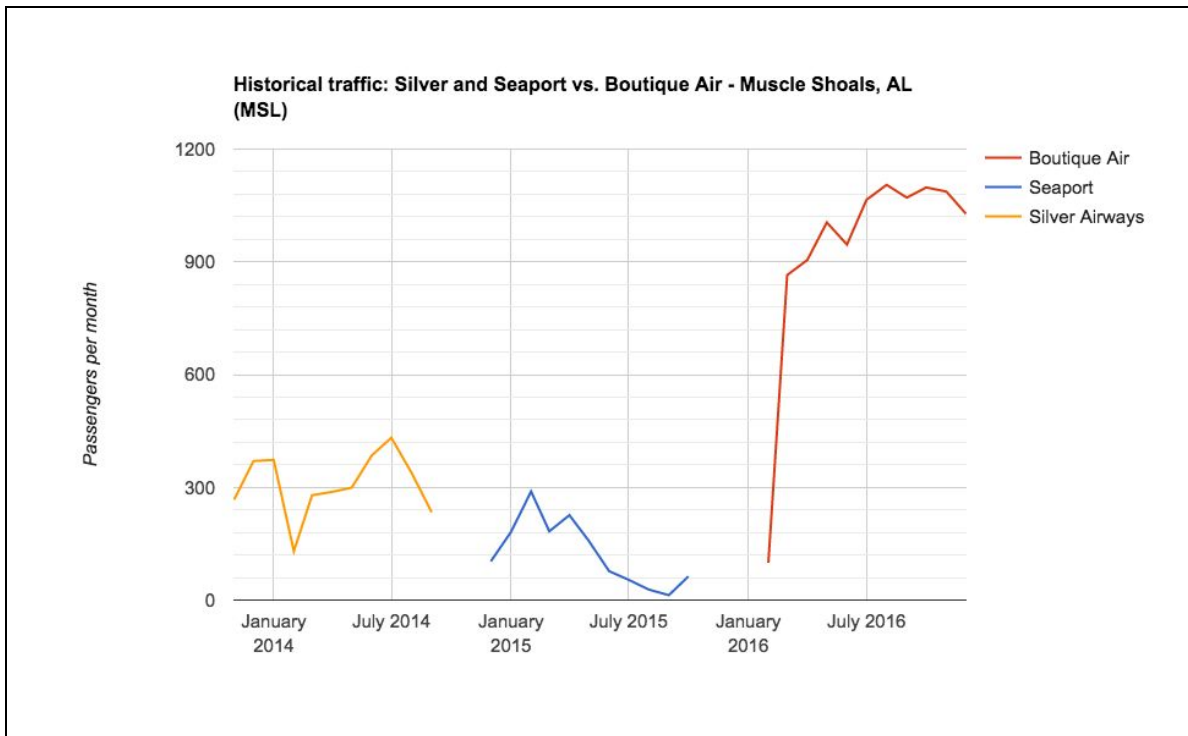
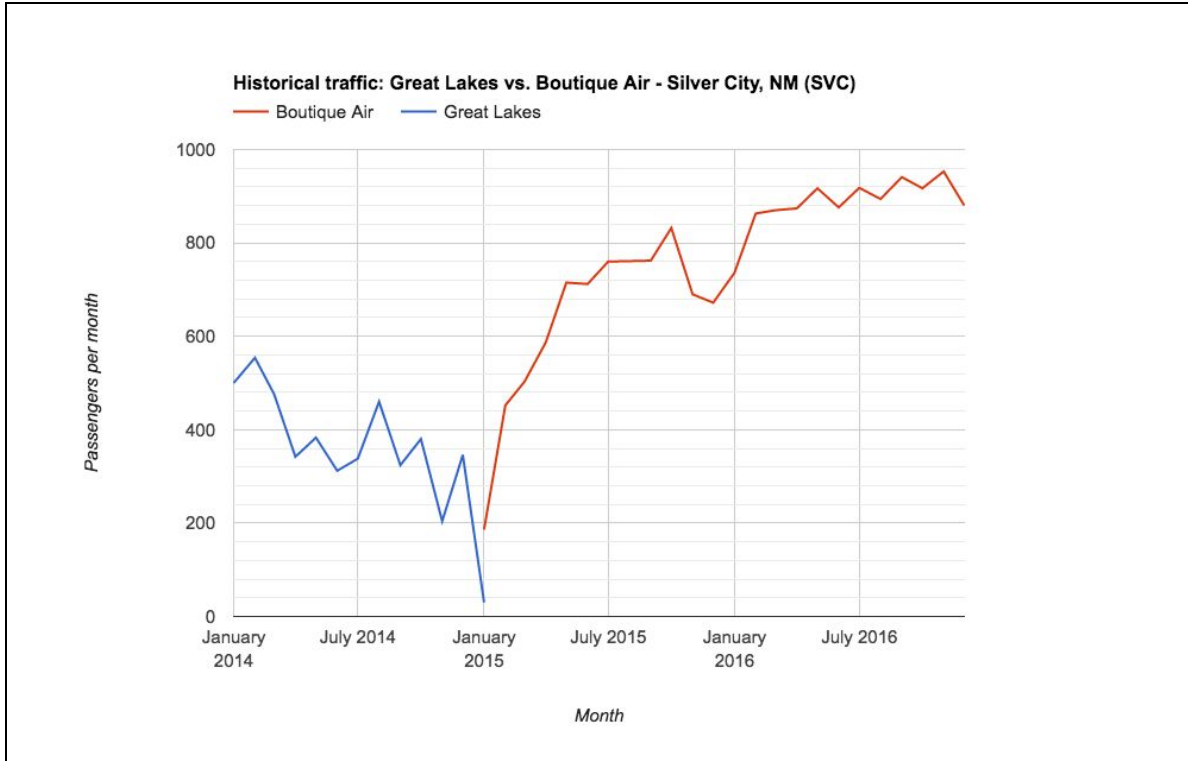
- 8 Passenger Executive Configuration or 9 Passenger Commuter Configuration
- Pressurized Cabin
- Power Outlets
- Enclosed Lavatory



Historical Passenger Traffic Performance

Boutique Air has established a proven track record in resuscitating air service in EAS communities which have been devastated by poor execution from prior carriers as illustrated by the passenger traffic graphs below.

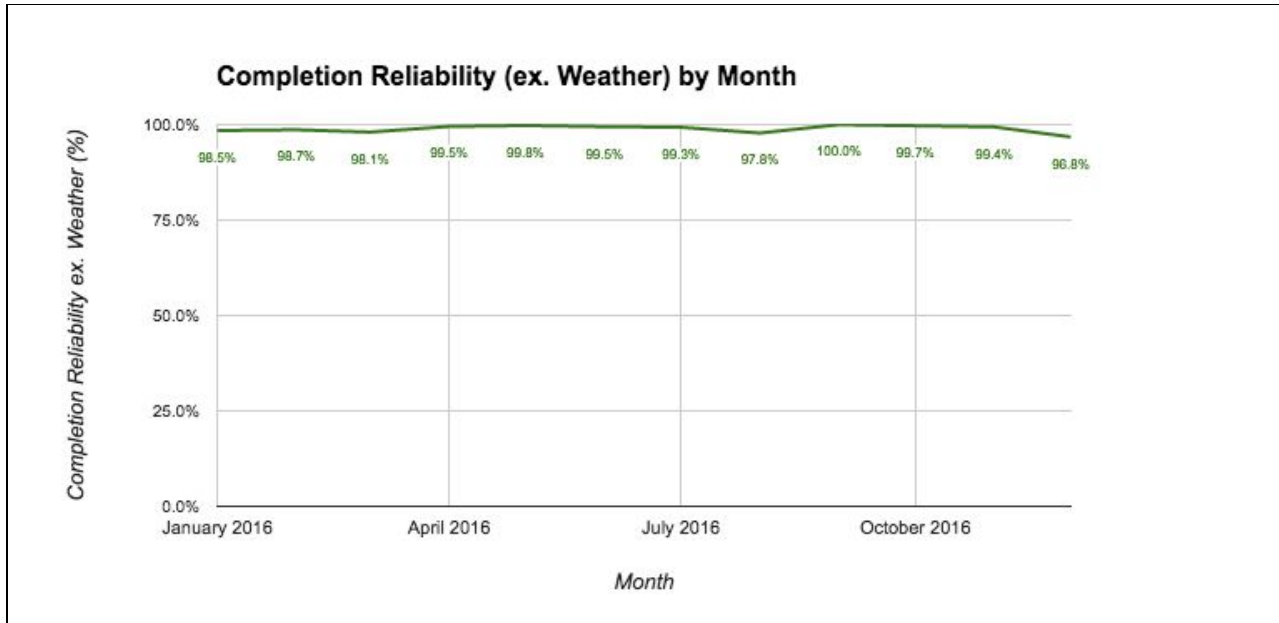






Boutique Air Completion Reliability

Boutique Air also prides itself on its flight completion reliability. For the year ending December 2016, Boutique Air averaged a completion reliability of 98.9% across its network (*12 months T100 data ending Dec 2016*).





Proposal

Overview

Our proposals would be flown in eight or nine-seat, modern, pressurized Pilatus PC-12 and Beechcraft King Air 350 aircraft. The term is two years, with a four year option.

In order to increase brand recognition in the community, Boutique Air will spend at least \$20,000 per year if it is selected for advertising & marketing to help ensure that air service for the community is a success. We will utilize a combination of radio, print, billboard, TV, and internet advertising.

Note on Service Start Date

Boutique Air will begin service 60-90 days after the DOT issues the order selecting Boutique Air as the EAS carrier. Boutique air will start service as early as operationally possible.

Note on Interline Agreements

Boutique Air is in the process of implementing an interline agreement with one of the major airlines and expects it to be in place by early 2017.

Community Input

Shortly after the bids are complete, Boutique Air will schedule meetings with airport and/or city officials. This will allow us to answer any questions and provide additional information.

While we can't promise we will be able to implement everyone's suggestions, we welcome feedback from the community, as well as anyone who may have an interest in the proposed flights. What we can promise is that we will listen to your feedback, and give it the attention and consideration it deserves.

With respect and appreciation,

Shawn Simpson
CEO



Crescent City, CA

Option 1: 30 Weekly Nonstop Roundtrips CEC-PDX (5x Daily Nonstops)

Operations	<u>PC-12</u>	<u>King Air 350</u>
Scheduled Flights	3,120	3,120
Completed Flights (98%)	3,058	3,058
Scheduled Block Hours	4,264	3,902
Scheduled Seats	24,960	28,080
Scheduled ASMs	6,888,960	7,750,080
Revenue		
Passengers	18,500	20,774
Average Fare	\$130	\$130
Fare Revenue	\$2,405,000	\$2,700,620
Total Revenue	\$2,405,000	\$2,700,620
Expenses		
Fuel	\$1,343,160	\$2,204,381
Ownership	\$960,000	\$960,000
Maintenance and Reserves	\$1,876,160	\$2,204,381
Crew	\$746,200	\$682,773
Airport Rent	\$218,356	\$218,356
Landing Fees	\$114,114	\$163,800
Staff	\$156,000	\$156,000
Insurance	\$20,000	\$20,000
Marketing and Distribution	\$20,000	\$20,000
Other Indirect Costs	\$36,000	\$36,000
Total Costs	\$5,489,990	\$6,665,691
Profit Element	\$274,499	\$333,285
Margin	5.0%	5.0%
Total Subsidy Year 1	\$3,359,489	\$4,298,356
Total Subsidy Year 2	\$3,426,679	\$4,384,323
Total Subsidy Year 3	\$3,495,213	\$4,472,010
Total Subsidy Year 4	\$3,565,117	\$4,561,450



Crescent City, CA

Option 2: 36 Weekly Nonstop Roundtrips CEC-PDX (6x Daily Nonstops)

Operations	<u>PC-12</u>	<u>King Air 350</u>
Scheduled Flights	3,744	3,744
Completed Flights (98%)	3,669	3,669
Scheduled Block Hours	5,117	4,682
Scheduled Seats	29,952	33,696
Scheduled ASMs	8,266,752	9,300,096
Revenue		
Passengers	22,200	24,928
Average Fare	\$130	\$130
Fare Revenue	\$2,886,000	\$3,240,640
Total Revenue	\$2,886,000	\$3,240,640
Expenses		
Fuel	\$1,611,792	\$2,645,258
Ownership	\$960,000	\$960,000
Maintenance and Reserves	\$2,251,392	\$2,645,258
Crew	\$895,440	\$819,328
Airport Rent	\$218,356	\$218,356
Landing Fees	\$136,937	\$196,560
Staff	\$156,000	\$156,000
Insurance	\$20,000	\$20,000
Marketing and Distribution	\$20,000	\$20,000
Other Indirect Costs	\$36,000	\$36,000
Total Costs	\$6,305,916	\$7,716,759
Profit Element	\$315,296	\$385,838
Margin	5.0%	5.0%
Total Subsidy Year 1	\$3,735,212	\$4,861,956
Total Subsidy Year 2	\$3,809,917	\$4,959,195
Total Subsidy Year 3	\$3,886,115	\$5,058,379
Total Subsidy Year 4	\$3,963,837	\$5,159,547



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Option 3: 30 Weekly Nonstop Roundtrips CEC-OAK (5x Daily Nonstops)

Operations	<u>PC-12</u>	<u>King Air 350</u>
Scheduled Flights	3,120	3,120
Completed Flights (98%)	3,058	3,058
Scheduled Block Hours	4,576	4,187
Scheduled Seats	24,960	28,080
Scheduled ASMs	7,512,960	8,452,080
Revenue		
Passengers	18,500	20,774
Average Fare	\$130	\$130
Fare Revenue	\$2,405,000	\$2,700,620
Total Revenue	\$2,405,000	\$2,700,620
Expenses		
Fuel	\$1,441,440	\$2,365,678
Ownership	\$960,000	\$960,000
Maintenance and Reserves	\$2,013,440	\$2,365,678
Crew	\$800,800	\$732,732
Airport Rent	\$170,356	\$170,356
Landing Fees	\$99,442	\$142,740
Staff	\$156,000	\$156,000
Insurance	\$20,000	\$20,000
Marketing and Distribution	\$20,000	\$20,000
Other Indirect Costs	\$36,000	\$36,000
Total Costs	\$5,717,478	\$6,969,183
Profit Element	\$285,874	\$348,459
Margin	5.0%	5.0%
Total Subsidy Year 1	\$3,598,352	\$4,617,022
Total Subsidy Year 2	\$3,670,319	\$4,709,362
Total Subsidy Year 3	\$3,743,725	\$4,803,550
Total Subsidy Year 4	\$3,818,600	\$4,899,621



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Option 4: 36 Weekly Nonstop Roundtrips CEC-OAK (6x Daily Nonstops)

Operations	<u>PC-12</u>	<u>King Air 350</u>
Scheduled Flights	3,744	3,744
Completed Flights (98%)	3,669	3,669
Scheduled Block Hours	5,491	5,024
Scheduled Seats	29,952	33,696
Scheduled ASMs	9,015,552	10,142,496
Revenue		
Passengers	22,200	24,928
Average Fare	\$130	\$130
Fare Revenue	\$2,886,000	\$3,240,640
Total Revenue	\$2,886,000	\$3,240,640
Expenses		
Fuel	\$1,729,728	\$2,838,813
Ownership	\$960,000	\$960,000
Maintenance and Reserves	\$2,416,128	\$2,838,813
Crew	\$960,960	\$879,278
Airport Rent	\$170,356	\$170,356
Landing Fees	\$119,331	\$171,288
Staff	\$156,000	\$156,000
Insurance	\$20,000	\$20,000
Marketing and Distribution	\$20,000	\$20,000
Other Indirect Costs	\$36,000	\$36,000
Total Costs	\$6,588,502	\$8,090,548
Profit Element	\$329,425	\$404,527
Margin	5.0%	5.0%
Total Subsidy Year 1	\$4,031,927	\$5,254,436
Total Subsidy Year 2	\$4,112,566	\$5,359,525
Total Subsidy Year 3	\$4,194,817	\$5,466,715
Total Subsidy Year 4	\$4,278,713	\$5,576,050



Crescent City, CA

Option 5: 30 Weekly Nonstop Roundtrips CEC - PDX/OAK (3/2 Rts Daily)

Operations	<u>PC-12</u>	<u>King Air 350</u>
Scheduled Flights	3,120	3,120
Completed Flights (98%)	3,058	3,058
Scheduled Block Hours	4,420	4,044
Scheduled Seats	24,960	28,080
Scheduled ASMs	7,200,960	8,101,080
Revenue		
Passengers	18,500	20,774
Average Fare	\$130	\$130
Fare Revenue	\$2,405,000	\$2,700,620
Total Revenue	\$2,405,000	\$2,700,620
Expenses		
Fuel	\$1,392,300	\$2,285,030
Ownership	\$960,000	\$960,000
Maintenance and Reserves	\$1,944,800	\$2,285,030
Crew	\$773,500	\$707,753
Airport Rent	\$194,356	\$194,356
Landing Fees	\$106,778	\$153,270
Staff	\$156,000	\$156,000
Insurance	\$20,000	\$20,000
Marketing and Distribution	\$20,000	\$20,000
Other Indirect Costs	\$36,000	\$36,000
Total Costs	\$5,603,734	\$6,817,437
Profit Element	\$280,187	\$340,872
Margin	5.0%	5.0%
Total Subsidy Year 1	\$3,478,920	\$4,457,689
Total Subsidy Year 2	\$3,548,498	\$4,546,843
Total Subsidy Year 3	\$3,619,468	\$4,637,780
Total Subsidy Year 4	\$3,691,858	\$4,730,535



Crescent City, CA

Option 6: 36 Weekly Nonstop Roundtrips CEC - PDX/OAK (3/3 Rts Daily)

Operations	<u>PC-12</u>	<u>King Air 350</u>
Scheduled Flights	3,744	3,744
Completed Flights (98%)	3,669	3,669
Scheduled Block Hours	5,304	4,853
Scheduled Seats	29,952	33,696
Scheduled ASMs	8,641,152	9,721,296
Revenue		
Passengers	22,200	24,928
Average Fare	\$130	\$130
Fare Revenue	\$2,886,000	\$3,240,640
Total Revenue	\$2,886,000	\$3,240,640
Expenses		
Fuel	\$1,670,760	\$2,742,035
Ownership	\$960,000	\$960,000
Maintenance and Reserves	\$2,333,760	\$2,742,035
Crew	\$928,200	\$849,303
Airport Rent	\$194,356	\$194,356
Landing Fees	\$128,134	\$183,924
Staff	\$156,000	\$156,000
Insurance	\$20,000	\$20,000
Marketing and Distribution	\$20,000	\$20,000
Other Indirect Costs	\$36,000	\$36,000
Total Costs	\$6,447,209	\$7,903,653
Profit Element	\$322,360	\$395,183
Margin	5.0%	5.0%
Total Subsidy Year 1	\$3,883,570	\$5,058,196
Total Subsidy Year 2	\$3,961,241	\$5,159,360
Total Subsidy Year 3	\$4,040,466	\$5,262,547
Total Subsidy Year 4	\$4,121,275	\$5,367,798