



**UNITED STATES OF AMERICA  
 DEPARTMENT OF TRANSPORTATION  
 OFFICE OF THE SECRETARY  
 WASHINGTON, D.C.**

Issued by the Department of Transportation  
 on the 24<sup>th</sup> day of March, 2026

Essential Air Service at

**MERCED, CALIFORNIA**  
 (FAIN 69A3452660593)<sup>1</sup>

**DOT-OST-1998-3521**

Under 49 U.S.C. § 41731 *et seq.*

**ORDER GRANTING WAIVER AND SELECTING AIR CARRIER**

**Summary**

By this Order, the U.S. Department of Transportation (Department) (1) grants the community of Merced, California, a waiver from 49 U.S.C. § 41732(a) requiring that basic Essential Air Service (EAS) is scheduled air transportation, and (2) selects Corporate Flight Management, Inc. d/b/a Contour Airlines (Contour) to provide EAS as public charter flights, in accordance with 14 CFR Part 380,<sup>2</sup> at Merced Regional Airport (MCE) for the four-year contract term from July 1, 2026, through June 30, 2030. Contour is a U.S. commuter air carrier operating under 14 CFR Part 135.<sup>3</sup> Contour will provide Merced with seven nonstop round trips per week to Los Angeles International Airport (LAX) and five nonstop round trips per week to Harry Reid International Airport in Las Vegas (LAS), using 30-passenger Embraer ERJ-135 aircraft. Contour will be compensated at the following annual subsidy rates:<sup>4</sup>

<b>Year</b>	<b>Subsidy</b>
Year 1	\$5,908,551
Year 2	\$6,203,979
Year 3	\$6,514,178
Year 4	\$6,839,886

<sup>1</sup> FAIN = Federal Award Identification Number.

<sup>2</sup> More information concerning the requirements to operate as a public charter operator may be found through the Department's Office of Aviation Consumer Protection at [https://www.transportation.gov/individuals/aviation-consumer-protection/charter-flights#Public\\_Charters](https://www.transportation.gov/individuals/aviation-consumer-protection/charter-flights#Public_Charters) and through the Office of the Assistant Secretary for Aviation and International Affairs at <https://www.transportation.gov/policy/aviation-policy/licensing/public-charters>.

<sup>3</sup> See Order 2014-1-14.

<sup>4</sup> Such subsidy is calculated on a fiscal year basis, subject to the availability of funds.

**Background**

By Order 2021-9-24, issued on September 23, 2021, the Department selected Advanced Air, LLC (Advanced Air) to provide EAS at Merced for the four-year period from January 1, 2022, through December 31, 2025. Subsequently, by Order 2026-1-6 (January 8, 2026), the Department extended the EAS obligation of Advanced Air at Merced from January 1, 2026, through June 30, 2026, or until the air carrier selection case concluded and EAS commenced under the new contract, whichever occurred earlier. Advanced Air currently provides a total of 24 nonstop round trips per week at Merced, consisting of 12 weekly nonstop round trips to LAS and 12 weekly nonstop round trips to Hawthorne Municipal Airport (HHR), using 8-seat Pilatus PC-12 aircraft.<sup>5</sup>

Five air carriers have bid<sup>6</sup> to provide EAS at Merced for the next contract term: Advanced Air, Boutique Air, Inc. (Boutique), Contour, SkyWest Airlines, Inc. (SkyWest), and SkyWest Charter, LLC (SWC). The air carrier proposals are summarized in the following table. In addition, the complete public file, including the air carrier proposals, for EAS at Merced may be accessed online through the Federal Docket Management System at [www.regulations.gov](http://www.regulations.gov) by entering the community's docket number (DOT-OST-1998-3521) in the "Search" field.

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<sup>5</sup> See also Order 2023-3-20 (March 23, 2023), in which the Department approved the request of Merced to alter its EAS pattern provided by Advanced Air, effective April 1, 2023, at no additional annual subsidy, by changing the service from LAX to HHR.

<sup>6</sup> See also Order 2025-6-5 (May 10, 2025), requesting proposals from air carriers interested in providing EAS at Merced, with or without subsidy.

## Summary of Air Carrier Proposals

Merced, CA EAS Proposals										
Air Carrier (Option)	Annual Subsidy (Year 1)	Annual Subsidy (Year 2)	Annual Subsidy (Year 3)	Annual Subsidy (Year 4)	Round Trips per Week	Hub(s)	Aircraft	Seats	Marketing Plan	Interline/ Codeshare
Advanced Air Option 1	\$6,527,280	\$6,918,917	\$7,334,052	\$7,774,095	24	12 to OAK and 12 to HHR	Dornier 328 Jet	30	Yes	Interline (Alaska Airlines)
Advanced Air Option 2*	\$6,602,280	\$6,993,917	\$7,409,052	\$7,849,095	24	12 to SMF and 12 to HHR	King Air	9	Yes	Interline (Alaska Airlines)
Advanced Air Option 3*	\$7,227,280	\$7,618,917	\$8,034,052	\$8,474,095	24	12 to LAS and 12 to HHR	King Air	9	Yes	Interline (Alaska Airlines)
Advanced Air Option 4*	\$6,902,280	\$7,293,917	\$7,709,052	\$8,149,095	24	12 to OAK and 12 to LAX	King Air	9	Yes	Interline (Alaska Airlines)
Advanced Air Option 5*	\$6,602,280	\$6,993,917	\$7,409,052	\$7,849,095	14	7 to OAK and 7 to HHR	Dornier 328 Jet	30	Yes	Interline (Alaska Airlines)
Advanced Air Option 6*	\$6,802,280	\$7,193,917	\$7,609,052	\$8,049,095	10	OAK and HHR	7 using King Air 350 and 3 using Dornier 328 Jet	9 and 30	Yes	Interline (Alaska Airlines)
Boutique Air Option 1	\$6,987,672	\$7,337,056	\$8,070,761	\$8,474,299	24	12 to SFO and 12 to LAX	PC-12	8 or 9	Yes	Interline (American Airlines and United Airlines)
Boutique Air Option 2	\$5,395,963	\$5,665,761	\$6,515,625	\$6,841,406	24	SFO	PC-12	8 or 9	Yes	Interline (American Airlines and United Airlines)
Boutique Air Option 3	\$6,790,974	\$7,130,523	\$7,487,049	\$7,861,401	24	LAX	PC-12	8 or 9	Yes	Interline (American Airlines and United Airlines)
Boutique Air Option 4	\$7,990,205	\$8,389,715	\$8,809,201	\$9,249,661	24	12 to LAX and 12 to LAS	PC-12	8 or 9	Yes	Interline (American Airlines and United Airlines)
Boutique Air Option 5 (Alternate EAS)**	\$7,392,696	\$7,762,331	\$8,150,448	\$8,557,970	24	24 to LAX 24 to SFO 4 to LAS	PC-12	8 or 9	Yes	Interline (American Airlines and United Airlines)
Contour Option 1*	\$5,816,631	\$6,107,463	\$6,412,836	\$6,733,478	12	LAX	CRJ-200 or ERJ-135/140/145	30	Yes	Interline (American Airlines, United Airlines and Alaska Airlines)
Contour Option 2*	\$5,908,551	\$6,203,979	\$6,514,178	\$6,839,886	12	7 to LAX and 5 to LAS	CRJ-200 or ERJ-135/140/145	30	Yes	Interline (American Airlines, United Airlines and Alaska Airlines)
Contour Option 3*	\$5,978,613	\$6,277,544	\$6,591,421	\$6,920,992	12	7 to LAX and 5 to PHX	CRJ-200 or ERJ-135/140/145	30	Yes	Interline (American Airlines, United Airlines and Alaska Airlines)
SkyWest	\$5,452,230	\$5,615,797	\$5,784,271	\$5,957,799	12	LAX	CRJ-200	50	Yes	Codeshare (United/Star Alliance)
SWC Option 1*	\$6,124,918	\$6,327,205	\$6,517,022	\$6,712,532	12	LAX	CRJ-200	50	Yes	Interline (United Airlines)
SWC Option 2*	\$5,694,942	\$5,865,790	\$6,069,034	\$6,223,017	12	LAX and SFO	CRJ-200	50	Yes	Interline (United Airlines)
SWC Option 3*	\$6,324,163	\$6,513,888	\$6,709,305	\$6,910,584	12	LAX and LAS	CRJ-200	50	Yes	Interline (United Airlines)

\* Contingent on Merced waiving its right to scheduled service under 49 U.S.C. § 41732(b)(1)(A) to allow for public charter operations, or applying, and being approved by the Department, for admission to the Alternate EAS program.

\*\* Contingent on Merced applying, and being approved by the Department, for admission to the Alternate EAS program.

## Community Comments

On July 11, 2025, the Department requested comments from the community of Merced on this EAS carrier-selection case. In response, by letter dated September 24, 2025, Mr. Scott McBride, City Manager of Merced, on behalf of the Merced City Council, stated a preference for Contour's Option 2, commenting:<sup>7</sup>

[T]he Merced City Council voted to recommend to the U.S. Department of Transportation the following priority ranking for Essential Air Service at the Merced Yosemite Regional Airport (MCE):

- A) Contour Airlines (Option B) with flights from MCE to Los Angeles International Airport (7) and Harry Reid International Airport (5),
- B) Advanced Air with flights from MCE to Hawthorne Municipal Airport (12) and Harry Reid International Airport (12),
- C) Contour Airlines (Option C) with flights from MCE to Los Angeles International Airport (7) and Sky Harbor International Airport (5) (Phoenix).

The City of Merced understands that should Contour Airlines be selected; the City will be required to submit a waiver relative to scheduled service to maintain traditional EAS.

By supplemental letter dated December 12, 2025, Mr. McBride expressly sought a waiver from the requirement in 49 U.S.C. § 41732(a) that basic EAS be scheduled air transportation, stating that:<sup>8</sup>

The City of Merced understands that should Contour Airlines be selected, the City will be required to submit a waiver relative to scheduled service to maintain traditional EAS status. Please consider this transmittal as a formal waiver relative to scheduled service.

The Merced Regional Airport respectfully requests that the Secretary waive the requirement under 49 U.S.C. § 47732(a)<sup>9</sup> that basic Essential Air Service (EAS) be operated as scheduled air transportation for the duration of the EAS contract with Contour Airlines' EAS.

The Department also received several comments from individual members of the community in support of Advanced Air's continued air service at Merced.

<sup>7</sup> See "City of Merced, California (Correspondence)," September 25, 2025, *available at* [www.regulations.gov/document/DOT-OST-1998-3521-0253](http://www.regulations.gov/document/DOT-OST-1998-3521-0253).

<sup>8</sup> See "City of Merced, California (Correspondence)," December 16, 2026, *available at* [www.regulations.gov/document/DOT-OST-1998-3521-0258](http://www.regulations.gov/document/DOT-OST-1998-3521-0258).

<sup>9</sup> The City of Merced refers here to 49 U.S.C. § 47732(a) "Prohibition on personal use of electronic devices on flight deck." That section is not relevant to these proceedings. As such, the Department understands this to be a typographical error. The Department understands the City of Merced to be requesting a waiver of the requirement under 49 U.S.C. § 41732(a).

## Decision

49 U.S.C. § 41733(c)(1) directs the Department to consider, among other things, five specific factors when making an air carrier selection for a community not in Alaska where basic EAS will not be provided without compensation:<sup>10</sup> (A) the demonstrated reliability of the applicant in providing scheduled air service; (B) the contractual, marketing, code-share, or interline arrangements the applicant has made with a larger air carrier serving the hub airport; (C) the preferences of the actual and potential users of air transportation at the eligible place, including the views of the elected officials representing the users; (D) whether the air carrier has included a plan in its proposal to market its services to the community; and (F) the total compensation proposed by the air carrier for providing scheduled air service.<sup>11</sup> In addition, for a place not in Alaska, section 41732(b)(1)(A) requires basic EAS to include at least two daily round trips six days a week. The Department considers these factors in the context of the specific facts and circumstances of each EAS community's air service needs and experiences with air carriers providing EAS.

After careful consideration of all eligible proposals,<sup>12</sup> the Department finds that Contour's Option 2 proposal aligns best overall with the air carrier selection factors the Department is required to consider. The Department further finds the proposed service levels and subsidy request to be reasonable. Contour has provided reliable air service for many years at multiple EAS-eligible communities across the country. For Merced, Contour proposes to operate a total of 12 weekly round trips to LAX and LAS. As shown by the enplanement data provided in the Department's request for proposals,<sup>13</sup> Merced passengers use the LAS service at levels comparable to LAX, indicating that LAS is a strong market for Merced. Contour's interline arrangements with Alaska Airlines, United Airlines, and American Airlines will provide broad connectivity options for Merced passengers at these hubs as well. In addition, the Merced City Council expressed a preference for Contour's Option 2 proposal, with service to LAX and LAS, over the other proposals.<sup>14</sup> Furthermore, Contour included a plan to market its proposal to the community.

When comparing the relative subsidy requests, the Department recognizes that there are differences in the total compensation proposed by the air carriers bidding to provide EAS at Merced. While the Department is not required to select the least expensive bid, Contour's Option 2 subsidy request is in the lower range of the bids received and is only marginally higher over a four-year term than Boutique's Option 2 with service to San Francisco International Airport (SFO), SkyWest's LAX-only proposal, and SWC's Option 2 proposal for service to LAX and SFO. However, unlike Contour's Option 2 proposal, these proposals would not serve LAS, one of Merced's top preferred hubs. As reflected in Appendix A of the Department's request for proposals,<sup>15</sup> service to LAS generates significant passenger traffic, and Merced officials have stated a preference to maintain connectivity to the Las Vegas market. In addition, none of these proposals received community support and none would provide more marketing arrangements than Contour's with larger air carriers at the hubs they seek to serve, limiting onward travel options for Merced passengers. Other proposals offering service to LAS sought higher subsidies (including incumbent Advanced Air's Option 3) and did not receive

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<sup>10</sup> The Department did not receive any proposals to provide EAS at Merced without subsidy.

<sup>11</sup> A sixth factor, 49 § U.S.C. 41733(c)(1)(E), only applies to EAS selection cases in Alaska.

<sup>12</sup> Boutique Air's Option 5 is ineligible because it requires Merced to apply for, and obtain approval from, the Department for admission to the Alternate EAS program, which it has not done in this case.

<sup>13</sup> See Appendix A to Order 2025-6-5 (May 10, 2025).

<sup>14</sup> See "City of Merced, California (Correspondence)," December 16, 2026, *available at* [www.regulations.gov/document/DOT-OST-1998-3521-0258](http://www.regulations.gov/document/DOT-OST-1998-3521-0258).

<sup>15</sup> See Appendix A to Order 2025-6-5 (May 10, 2025).

the same level of community support or offer as many marketing arrangements – and thus did not align as well overall with the statutory factors as Contour’s Option 2 proposal.

Therefore, based on the record, the Department’s consideration of the five factors set forth in 49 U.S.C. § 41733(c)(1), and the totality of the circumstances, the Department finds that Contour is the appropriate air carrier for selection in this case. Accordingly, subject to the terms and conditions of this Order and Appendix B, the Department selects Contour’s Option 2 proposal to provide EAS at Merced for a four-year term. In connection with this selection, the Department grants Merced a waiver from 49 U.S.C. § 41732(a) for the duration of this contract period, from July 1, 2026, through June 30, 2030.

### **Service Transition**

The Department expects Advanced Air and Contour to work together to make a smooth transition at Merced with no service hiatus. Before Advanced Air suspends service, the Department expects the air carrier to notify all passengers holding reservations for travel after the suspension date and, assist those passengers in making alternate air transportation arrangements, or provide a full refund of the ticket price, without penalty, if requested.

### **Reminder About EAS Eligibility**

To remain eligible for EAS, communities must comply with all applicable EAS eligibility requirements. The Department notes that many of the eligibility requirements, including those below, do not currently apply, pursuant to the Consolidated Appropriations Act, 2026, Pub. L. No. 119-75 (February 3, 2026). However, unless Congress waives these eligibility requirements for future fiscal years, compliance may resume as early as Fiscal Year 2027.

49 U.S.C. § 41731(a)(1)(B) provides that a community must maintain an average of 10 enplanements per service day, as determined by the Secretary of Transportation, during the most recent fiscal year, to remain eligible for EAS. Merced is subject to this requirement.

49 U.S.C. § 41731(a)(1)(C)(iii)<sup>16</sup> requires that EAS communities less than 175 driving miles from the nearest large or medium hub airport have an average subsidy per passenger, as determined by the Secretary of Transportation, of less than \$650. Merced is subject to this requirement.

All EAS communities, regardless of distance from a hub (except for those in Alaska and Hawaii), must have had an average subsidy per passenger of less than \$1,000 during the most recent fiscal year, regardless of the distance to the nearest large- or medium-hub airport.<sup>17</sup> Effective October 1, 2026, this amount is reduced to \$850.<sup>18</sup>

The Department expects Contour and Merced to work together to ensure that the community will comply with the applicable eligibility requirements. Communities that fail to comply with the above applicable requirements may risk having their eligibility in the EAS program terminated. In the event the Department terminates a community’s eligibility for EAS due to lack of compliance, that action will supersede this Order.

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<sup>16</sup> Under 49 U.S.C. § 41731(c), this requirement does not apply to EAS eligible communities located in the states of Alaska and Hawaii.

<sup>17</sup> See 49 U.S.C. § 41731(a)(1)(C)(i), as amended by FAA 2024.

<sup>18</sup> See 49 U.S.C. § 41731(a)(1)(C)(ii), as amended by FAA 2024.

**Air Carrier Fitness**

49 U.S.C. §§ 41737(b) and 41738 require that the Department find an air carrier fit, willing, and able to provide reliable service before the Department may subsidize it to provide EAS. Contour is subject to the Department's continuing fitness requirements, and no information has come to the Department's attention that would cause the Department to question the air carrier's fitness at this time. In addition, the Federal Aviation Administration has not raised concerns that would negatively affect the Department's fitness findings. The Department therefore concludes that Contour remains fit to conduct the operations proposed at Merced.

This Order is issued under authority redelegated by the Under Secretary of Transportation for Policy in 49 CFR § 1.25a(b)(6)(ii)(D), as further authorized by 49 CFR § 1.60(b).

**Accordingly,**

1. The Department selects Corporate Flight Management, Inc. d/b/a Contour Airlines to provide Essential Air Service at Merced, California for the four-year term from July 1, 2026, through June 30, 2030, in accordance with the proposal set forth in Appendix A, and establishes the annual subsidy rates as described in Appendix B;
2. Under the authority provided by 49 U.S.C. § 41732(c), the Department waives 49 U.S.C. § 41732(a) for the period from July 1, 2026, through June 30, 2030, for the community of Merced, California;
3. The Department makes this selection contingent upon receiving properly executed certifications from Corporate Flight Management, Inc. d/b/a Contour Airlines that it is in compliance with the Department's regulations regarding drug-free workplaces and nondiscrimination, as well as the regulations concerning lobbying activities;<sup>19</sup>
4. The Department directs Corporate Flight Management, Inc. d/b/a Contour Airlines to retain all books, records, and other source and summary documentation to support claims for payment, including copies of flight logs for aircraft used to provide EAS under this Order and sold or disposed of, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. This documentation shall be retained for three years from the last day of service under this Order, or such longer period as the Department may notify the air carrier. If any litigation, claim, or audit is started before the expiration of the three-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken. The air carrier may forfeit its compensation for any claim that is not supported under the terms of this Order;
5. The Department finds that Corporate Flight Management, Inc. d/b/a Contour Airlines is fit, willing, and able to perform Essential Air Service at Merced, California;

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<sup>19</sup> See (1) 49 CFR Part 20 – New restrictions on lobbying; (2) 49 CFR Part 21 – Nondiscrimination in federally-assisted programs of the Department of Transportation – Effectuation of title VI of the Civil Rights Act of 1964; (3) 49 CFR Part 27 – Nondiscrimination on the basis of disability in programs or activities receiving federal financial assistance; (4) 14 CFR Part 382 – Nondiscrimination on the basis of disability in air travel; (5) 49 CFR Part 32 – Governmentwide requirements for drug-free workplace (financial assistance); and (6) 2 CFR Part 1200 – Non-procurement suspension and debarment. The certifications are available online under “Reports and Publications” at <http://www.transportation.gov/office-policy/aviation-policy/essential-air-service-reports>.

6. This docket will remain open pending further Department action; and
7. The Department will serve this Order on the Mayor and City Manager of Merced, California, the Airport Manager of Merced Regional Airport, Advanced Air LLC, Boutique Air, Inc.; Corporate Flight Management, Inc. d/b/a Contour Airlines, SkyWest Charter, LLC, and SkyWest Airlines, Inc.

By:

**CINDY A. BARABAN**  
Deputy Assistant Secretary  
for Aviation and International Affairs

(SEAL)

*An electronic version of this document is available at*  
[www.regulations.gov](http://www.regulations.gov)

**Corporate Flight Management, Inc. d/b/a Contour Airlines Proposal to Provide  
EAS at  
Merced, California**

## Contour Bid (Option B)

Bid Overview	
Essential Air Service Market	Merced, CA
Frequency	12 weekly Round-Trips
Hub(s)	LAX (7) and LAS (5)
Aircraft Type	30-Seat Regional Jet
Term	48 months preferred
Annual Escalation	5% Year over Year

### Notes

All flights to be conducted as 14 CFR Part 380 public charters. Accordingly, service is contingent on community waiving its rights to scheduled air transportation or submitting a proposal for Alternate Essential Air Service (AEAS).

<b>Operations</b>	
Scheduled R/Ts Per Week	12
Completion Factor	97%
Annual Departures	1,211
Seats per Departure	30
<b>Revenue</b>	
Forecast Passengers	21,284
Average Fare	\$80
<b>Total Revenue</b>	<b>\$1,702,736</b>
<b>Expenses</b>	
Departure Costs	\$1,708,610
Aircraft Operating Costs	\$4,151,185
Overhead and Ownership	\$1,364,049
Marketing	\$25,000
<b>Total Expenses</b>	<b>\$7,248,845</b>
Profit Component (5%)	\$362,442
<b>Proposed Subsidy Year 1</b>	<b>\$5,908,551</b>
Proposed Subsidy Year 2	\$6,203,979
Proposed Subsidy Year 3	\$6,514,178
Proposed Subsidy Year 4	\$6,839,886

**Corporate Flight Management, Inc. d/b/a Contour Airlines  
Essential Air Service to be provided at Merced, California  
DOT-OST-1998-3521**

Contract Term: <sup>1</sup>	July 1, 2026, through June 30, 2030
Annual Subsidy:	See chart below
Hubs and Frequencies:	Seven (7) nonstop round trips per week to Los Angeles International Airport (LAX) and five (5) nonstop round trips per week to Harry Reid International Airport in Las Vegas (LAS)
Aircraft/Seats:	Scheduled Service: 30-passenger ERJ-135
Subsidy Rate per Flight: <sup>2</sup>	See chart below
Weekly Ceiling: <sup>3</sup>	See chart below

<u>Effective period</u>	<u>Annual Subsidy</u>	<u>Rate per Flight</u>	<u>Weekly Ceiling</u>
July 1, 2026, through June 30, 2027	\$5,908,551	\$4,879	\$117,098
July 1, 2027, through June 30, 2028	\$6,203,979	\$5,123	\$122,953
July 1, 2028, through June 30, 2029	\$6,514,178	\$5,379	\$129,100
July 1, 2029, through June 30, 2030	\$6,839,886	\$5,648	\$135,555

**Note:** The air carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate Order, including the service plans outlined in the Order and any other significant elements of the required service, without prior approval. The air carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the air carrier does not schedule or operate its flights in full conformance with the Order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the air carrier contemplates any such changes beyond the scope of the Order during the applicable period of this rate, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be ensured of full compensation. Should circumstances warrant, the Department may locate and select a replacement air carrier to provide service on these routes. The air carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community. In the event the air carrier provides notice that it is ending, suspending, or reducing basic essential air service, the air carrier must conform with all requirements under 49 U.S.C. § 41734, including any contract termination penalties or conditions on compensation that the Secretary of Transportation incorporates in this EAS subsidy contract.

<sup>1</sup> Year 1: July 1, 2026, through June 30, 2027; Year 2: July 1, 2027, through June 30, 2028; Year 3: June 1, 2028, through June 30, 2029; Year 4, June 1, 2029, through June 30, 2030.

<sup>2</sup> Annual compensation divided by 1,211 annual departures (24 weekly departures x 52 weeks x 97 percent completion). Use same calculation for subsequent years.

<sup>3</sup> 24 weekly departures multiplied by rate per flight. Use same calculation for subsequent years.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this Order, then, at the end of the period for which the Department does make payments in the stipulated service amounts, the air carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the Department and air carrier do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time.

Funds may not be available for performance under this Order beyond September 30, 2026. The Government's obligation for performance under this Order beyond September 30, 2026, is subject to the availability of funds from which payment for services can be made. No legal liability on the part of the Government for any payment may arise for performance under this order beyond September 30, 2026, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond September 30, 2026, the Department will provide notice in writing to the air carrier. If a new EAS contract has not been awarded by the expiration date of the contract term the Department and the air carrier may agree to an extension to avoid a break in service while the Department completes an EAS selection proceeding.

All claims for payment, including any amended claims, must be submitted within 90 days of the last day of the month for which compensation is being claimed. For example, claims for service provided in July must be filed by October 31; August claims must be submitted by November 30, and so on.