

ATTACHMENT 2

ESSENTIAL
AIR SERVICE
PROPOSAL

A D V A N C E D A I R



Advanced Air, LLC

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ESSENTIAL AIR SERVICE PROPOSAL

DOT-OST-1998-3521

Merced, California

April 6, 2021

A B O U T U S

Advanced Air, LLC is an innovative, service-oriented aviation company headquartered in Hawthorne, California, approximately three miles from LAX. We were founded in 2005 by our President, Levi Stockton, as an FAA approved, Part 135, On-Demand Air Carrier focused on superlative aircraft management and on demand charter. Today, Advanced Air has over 100 employees and 22 aircraft operated in both scheduled and on-demand service. Our successful growth is driven by our adherence to our core values of: safety, security, teamwork and reliability. We are in this business for the long run and take a disciplined, thoughtful approach to growth opportunities. We value enduring customer relationships built on mutually beneficial outcomes.

Since receiving our Commuter Air Carrier Authority in 2017, we have worked diligently to invest in the infrastructure required and capitalize on existing distribution channels. We are connected to the major Global Distribution Systems (GDS) utilized by travel agents and industry professionals, including Amadeus and Sabre. Additionally, you will see us on Online Travel Agencies including Expedia, Travelocity, and Orbitz. Advanced Air, LLC is in talks with a major air carrier to provide inter-line services.

More than a decade of commitment, collaboration and capital from a dedicated team of entrepreneurs and professionals who share a passion for aviation has been the foundation of Advanced Air's success. Our relationships are built on trust and transparency and each passenger entrusted to the care of this team represents a valued asset.

OUR COMMERCIAL OPERATIONS

SILVER CITY OPERATIONS 2020:

96%

ON TIME DEPARTURES

99.8%

COMPLETION FACTOR

14k+

TOTAL PASSENGERS

ADVANCED AIRLINES 2019 TOTAL:

40k+

TOTAL PASSENGERS

24k+

TOTAL DEPARTURES

10k+

HOURS FLOWN

Advanced Air has a diversified portfolio of flying services in turboprop aircraft, business jets and regional passenger jets. Serving more than 12 communities in the southwestern United States Advanced Air has a deep commitment to operational excellence and metered, sustainable growth.

MARKETING MERCED, CA:

Advanced Air is pledging \$50,000 - \$70,000 per year to market and grow the ridership at Merced airport. Our plan includes our ongoing interline agreement talks with large airlines and our community engagement strategy to bring awareness to the local airport and services. Tactics involve local corporate sponsorships, charitable donations and events, and content creation that will be used for targeted marketing on multiple channels including media. Additionally Advanced Air flights are available on the GDS. Advanced Air plans to continue the relationships we created within the community to address suggestions and concerns on how we engage and communicate to the local stakeholders and Yosemite Valley.

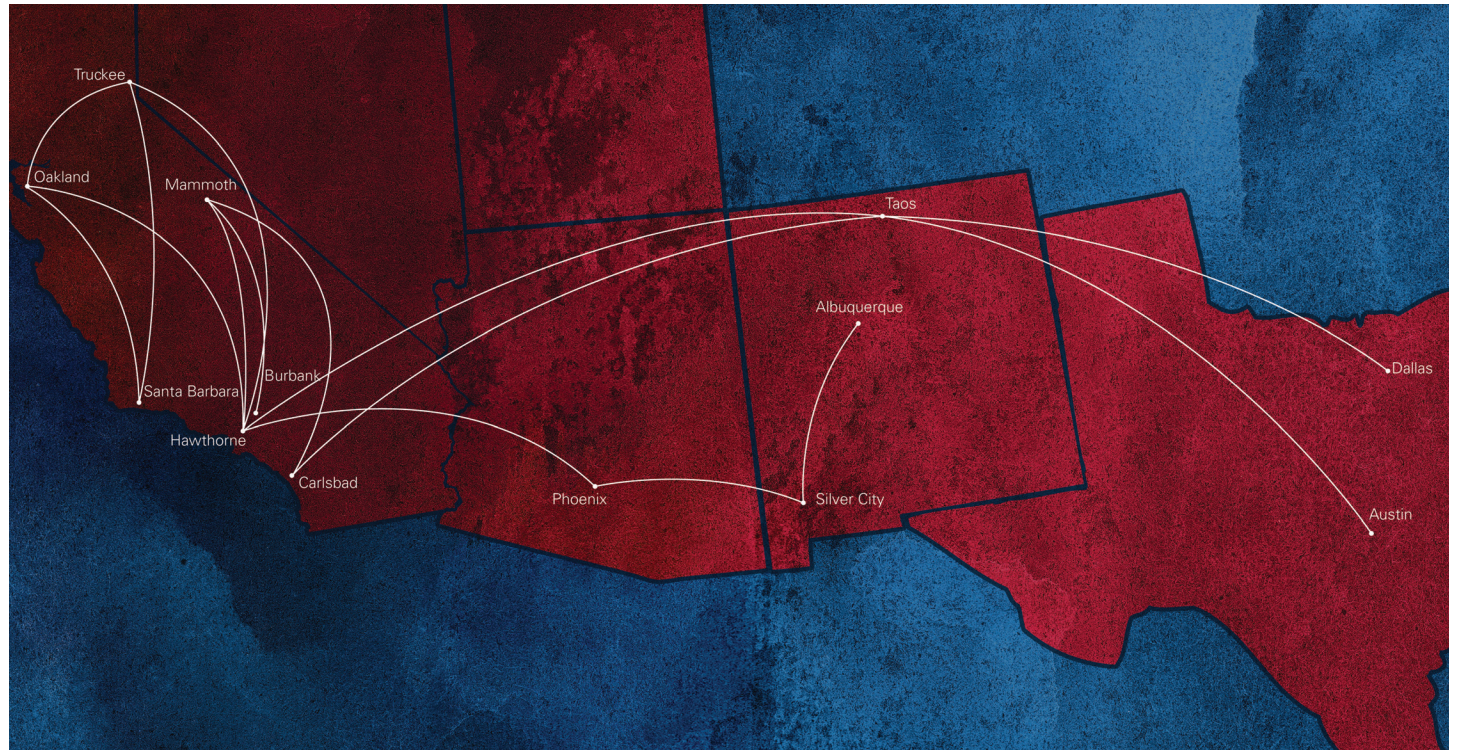
ADVANCED AIR PROPOSES A 4 YEAR CONTRACT:

Securing a four-year contract, will allow Advanced Air to further invest in the Merced Airport and surrounding communities, creating long-term business strategies and marketing initiatives for the benefit of all stakeholders. Our primary goals are to engage with the community and provide a superior level of customer service, reliability and safety.

The COVID-19 Pandemic has resulted in significantly reduced passenger loads, so a longer term contract will allow time to re-establish passenger confidence and implement growth plans for continued connectivity to the U.S. air system. This would be followed by continued growth along with a commitment to sustain these high levels of community engagement, service and reliability throughout the term of the contract.

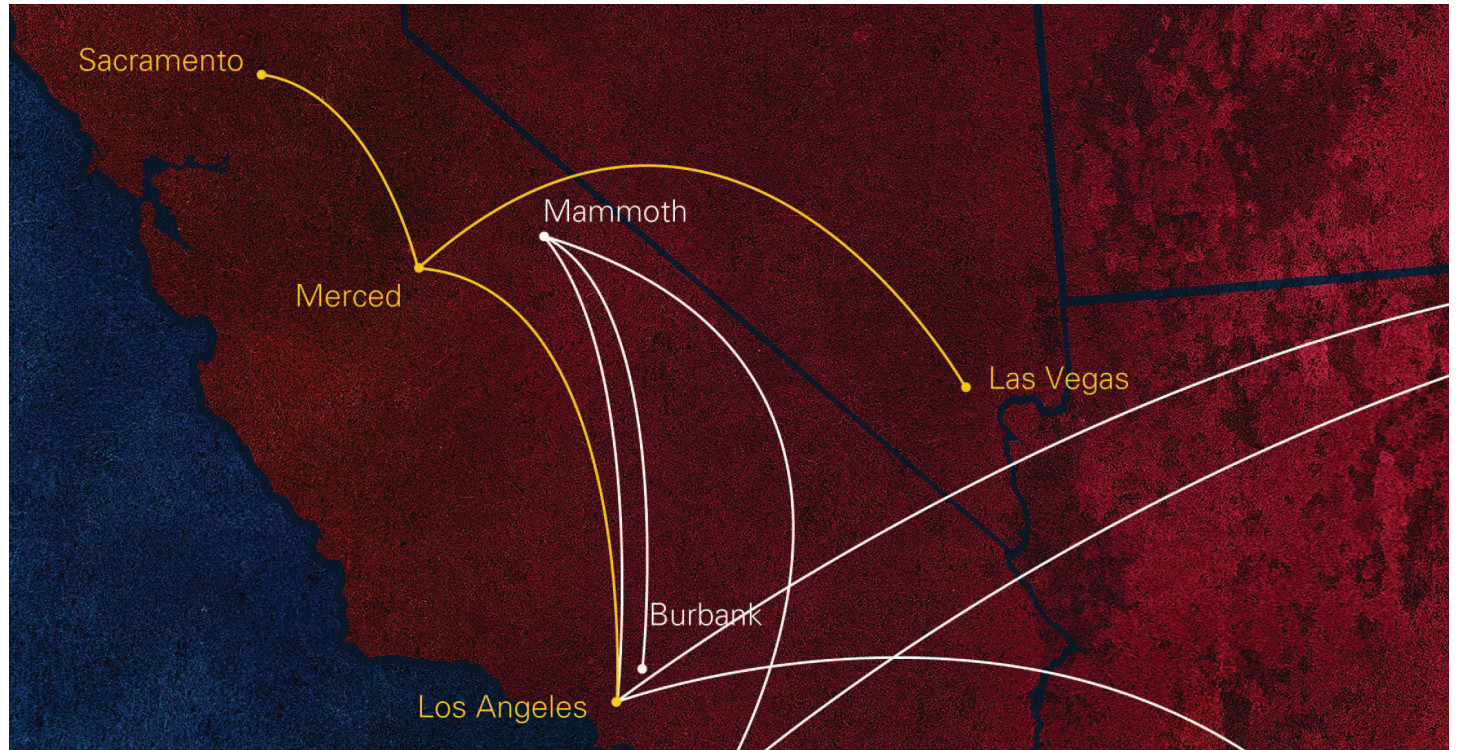
ROUTE MAP

Current Routes:



ROUTE MAP

Proposed Routes:



KING AIR 350 TECHNICAL SPECIFICATIONS

ADVENTURE & COMFORT:

The most comfortable solution for short-haul flights, the King Air 350 is the latest version of one of the most reliable airplanes ever built. We operate eight King Air 350s all with seating in a double-club configuration. Each aircraft is equipped with the advanced Garmin G1000 flight deck featuring “synthetic vision” and XM weather, providing the crew with optimum position awareness. In addition the aircraft features Raisbeck wing lockers, which increase the total cargo space to 71 cu. ft. The performance of the King Air 350 allows for year round operations out of all airports in this bid with maximum passenger loads and luggage.

Aircraft Amenities:

- 9 passengers
- Power outlets
- Enclosed Lavatory
- Complimentary snacks
- Room for golf clubs, skis and guns
- 50lbs. of luggage per passenger guaranteed



PILATUS PC-12 TECHNICAL SPECIFICATIONS

SHORT AND ROUGH FIELD PERFORMANCE.

Advanced Air operates a fleet of 11 Pilatus PC-12 aircraft in a high movement airline style system. Our reliable operations of this aircraft has proven its reputation as the world's greatest single engine aircraft.. Crafted in Switzerland, nothing else compares. The Pilatus PC-12 has gained a reputation for outstanding versatility, performance, reliability and operational flexibility. The PC12 is one of the most popular turbine-powered business aircraft on the market today. Whether it's the large cabin, long range, short-field capability, or precision Swiss engineering and construction, passengers find the perfect balance of features to serve their needs in the PC-12.

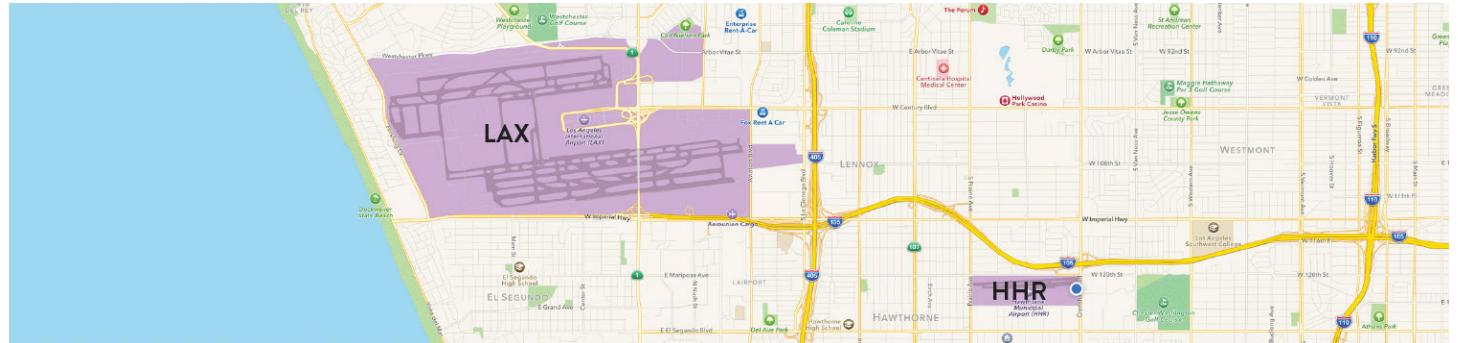
Aircraft Amenities:

- 6-8 Passengers
- Enclosed Lavatory
- 40 FT³ Baggage Capacity
- Short field capabilities
- Best in class cabin
- Complimentary snacks
- Electrical outlets



J E T C E N T E R L O S A N G E L E S

Hawthorne Airport is located just 3 miles from LAX. Operations out of Hawthorne offer both connecting and local customers a wide variety of benefits.



Connect to any airline at LAX - For connecting passengers, we offer a seamless transfer to any terminal in LA. This means that as a customer you can take advantage of the full range of LAX service offerings, rather than a limited set of interline partners. We'll make it easy for you and help you with your luggage. The complementary shuttle to LAX will be waiting plane side upon your arrival and have you at your terminal of choice in under 20 min at LAX. For passengers connecting from LAX to Hawthorne the complementary shuttle will pick you up at designated pick up locations at LAX and drop you plane side at Hawthorne.

Car service for local passengers - If LA is your final destination, you can avoid the headache of picking up your rental car with our onsite service. Your car will be waiting for you curbside when you land as long as you book with proper notice.

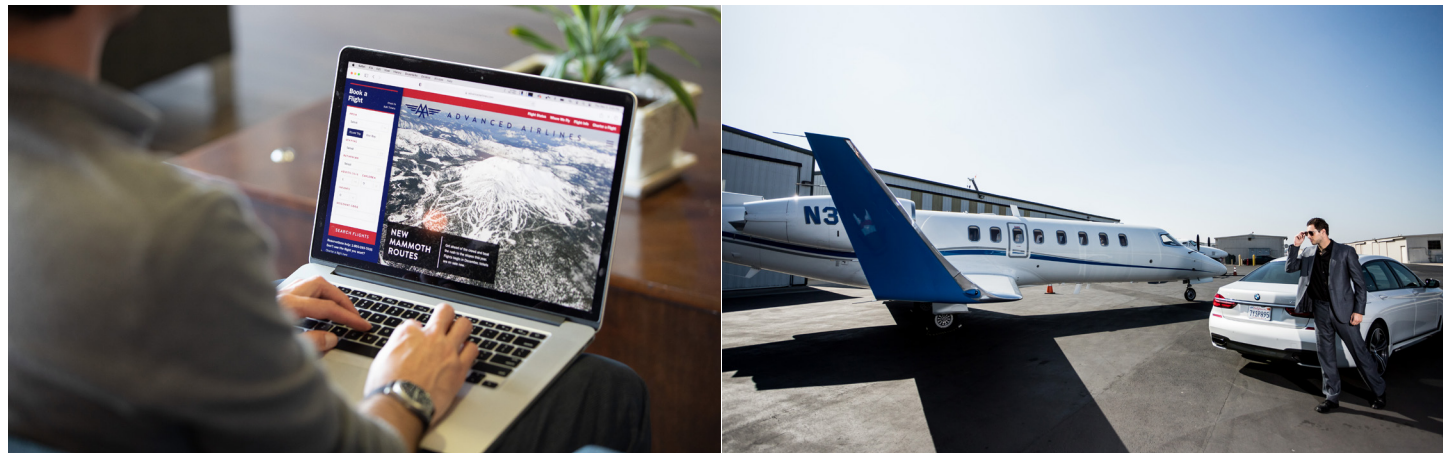


J E T C E N T E R L O S A N G E L E S

A quiet place to work in our private terminal space – Our spacious FBO facility offers free WiFi, snacks and drinks. Comfy sofas offer customers a quiet place to work while they wait for departure or enjoy a meal or beer at our onsite brewpub, Eureka.



Save time by avoiding air traffic and operations delays – at Hawthorne, the taxi to the runway is 50 feet and operations are exempt from traffic metering implemented during peak times at LAX. As a customer, you'll rarely wait longer than a few minutes to take off. In the event of delays, you can wait in the comfort of our lounge and board right at departure time.



REPUTATION AND RECOMMENDATIONS

Silver City Passenger

“I wanted to say a Big Thank You to the Advanced Airlines Staff for helping me through a difficult flight home on March 15th. My first flight ended up being canceled and rescheduled which would have made me miss my Advanced Air flight from Phoenix to Silver City, NM in the afternoon. I called Advanced Air and with no difficulty they rescheduled me for the evening flight. When I checked into my flight in Phoenix, the two ladies greeted me by name and told me how sorry they were that my earlier flight with a different airline had been so difficult. The check in process was a breeze and the flight was smooth. Everyone I dealt with was so good to me. I wish I knew all of their names. I had been up since 4 a.m. and got home at 9:30 p.m. so it was a long day but the Advanced Air staff made my long day so much better.”

Silver City Passenger

“I recently traveled From Silver City New Mexico to Maui. Trying to get out of a small town and all the way to Maui was difficult but using your company and American Airlines, I acted as my own travel agent. All was well until I realized I had booked your flight coming home a day early forgetting that I was going to be traveling overnight and arriving the next day. In a small panic I called Advanced Air and spoke with Eli Suazo who was able to re-accommodate me. What’s more, he also said if I got in early enough he might be able to get me onto the earlier flight going down to Silver City, which he did!!! I am so pleased to have found a company with agents who care about their customers and I am forever grateful.”

*Howie Morales, Lt.
Governor of New Mexico*

“Advanced Airlines has provided excellent service for Southwest New Mexico with daily flights to Albuquerque and Phoenix. It is so important to keep rural New Mexico connected to major air markets and I hope we are able to expand service to other New Mexico communities.”

*Billy Billings, Grant
County Commissioner*

“Advanced Airlines has done an excellent job serving our community and we are very pleased that the US Department of Transportation has agreed and continued their support for two more years. We look forward to their continued first class service.”

SAFETY AND OPERATIONS



KEEPING PASSENGERS SAFE FROM COVID-19

Advanced Air has taken proactive and voluntary steps to ensure our passengers have a safe and healthy flying experience. In addition to the air circulation features onboard, we are providing individual masks and hand sanitizer upon request. We have implemented extra sanitizing procedures between flights, focusing on high touch points like windows, armrests and handles. Our crewmembers are thoroughly trained in these safety precautions and have also been trained to recognize symptoms which may be exhibited by a potentially infected individual. We are exercising extreme caution and discretion throughout our system.



AIR CHARTER SAFETY FOUNDATION REGISTERED

The foundation leads and supports the advancement of the highest safety standards available to allow the business, charter and fractional ownership industry to offer the safest air transportation products in the world and to provide objective information about these standards and services to the public.



ARGUS PLATINUM RATING

The world's most prestigious third-party vetting system for charter operations. This Platinum rating is granted only to operators who, after completing a rigorous operations, maintenance, and safety audit by industry experts, demonstrate that their procedures meet what is considered to be the "best practices."



IS-BAO STAGE II CERTIFIED

IS-BAO Stage II Certified: A code deemed by the International Business Aviation Council to be the best practices designed for achieving high levels of safety and professionalism for business aircraft operations.



BARS FLIGHT SAFETY

Bars Safety Program is a risk-based model framed against the actual threats posed to aviation operations, particularly those that occur within challenging and remote environments. It directly links these threats to associated controls, recovery and mitigation measures as opposed to outdated and prescriptive formats previously used within a number of industry sectors.

PROPOSAL FINANCIAL DETAIL

OPTION 1: 28 round trips per week 14 Round trip flights between KMCE and KSMF
14 round trip flights between KMCE and Los Angeles (KHHR and KLAX Options)

	KSMF / KHHR King Air 350	KSMF / KLAX King Air 350	KSMF / KHHR PC-12	KSMF / KLAX PC-12
<i>Operations</i>				
Scheduled Flights	2,912	2,912	2,912	2,912
Completed Flights	2,854	2,854	2,854	2,854
Scheduled Block Hours	2,766	2,766	3,058	3,203
Scheduled Seats	26,208	26,208	23,296	23,296
<i>Revenue</i>				
Passengers	15,463	15,463	15,142	15,142
Average Net Fare	\$ 120	\$ 120	\$ 120	\$ 120
Implied Seat Factor	59%	59%	65%	65%
Passenger Revenue	\$ 1,855,526	\$ 1,855,526	\$ 1,817,088	\$ 1,817,088
Total Revenue	\$ 1,855,526	\$ 1,855,526	\$ 1,817,088	\$ 1,817,088
<i>Expenses</i>				
Fuel	\$ 1,182,465	\$ 1,383,000	\$ 814,086	\$ 960,960
Ownership	\$ 970,000	\$ 970,000	\$ 1,135,000	\$ 1,135,000
Maintenance and Reserves	\$ 700,000	\$ 750,000	\$ 700,000	\$ 750,000
Crew	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000
Airport Rent & Operations	\$ 100,000	\$ 140,000	\$ 100,000	\$ 140,000
Landing Fees	\$ 725,000	\$ 925,000	\$ 725,000	\$ 925,000
Staff	\$ 125,000	\$ 145,000	\$ 125,000	\$ 145,000
Insurance	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000
Marketing & Distribution	\$ 70,000	\$ 50,000	\$ 70,000	\$ 50,000
Other Indirect Costs	\$ 100,000	\$ 115,000	\$ 100,000	\$ 115,000
Total Costs	\$ 4,817,465	\$ 5,323,000	\$ 4,614,086	\$ 5,065,960
<i>Profit Element</i>				
Margin	\$ 240,873 5%	\$ 266,150 5%	\$ 230,704 5%	\$ 253,298 5%
<i>Total Subsidy</i>				
Year 1	\$ 3,202,812	\$ 3,733,624	\$ 3,027,702	\$ 3,502,170
Year 2	\$ 3,298,896	\$ 3,845,632	\$ 3,118,533	\$ 3,607,235
Year 3	\$ 3,397,863	\$ 3,361,001	\$ 3,212,089	\$ 3,715,452
Year 4	\$ 3,499,799	\$ 4,079,831	\$ 3,308,452	\$ 3,826,916

PROPOSAL FINANCIAL DETAIL

OPTION 1: 28 round trips per week 14 Round trip flights between KMCE and KSMF
14 Round trip flights between KMCE and Los Angeles (KHHH and KLAX Options)

NOTES:

Approximately \$95 for Sacramento (KSMF)
Approximately \$145 for Los Angeles (KHHH / KLAX)

Proposed Schedule

WEEKLY ROUTES

ROUTE	DEPART	ARRIVE	NOTES
HHR-MCE YART BUS	5:40A	6:46A	M -S 6:55A TO YOSEMITE VALLEY
MCE-SMF	7:00A	7:36A	M -S
SMF-MCE YART BUS	8:00A	8:36A	M -S 8:45A TO YOSEMITE VALLEY
MCE-SMF	9:10A	10:46A	M -S
SMF-MCE	11:15A	11:51A	M -S
MCE-HHR	11:25A	12:31P	M -S
HHR-MCE YART BUS	4:00P	5:06P	M -S 5:25P TO YOSEMITE VALLEY
MCE-HHR	5:36P	6:41P	M -S

Advanced Air, LLC *Schedule represent initial Advanced Air Proposals and will be finalized with community input before first flight. *If a PC-12 Option is selected Advanced Air will use the King Air 350 as a back up aircraft at the same subsity rate as the PC-12.

PROPOSAL FINANCIAL DETAIL

OPTION 2 : 28 round trips per week 14 Round trip flights between KMCE and KLAS

14 round trip flights between KMCE and Los Angeles (KHHR and KLAX Options)

	KLAS / KHHR King Air 350	KLAS / KLAX King Air 350	KLAS / KHHR PC-12	KLAS / KLAX PC-12
<i>Operations</i>				
Scheduled Flights	2,912	2,912	2,912	2,912
Completed Flights	2,854	2,854	2,854	2,854
Scheduled Block Hours	4,004	4,150	4,295	4,441
Scheduled Seats	26,208	26,208	23,296	23,296
<i>Revenue</i>				
Passengers	16,773	16,773	16,773	16,773
Average Net Fare	\$ 145	\$ 145	\$ 145	\$ 145
Implied Seat Factor	64%	64%	72%	72%
Passenger Revenue	\$ 2,432,102	\$ 2,432,102	\$ 2,432,102	\$ 2,432,102
Total Revenue	\$ 2,432,102	\$ 2,432,102	\$ 2,432,102	\$ 2,432,102
<i>Expenses</i>				
Fuel	\$ 2,002,000	\$ 2,074,800	\$ 1,208,025	\$ 1,332,240
Ownership	\$ 970,000	\$ 970,000	\$ 1,135,000	\$ 1,135,000
Maintenance and Reserves	\$ 1,601,600	\$ 1,763,580	\$ 1,395,940	\$ 1,554,280
Crew	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000
Airport Rent & Operations	\$ 100,000	\$ 140,000	\$ 100,000	\$ 140,000
Landing Fees	\$ 625,000	\$ 925,000	\$ 625,000	\$ 925,000
Staff	\$ 125,000	\$ 145,000	\$ 125,000	\$ 145,000
Insurance	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000
Marketing & Distribution	\$ 70,000	\$ 50,000	\$ 70,000	\$ 50,000
Other Indirect Costs	\$ 100,000	\$ 115,000	\$ 100,000	\$ 115,000
Total Costs	\$ 6,438,600	\$ 7,028,380	\$ 5,603,965	\$ 6,241,520
<i>Profit Element</i>				
Margin	\$ 321,930 5%	\$ 351,419 5%	\$ 280,198 5%	\$ 312,076 5%
<i>Total Subsidy</i>				
Year 1	\$ 4,328,428	\$ 4,947,697	\$ 3,452,061	\$ 4,121,494
Year 2	\$ 4,458,280	\$ 5,096,127	\$ 3,555,623	\$ 4,254,138
Year 3	\$ 4,592,029	\$ 5,249,011	\$ 3,662,291	\$ 4,372,493
Year 4	\$ 4,729,790	\$ 5,406,482	\$ 3,772,160	\$ 4,503,667

PROPOSAL FINANCIAL DETAIL

OPTION 2: 28 round trips per week 14 Round trip flights between KMCE and KLAS
14 round trip flights between KMCE and Los Angeles (KHHR and KLAX Options)

NOTES:

Approximately \$145 for Las Vegas (KLAS)
Approximately \$145 for Los Angeles (KHHR / KLAX)

Proposed Schedule

WEEKLY ROUTES

ROUTE	DEPART	ARRIVE	NOTES
HHR-MCE YART BUS	5:00A	6:06A	M -S 6:55A TO YOSEMITE VALLEY
MCE-LAS	6:36A	8:00A	M -S
LAS-MCE YART BUS	8:30A	10:00A	M -S 10:30A TO YOSEMITE VALLEY
MCE-HHR	10:30A	11:36A	M -S
HHR-MCE	12:06A	1:12P	M -S
MCE-LAS	1:42P	3:06P	M -S
LAS-MCE YART BUS	3:36P	5:06P	M -S 5:25P TO YOSEMITE VALLEY
MCE-HHR	5:45P	6:51P	M -S

Advanced Air, LLC *Schedule represent initial Advanced Air Proposals and will be finalized with community input before first flight. *If a PC-12 Option is selected Advanced Air will use the King Air 350 as a back up aircraft at the same subsidy rate as the PC-12.

PROPOSAL FINANCIAL DETAIL

OPTION 3 : 24 round trips per week 12 Round trip flights between KMCE and KLAS

12 Round trip flights between KMCE and Los Angeles (KHHR and KLAX Options)

	KLAS / KHHR King Air 350	KLAS / KLAX King Air 350	KLAS / KHHR PC-12	KLAS / KLAX PC-12
<i>Operations</i>				
Scheduled Flights	2,496	2,496	2,496	2,496
Completed Flights	2,446	2,446	2,446	2,446
Scheduled Block Hours	3,432	3,557	3,682	3,806
Scheduled Seats	22,464	22,464	19,968	19,968
<i>Revenue</i>				
Passengers	16,848	16,848	16,773	16,773
Average Net Fare	\$ 145	\$ 145	\$ 145	\$ 145
Implied Seat Factor	75%	75%	84%	84%
Passenger Revenue	\$ 2,442,960	\$ 2,442,960	\$ 2,432,102	\$ 2,432,102
Total Revenue	\$ 2,442,960	\$ 2,442,960	\$ 2,432,102	\$ 2,432,102
<i>Expenses</i>				
Fuel	\$ 1,608,750	\$ 1,778,400	\$ 1,076,868	\$ 1,141,920
Ownership	\$ 970,000	\$ 970,000	\$ 1,135,000	\$ 1,135,000
Maintenance and Reserves	\$ 1,338,480	\$ 1,422,720	\$ 1,233,336	\$ 1,332,240
Crew	\$ 800,000	\$ 800,000	\$ 800,000	\$ 800,000
Airport Rent & Operations	\$ 100,000	\$ 140,000	\$ 100,000	\$ 140,000
Landing Fees	\$ 536,000	\$ 795,000	\$ 536,000	\$ 795,000
Staff	\$ 125,000	\$ 145,000	\$ 125,000	\$ 145,000
Insurance	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000
Marketing & Distribution	\$ 70,000	\$ 50,000	\$ 70,000	\$ 50,000
Other Indirect Costs	\$ 100,000	\$ 115,000	\$ 100,000	\$ 115,000
Total Costs	\$ 5,693,230	\$ 6,261,120	\$ 5,221,204	\$ 5,699,160
<i>Profit Element</i>				
Margin	\$ 284,662 5%	\$ 313,056 5%	\$ 261,060 5%	\$ 284,958 5%
<i>Total Subsidy</i>				
Year 1	\$ 3,534,932	\$ 4,131,216	\$ 3,050,162	\$ 3,552,016
Year 2	\$ 3,640,979	\$ 4,255,152	\$ 3,141,667	\$ 3,658,576
Year 3	\$ 3,750,209	\$ 4,382,807	\$ 3,235,917	\$ 3,768,333
Year 4	\$ 3,862,715	\$ 4,514,291	\$ 3,332,994	\$ 3,881,383

PROPOSAL FINANCIAL DETAIL

OPTION 3: 24 round trips per week 12 Round trip flights between KMCE and KLAS
12 Round trip flights between KMCE and Los Angeles (KHHR and KLAX Options)

NOTES:

Approximately \$145 for Las Vegas (KLAS)
Approximately \$145 for Los Angeles (KHHR / KLAX)

Proposed Schedule

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LAS-MCE YART BUS	8:30A	10:00A	M -S 10:30A TO YOSEMITE VALLEY
MCE-HHR	10:30A	11:36A	M -S
HHR-MCE	12:06A	1:12P	M -S
MCE-LAS	1:42P	3:06P	M -S
LAS-MCE YART BUS	3:36P	5:06P	M -S 5:25P TO YOSEMITE VALLEY
MCE-HHR	5:45P	6:51P	M -S

Advanced Air, LLC *The Schedule will be reduced by 4 Round Trips per week for both Los Angeles and Las Vegas *Schedule represent initial Advanced Air Proposals and will be finalized with community input before first flight. *If a PC-12 Option is selected Advanced Air will use the King Air 350 as a back up aircraft at the same subsidy rate as the PC-12.