

ATTACHMENT 2

**Essential Air Service Proposal
For
Merced, California (MCE)**

A D V A N C E D A I R



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Essential Air Service Proposal

DOT-OST-1998-3521

Merced, California

July 10, 2025

ABOUT US

VISION

To be a world-renowned sustainable aviation solution.

MISSION

To enrich the lives of our employees, customers, communities, and stakeholders, one flight at a time.

VALUES

Safety, Integrity,
Transparency, Teamwork,
Fulfillment, and Respect

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 200 employees and 20 aircraft, from turboprops to regional jets, operated in both scheduled and on-demand service. Our business began with providing a premier, private aircraft experience and that superior level of customer service extends to all of our operations, both scheduled and on-demand. Our successful growth is driven by our adherence to our core values of safety, security, reliability, and teamwork. 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. Finally, Advanced Air, LLC maintains an interline agreement with Alaska Airlines to facilitate passenger and baggage movement at key commercial hubs.

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 is our priority.

Flight Management Team

Our comprehensive Flight Management Department consists of Dispatch, Logistics, Crew Scheduling, Maintenance, Training and Airline Operations. The team meets every morning, 7 days a week, to review and discuss the day's activity and look ahead for the week. Licensed Dispatchers are consistently monitoring weather conditions, airport activity, ATC, flight plan, and anything that could adversely affect safe and efficient operations. All flight plans are filed by Licensed Dispatchers to ensure the best routing and fuel planning. Even more importantly, we always have a second set of eyes monitoring weather, aircraft and airport limitations, etc. All flight plans are sent digitally to the crewmember's iPad for review and discussion of any necessary adjustments. The Dispatch team works in tandem with the Logistics Team overseeing flight following, crew duty compliance, as well as crew and aircraft accommodations. The Training and Crew Scheduling specialists ensure crew currency and training requirements and manage crew schedules to maximize availability for flight. This entire team is dedicated to ensuring all flight operations are not only safe, compliant and cost-effective, but also prioritizing professionalism, efficiency and superior customer service.

SCHEDULED SERVICE

EAS/RASE

www.advancedairlines.com

Advanced Air's Scheduled Service operations cater to two diverse demographics: Support for Federal (EAS) and State (RASE) Air Service programs that provide much-needed air service to the country's rural communities and a Semi-Private network offering seasonal flights to popular tourist destinations.

Current Federal and State Subsidized EAS and RASE Contracts: These markets are served by our King Air 350 and PC-12 aircraft and connect these rural communities to medium and large hubs including Albuquerque, Phoenix, Los Angeles and Las Vegas.

Silver City, NM: This represents Advanced Air's first EAS contract and service started in January 2019. Since then, the contract has come up for bid three more times and each time Advanced Air has been selected by both the community and the DOT. The current contract extends service through January 2029, providing 17 weekly round trips to Albuquerque and 7 weekly to Phoenix, flying 2,400 hours annually.

Merced, CA: Advanced Air was granted this contract for four years starting January 1, 2021, providing 24 round trip flights per week (12 each) to Los Angeles and Las Vegas, for a total of 3,800 hours annually.

Carlsbad, NM: Advanced Air was granted this contract for two years starting November 5, 2023, providing 12 round trip flights per week to Albuquerque and 7 round trip flights per week to Phoenix, for a total of 2,300 hours annually.

Gallup, NM: Gallup, NM represents the first City in New Mexico to be awarded the RASE (Rural Air Service Enhancement) Grant. Advanced Air was selected by the City of Gallup for a two-year contract beginning August 1, 2022, providing daily flights between Gallup and Phoenix, for a total of 800 hours annually. Grants have just been approved extending beyond 2024 and will allow for additional daily flights through July 2026. This innovative grant program is expected to continue beyond this date and could allow subsidies for larger aircraft.

Las Cruces, NM: Las Cruces was the second City in New Mexico to be awarded the RASE (Rural Air Service Enhancement) Grant. Advanced Air was selected by the City of Las Cruces for a four-year contract beginning January 16, 2023, providing daily flights between Las Cruces and Albuquerque, for a total of 730 hours annually.

Angel Fire, NM: Colfax County was just awarded RASE Grant funds for service from Angel Fire, NM to Albuquerque. Advanced Air was selected to provide seasonal service between these cities on a two-year contract beginning December 2024.

AEAS

www.advancedairlines.com

Crescent City, CA: Advanced Air was selected by the Border Coast Regional Airport Authority and Del Norte County to provide AEAS (DOT Part 380) operations in the Dornier 328 Jet through September 2028. Flights commenced on March 17, 2024, with service to Oakland and Hawthorne-Los Angeles for a total of 1,250 hours annually.

Semi-Private Network

www.advancedairlines.com

Mammoth Lakes, CA: The Semi-Private network currently operates seasonal flights to Mammoth Lakes, CA (Mammoth Mountain Ski Resort) from Hawthorne/Los Angeles, CA and Carlsbad/San Diego, CA with the Dornier 328 Jet. This market has significant potential for growth in both frequency and markets served. The MMH route has established Advanced as a recognized regional jet operator serving popular, yet inaccessible, tourist destinations. The addition of service between Crescent City, CA and Oakland or Hawthorne/Los Angeles provides a key market for maximizing efficiency and flexibility within the Dornier fleet while keeping all operations within the same hub and spoke area.

OPERATIONAL PERFORMANCE AND ROUTE MAP

Merced, CA Operational Statistics (January 2022 through June 2025):

- **96% Completion Record**
- **90% On-time Record**
- 8,300 + Total Flights
- 27,000+ Total Passengers

Network Operational Statistics (Annual):

- Perfect Operational Safety Record – Zero Accidents
- 98% Completion Record
- 91% On-time Record
- 11,000 Annual Departures
- 12,500 Annual Fleet Hours Flown
- 65,000 Annual Passengers

*Current Route
Network*



Note: Red lines indicate King Air Routes

SAFETY AND OPERATIONS

Since our founding, we have continually invested in technology and our personnel to create an unwavering culture of safety, service and professionalism. Safety is our highest priority and as such we have built a reputation in the industry backed by the endorsement of multiple third-party auditors. We are Argus Platinum Rated, IS-BAO Stage II Certified, an active participant in the Air Charter Safety Foundation and a BARS Registered Operator. We operate an active Safety Management System and have built an extensive training program that incorporates scenario-based simulator training at FlightSafety International.



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 "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.



DEPARTMENT OF DEFENSE (DOD) CIVIL AIRLIFT REVIEW BOARD (CARB)

Advanced Air was recently certified as a DOD approved air carrier. This certification is among the highest safety standard certifications that can be achieved by an air carrier. It is held by a select group of operators and obtained only after a comprehensive audit of processes and procedures.

SOUTHWEST AIRLINES DESTINATION 225° PROGRAM



Advanced Air has been part of the Southwest Airlines Destination 225° Pilot Pathways Program for more than two years. This is an exciting partnership bringing together Advanced Air and Southwest Airlines flight crews, offering a pathway for motivated and qualified candidates to future flight careers with SWA.

PILOTS WILL COME TO THE ADVANCED AIR PIPELINE THROUGH FOUR DIFFERENT PATHWAYS UNDER DESTINATION 225°

University Pathway: recent college graduate aviators from the four accredited universities that SWA partners with. In addition, this pathway is also extended to college graduates who complete an internship with SWA.

CAE Cadets: prospective candidates will begin flight training with CAE (partner of SWA) and apply for the Destination 225° program. This is appealing to a lot of pilot candidates, especially those who are just looking to begin their careers and start building flight time.

Military Pathway: active military pilots who do not yet meet the minimum requirements to start their careers as airline pilots.

Employee Pathway: Southwest employees are also allowed to go through this program using the CAE track.

After they have been fully vetted by Southwest Airlines (training, ADAPT test, interviews, etc.) they will come through the Advanced Air pipeline via application. From there, we will put them through our interview process. Once they get to the offer stage and accept, they will stay with Advanced Air for a total of 24 months, actively flying and setting themselves up for success. At the end of the 24-month period, they will filter back through the pathway into a pilot position with Southwest Airlines.

SWAs university partners include: Arizona State University, Southeastern Oklahoma State University, University of Nebraska at Omaha and University of Oklahoma.

MARKETING AND COMMUNITY ENGAGEMENT

Marketing and Promotion Activities:

Active Promotion of the Service

- Local Media Advertising
- Billboard & Radio Advertising
- Social Media Promotions
- Email Campaigns
- Discount Coupon Books – over 150 sold
- altitude in-flight magazine – 20th Anniversary Edition just released!
-  Interline Agreement



Community Outreach Efforts:

Extensive Community Participation

- Hispanic Chamber of Commerce Membership
- Merced County Farm Bureau Membership
- Local Business Engagement
- UC Merced Student & Faculty Promotions
- YARTs Partnership
- Local Event Sponsorships
 - Merced Fireman's Ball
 - St. Paul Lutheran Church and School
 - Annual Latina Women's Luncheon
 - Mercado Night Market
- Community Surveys – Customer Satisfaction surveys to all MCE passengers; promo code included

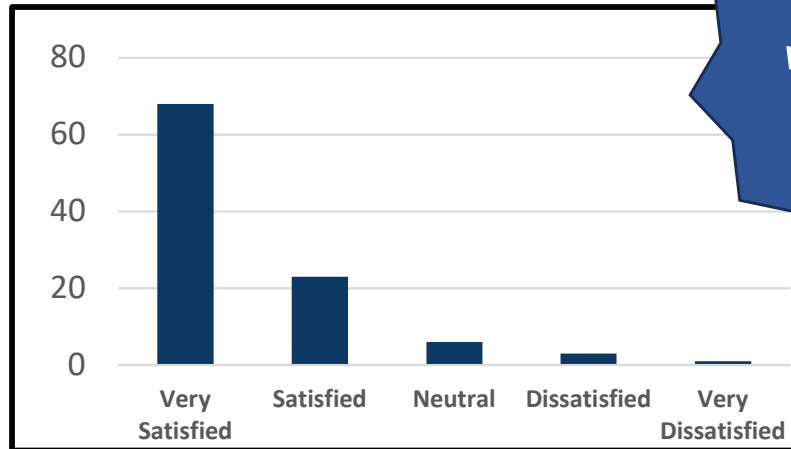


FROM OUR MERCED PASSENGERS

Merced, CA passengers express very high levels of customer satisfaction and customer service in surveys:

Customer Satisfaction (%)*

Customer Satisfaction



92% either
Very Satisfied
or Satisfied

Customer Service

From Customers:

"I've been flying Advanced Air the past year, literally every week for work. (Almost 100 flights taken) and have found ALL the staff and pilots to be incredibly friendly and professional. Their flights between Merced and Hawthorne have been a God send. . . I really encourage anyone to check Advanced Airlines out!"

Customer Service

9.2

1

10

Local Staff

9.3

1

10

*based on a survey taken in November 2024 of over 300 passengers who have flown Advanced Air to or from Merced, CA.

AIRCRAFT SPECIFICATIONS

King Air 350

RELIABILITY AND COMFORT

The preferred solution for short-haul flights, the King Air 350 is the latest version of one of the most reliable twin-turboprop airplanes ever built. The King Air 350 is configured with double-club seating and an enclosed lavatory to maximize passenger comfort. The Garmin G1000 flight deck is the most advanced in its class, featuring “synthetic vision” and XM weather, providing the crew with optimum position and situation awareness. In addition, the aircraft features Raisbeck wing lockers, which increase the total cargo space to 71 cu. ft., ensuring that all passenger luggage can be accommodated. The high performance of the King Air 350 allows for year-round operations out of all the airports in this bid with maximum passenger and luggage loads.

Aircraft Amenities:

9 Passengers

50 lbs. of luggage per
passenger guaranteed

Pressurized Cabin

Enclosed lavatory

Power outlets

Complimentary
refreshments



AIRCRAFT SPECIFICATIONS

Dornier 328 Jet

CAPABLE AND VERSATILE

The Dornier 328 Jet combines extreme comfort and performance. This regional airliner is by far the best performing 30-passenger jet for short runway operations, allowing consistently higher passenger loads than its competitors. As a matter of fact, this was the primary reason that Advanced Air selected this aircraft for regional operations. We operate consistently at full capacity from 5,000 ft. runways including Hawthorne and Carlsbad, CA. The Dornier 328 twin jet airliner has exceptional performance capabilities in mountainous airports and is clean, comfortable and sleek for any mission within the region.

Aircraft Amenities:

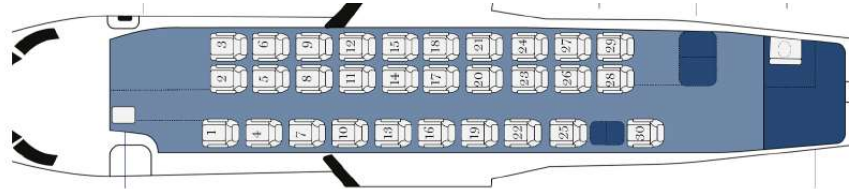
Comfortable, stand-up cabin

Large baggage area that can accommodate golf clubs, skis and other odd-sized baggage

Spacious lavatory

Flight attendant on-board

Complimentary refreshments



PROPOSAL OVERVIEW

SCHEDULE

In order to best meet the needs of the community, Advanced Air proposes the following service for consideration:

12 weekly round trip flights from Merced, CA (MCE) to Los Angeles (Hawthorne), CA (HHR) and 12 weekly round trip flights from Merced, CA (MCE) to Oakland, CA (OAK).

Additionally, Advanced Air offers the following service alternatives to this offer:

- 12x service to Sacramento (SMF) versus Oakland (OAK)
- 12x service to Las Vegas (LAS) versus Oakland (OAK)
- Service into Los Angeles International (LAX) versus Hawthorne (HHR)
- 7x service to Hawthorne (HHR) and Oakland (OAK) with Do328J versus KA350
- 10x service to Hawthorne (HHR) and Oakland (OAK) (7x KA350, 3x Do328J)

Advanced Air will consider changes to the schedule (timings, etc.) to respond to community preferences.

ESTIMATED TICKET PRICING

\$75 One-way to Los Angeles (Hawthorne), CA (HHR)

\$75 One-way to Oakland, CA (OAK)

PROPOSAL OVERVIEW (cont.)

AIRCRAFT

Advanced Air proposes to utilize the 9-seat King Air 350 which matches capacity to demand and allows for enough frequency to each destination to suit the market.

The Dornier 328 30-seat regional jet is proposed as an alternative option.

All of our pilots are simulator trained at FlightSafety International to the most rigorous standards in the industry.

DIVERSIONS AND AIRCRAFT RECOVERY

Although we do not anticipate the need for many recovery flights, we have maintenance technicians and multiple King Air 350s at our home base in Hawthorne, CA (HHR). This means several aircraft are available to recover at all times and ensures peak reliability and on-time performance.

MARKETING

Advanced Air will commit marketing resources to promote the route within the community and at both hubs served. Past efforts have resulted in steady ridership increases.

CONTRACT TERM

Advanced Air has been serving Merced, CA since 2021 and has seen a large increase in ridership since our first flight. We encourage a 4-year contract to allow for our continued investment in the route.

INTERLINE CONNECTIVITY



Advanced Air has an interline agreement with Alaska Airlines. Our passengers can book connecting flights on-line via the major distribution systems and connect to our partner in Oakland, Sacramento or Las Vegas.

PROPOSAL FINANCIAL SUMMARY

Operations

Scheduled Flights	2,496
Completed Flights	2,446
Scheduled Block Hours	2,122
Scheduled Seats	19,968

Revenue

Passengers	9,984
Average Net Fare (o/w)	\$ 75
Load Factor	50%
Passenger Revenue	\$ 748,800

Expenses

Fuel	\$ 1,219,900
Maintenance and Reserves	\$ 2,171,100
Flight Crew	\$ 753,000
Ownership and Insurance	\$ 1,652,200
Airport Rent and Operations	\$ 384,400
Overhead Staff	\$ 624,000
Marketing and Distribution	\$ 125,000
Total Costs	\$ 6,929,600

Profit Element

Margin (@ 5%)	\$ 346,480
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Total Annual Subsidy

Year 1	\$ 6,527,280
Year 2	\$ 6,918,917
Year 3	\$ 7,334,052
Year 4	\$ 7,774,095

NOTES :

12 weekly round trips
between Merced, CA (MCE)
and Oakland, CA (OAK) and
12 weekly round trips
between Merced, CA (MCE)
and Hawthorne, CA (HHR)

Seat pricing:
\$75 one-way to Oakland, CA
(OAK)
\$75 one-way to Hawthorne,
CA (HHR)

PROPOSAL FINANCIAL SUMMARY (cont.)

Additional Service Options

Destination and Equipment Alternatives with Pricing Adjustments

OPTIONS:

12x service to Sacramento (SMF) versus Oakland (OAK): +\$0.3M

12x service to Las Vegas (LAS) versus Oakland (OAK): +\$2.8M

service into Los Angeles International (LAX) versus Hawthorne (HHR): +1.5M



7x service to Hawthorne (HHR) and Oakland (OAK) with Do328J versus KA350: +\$0.3M **

10x service to Hawthorne (HHR) and Oakland (OAK) (7x KA350, 3x Do328J): +\$1.1M **

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

PROPOSAL COMPLIANCE

DOT EAS Proposal Consideration Factors

Consideration Factors	Advanced Air Proposal	
Demonstrated Reliability	98% Completion Record 91% On-time Performance	
Interline Marketing	Interline agreement with Alaska Airlines	
Community Preference	100% renewal rate with existing communities	
Marketing Plan	Comprehensive marketing plan to promote service and ridership	
Total Compensation	Cost competitive proposal	