

Served: April 25, 2003



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

Issued by the Department of Transportation
on the 25th day of April, 2003

Fitness Determination of

MID-ATLANTIC FREIGHT, INC.

Docket OST-02-14145

as a commuter air carrier under section 49 U.S.C. 41738

**ORDER TO SHOW CAUSE
PROPOSING ISSUANCE OF COMMUTER AIR CARRIER AUTHORITY**

Summary

By this order, we tentatively find that Mid-Atlantic Freight, Inc. (MAF) is a citizen of the United States and is fit, willing, and able to provide interstate scheduled passenger operations as a commuter air carrier, subject to conditions.

Background

Section 41738 of Title 49 of the United States Code (“the Transportation Code”) and section 298.21(d) of the Department’s Aviation Economic Regulations (14 CFR 298.21(d)) direct us to determine whether companies proposing to provide scheduled passenger service as commuter air carriers are “fit, willing, and able to perform the service,” and to ensure that all operations relating to this service conform to the safety standards established by the Federal Aviation Administration (FAA). In making fitness findings, the Department uses a three-part test that reconciles the Airline Deregulation Act’s liberal entry policy with Congress’ concern for operational safety and consumer protection. The three areas of inquiry that must be addressed in order to determine a carrier’s fitness are whether the applicant: (1) will have the managerial skills and technical ability to conduct the proposed operations, (2) has sufficient financial resources to commence the operations proposed without posing an undue risk to consumers or their funds, and (3) will comply with the Statute and regulations imposed by federal and state agencies. We must also determine that the applicant is a U.S. citizen.

On December 23, 2002, MAF filed an application in Docket OST-02-14145 for authority to provide interstate scheduled passenger operations as a commuter air carrier pursuant to

section 41738 of the Transportation Code. MAF accompanied its application with the fitness information required by section 204.3 of our regulations.¹

No answers were filed to the application and no other issues regarding the applicant have come to our attention. Under these circumstances, we propose to decide the issue of the applicant's fitness on the basis of the written record. Upon review of the information in the application, the safety and compliance information on the carrier received from the FAA, and other information available to us, we tentatively conclude that MAF is a U.S. citizen and has met the fitness test to conduct commuter operations, subject to conditions. We will, however, give interested parties an opportunity to show cause why we should not adopt as final our tentative determination that MAF is fit, willing, and able to provide scheduled passenger operations as a commuter air carrier.

The Company

MAF is a Subchapter S corporation organized under the laws of the State of North Carolina on August 30, 1989. It is one of three related companies owned by a North Carolina holding company, Atlantic Aero Holdings, Inc. (AAH).² MAF's sister-companies are Atlantic Aero, Inc., a fixed-base operator that holds Part 298 on-demand air taxi authority and Aero Modifications and Consulting, LLC, an aircraft parts design and manufacturing company.³ All of these businesses share senior management personnel as well as office space and other facilities in Greensboro.⁴ Two individuals, Don Godwin and Earl Slick, each own 31 percent of AAH's stock.⁵

Like its sister company, Atlantic Aero, MAF is currently registered with the Department as an on-demand air taxi operator under Part 298 of the Department's Economic Regulations and holds an Air Carrier Certificate issued under Part 135 of the Federal Aviation Regulations (FARs). It operates 17 Cessna Caravan aircraft in scheduled freight feeder services for other cargo companies, such as FedEx and United Parcel Service.⁶ If it is found fit and issued the commuter authority it seeks, MAF plans to offer limited scheduled passenger service between Norfolk, Virginia, and Pine Island and Manteo, North Carolina using an 8-passenger Cessna

¹ MAF supplemented its application with additional information, most recently on March 31, 2003.

² MAF's operational history actually precedes its 1989 incorporation. In 1986, Atlantic Aero, Inc., purchased the assets of another air taxi operator, Mid-Atlantic Air, including the contracts for three feeder freight flights it was providing to an overnight express airline. Atlantic Aero, Inc., continued these flights until MAF was incorporated and its operations spun off in 1989. In 1999, the three related companies became wholly-owned subsidiaries of AAH.

³ Atlantic Aero, Inc., also has a subsidiary, Atlantic Aero Leasing, that owns one aircraft that it leases out.

⁴ Hereinafter, these companies will be referred to collectively as the "AAH companies." While the companies share senior management personnel, MAF has advised us that it does not share non-management operating and maintenance personnel with these affiliated companies.

⁵ Another 31 percent of the stock is included in the company's ESOP plan. No other individual owns 10 percent or more of the company's stock.

⁶ Although the company's current business includes only cargo services, it holds the necessary authority to operate passenger air taxi operations as well.

C-208B Grand Caravan. The company intends to conduct these scheduled operations under the trade name, "OBXpress Air Shuttle".

FITNESS

Managerial Competence

As noted above, senior management of the parent also function as the senior management of each of the sister companies. In this connection, Donald Godwin is the Chairman of the Board and Chief Executive Officer, James Spinder II is President and Chief Operating Officer, Daniel Derby, Jr., is Senior Vice-President-Operations, and David White is Secretary, Treasurer and Chief Financial Officer.

Mr. Godwin, one of the carrier's stockholders, assisted in the formation of Atlantic Aero in 1971 and has been involved with the company and the development of its affiliates (and parent) since then. He has been President, Chief Executive Officer of AAH and subsidiaries, as well as Director of Operations for MAF and its sister company, Atlantic Aero, since March 1984. He became Chairman of AAH in August 2002.⁷ Mr. Godwin also holds an FAA-issued Airline Transport Pilot license.

Mr. Spinder has been with AAH and its subsidiaries since 1999 and served as Executive Vice President and General Manager from September 1999 through August 2002. He has held his current position as President and Chief Operating Officer since August 2002. His prior experience includes Executive Vice President and Chief Operating Officer for Bizjet International Sales and Support, Inc. (May-September 1999), Executive Director of Standard Aero (July 1997-May 1999), Chief Operating Officer/Chief Financial Officer and President of Alliance Engines (April 1995-March 1996 and April 1996-July 1997, respectively), and General Manager and Chief Operating Officer/Chief Financial Officer for KC Aviation (February 1993-January 1994 and January 1994-March 1995, respectively).

Mr. Derby has been Senior Vice President-Operations for AAH and its subsidiaries since January 1999, although he has been with the company (or its subsidiaries) in various positions since July 1976.

Mr. White has been with the AAH companies since 1988. He served as Controller from February 1988 through December 1998 and has been Chief Financial Officer since January 1999. Mr. White is a Certified Public Accountant and has held finance-related positions since 1980.

⁷ Mr. Godwin is one of two corporate directors. The other is Mary Caroline Gamble. Ms. Gamble is an attorney and certified public accountant who has been an in-house legal counsel for Earl Slick, another of the carrier's stockholders, since 1984 and currently serves as a Director of businesses in which Mr. Slick has an investment, as well as Trustee for various Slick family trusts.

Edward Baxter, Jr., has been MAF's Vice President of Caravan Operations since November 2000.⁸ Previously, he served in various maintenance, management or technical positions with other Part 135 airlines including Mountain Air Cargo (May 1990-May 2000), Saber Aviation (February 1989-April 1990), Piedmont Aviation Services (April 1984-February 1989), and Atlantis Airlines (April 1979-April 1984). Mr. Baxter holds an FAA-issued Airframe and Powerplant Mechanic license.

Brian Champe has been with the AAH companies since 1993 and is MAF's Director of Maintenance. Initially, he was employed by Atlantic Aero in the following positions: Line Technician (March 1993-June 1995), Airframe and Powerplant Technician (July 1995-May 1997), and Lead Technician (June 1997-January 1999). From February 1999 through November 2000, he served as Assistant Director of Maintenance for both Atlantic Aero and MAF. In December 2000, he became the applicant's Director of Maintenance. Mr. Champe holds an FAA-issued Airframe and Powerplant Mechanic license.

Lawrence Eidson, Jr., joined the applicant as Chief Pilot in July 2002. From April 2001 through June 2002, he owned and operated his own Part 135 single-pilot air taxi, Naples Air, Inc. His previous experience includes that of a Captain/Co-Captain for Seaborne Airlines (November 2000-March 2001), and Captain/Flight Instructor/A&P Technician for Summit Helicopters (August 1988-October 2000). Mr. Eidson holds FAA-issued Airframe and Powerplant Mechanic and Airline Transport Pilot licenses and has over 5,100 total flight hours, approximately 4,800 of which were as pilot-in-command.

In light of the background and experience of the above individuals, plus the fact that the FAA also reviews the qualifications of the applicant's key technical personnel to hold their respective positions,⁹ we tentatively conclude that MAF's management team is qualified to manage the modest scheduled passenger operations it proposes. However, were MAF to propose a significant expansion in its operations, including the operation of larger aircraft, our tentative finding might no longer hold true. Therefore, if found fit, we propose to limit any authority granted to the carrier to the use of aircraft that can be operated under Part 135 of the FARs.¹⁰

Financial Condition and Operating Proposal

If granted commuter authority, the company intends to offer limited--two daily round trips, five days per week--scheduled passenger service over a Manteo-Pine Island-Norfolk routing.

⁸ As noted earlier, the applicant's entire fleet is presently comprised of Cessna Caravan aircraft.

⁹ The FAA evaluates certain of the carrier's key technical personnel (Directors of Operations and Maintenance and Chief Pilot) with respect to the minimum qualifications for those positions as prescribed in Parts 119 and 135 of the FARs. We have been advised by the FAA that it has approved Messrs. Godwin, Champe, and Eidson to hold their respective positions, including Mr. Godwin's continuing service as Director of Operations for both MAF and Atlantic Aero.

¹⁰ In general, Part 135 limits commuter operations to aircraft with nine or fewer passenger seats. We note that the operation of larger aircraft would require the carrier to obtain a Part 121 certificate from the FAA and/or hire additional management personnel.

To provide this service, MAF will obtain an 8-seat Cessna Caravan aircraft from its sister-company, Atlantic Aero. The company expects its first year of scheduled passenger services to total only approximately 738 flight (1,154 block) hours.

The company has provided a revenue/expense forecast for its first year of scheduled passenger operations along with a combined forecast for its on-going freight operations and its new scheduled passenger services. In all, the company forecasts that any pre-operating expenses incurred will be minimal, and the additional expenses associated with its first year of expanded scheduled passenger operations will total approximately \$477,500.

MAF has provided balance sheets and 12-month income statements for itself for the four years ending December 31, 2002. The company's operations during this period have not been profitable, with the company posting operating and net losses of approximately \$1.39 million and \$1.36 million, respectively, on approximately \$20.18 million in revenues. While the applicant projects that its overall losses during its first year of combined passenger and freight operations will continue, it does not expect that the new scheduled passenger operation itself will have a negative impact on the company. As we noted previously, the company will lease the Caravan aircraft from its sister company, Atlantic Aero.¹¹ In exchange for providing the aircraft to MAF, Atlantic Aero is entitled to the revenues produced in the scheduled operation; Atlantic Aero, in turn, will reimburse MAF for the expenses associated with the Pine Island operation.¹² Thus, MAF actually expects that the net expenses it will incur in this scheduled service will be zero, and an additional monthly fee charged to Atlantic Aero by MAF for conducting the scheduled passenger operation is expected to provide MAF a modest amount of additional income.

To meet the Department's financial fitness criteria, MAF will need approximately \$153,000.¹³ The December 31, 2002, balance sheet shows that, at that date, the applicant had total assets of \$900,030, negative retained earnings of \$1,066,290 and negative stockholders' equity of \$356,417. It also had negative working capital of \$356,637 (for a current assets-to-current liabilities ratio of 0.71 to 1). We note, however, that a significant portion of its current obligations (\$965,681 of \$1,256,448) are monies owed to affiliated companies. Excluding

¹¹ The aircraft MAF will use is actually owned by Earl Slick, one of the carrier's shareholders. Atlantic Aero manages the aircraft for Mr. Slick under an arrangement whereby Mr. Slick pays expenses associated with the maintenance of the aircraft.

¹² Notwithstanding these financial arrangements, the applicant advises that it, not Atlantic Aero, is responsible for all operations, including ticketing and other consumer-related obligations.

¹³ In this connection, the Department typically requires an applicant for commuter authority to have access to financial resources sufficient to cover its pre-operating expenses and the expenses that are reasonably projected to be incurred during three months of operations. In calculating available resources, projected revenues may not be used. The \$153,000 figure noted above consists of \$119,375 (which is one-quarter of the first year's projected expenses) plus approximately \$33,000 in pre-operating expenses.

these particular obligations, the company's working capital position improves to a positive \$609,044 (for a current assets-to-current liabilities ratio of 3.0 to 1).¹⁴

AAH, the applicant's parent, has also committed its own resources to finance MAF's expansion into scheduled services. In support of its ability to do so, MAF has provided AAH's audited consolidated balance sheets and income statements for the calendar years 1999 through 2002.¹⁵ Notwithstanding that MAF's own operations have not been profitable, the consolidated AAH financial statements show that the three subsidiaries, as a whole, have been profitable overall during this time.¹⁶ The December 31, 2002, AAH balance sheet shows that, at that date, AAH had \$88,785 in cash, \$108,191 in working capital (for a current assets to current liabilities ratio of 1:01 to 1), approximately \$22.9 million in total assets, \$3.3 million in retained earnings and \$6.3 million in net stockholders' equity. The financial statements also indicate that AAH has an unsecured \$1.0 million line-of-credit that was unused as of December 31, 2002.

In light of the above, we tentatively conclude that MAF will have access to sufficient resources to allow it to conduct the limited commuter operations it proposes without posing an undue risk to consumers or their funds.¹⁷ This finding, however, is based on the modest operating plan put forth at this time. Were the company to propose a significant expansion of its commuter services, our finding might not be the same. As indicated in the **MANAGEMENT** section above, we have tentatively decided to limit MAF's operations to those performed under Part 135. Such restriction will provide us with an opportunity to review the company's financial capabilities prior to authorizing an expansion of its operations to include larger aircraft.

Compliance Disposition

The applicant states that there are no actions or outstanding judgments against it, its owners, or its key personnel, nor have any charges of unfair, deceptive or anti-competitive business practices, or of fraud, felony or antitrust violations been brought against any of these parties in the past ten years. The applicant further states that there are no pending formal complaints

¹⁴ In this connection, the applicant advises that its parent intends to forgive much of the debt currently owed to affiliated entities. Such obligations are planned to be reclassified as additional equity invested in the carrier.

¹⁵ These financial documents also contained individual balance sheets and income statements for all three subsidiaries, including MAF, for which the applicant sought confidential treatment. By letter dated April 1, 2003, we granted confidential treatment to the individual statements of the two sister companies.

¹⁶ AAH's most recent income statement (2002) shows that, for that year, the combined entities had an operating profit of \$248,311 and net loss of \$88,793 on approximately \$27.7 million in revenue. Notwithstanding its 2002 loss, the company has, over the years, been profitable. In this connection, its financial documents indicate that, for the four years ended December 31, 2002, it had operating and net profits of approximately \$3.3 million and \$1.9 million, respectively, on \$111.5 million in revenue.

¹⁷ As is our practice, however, prior to issuing MAF effective commuter authority, we will require that the carrier provide us with updated information demonstrating, among other things, that it continues to have sufficient financial resources available to it to meet our fitness criterion.

filed against it, its owners or key personnel involving violations of the Transportation Code or of the Federal Aviation Regulations.

The applicant advises that, in October 2002, one of its aircraft was involved in a fatal accident. The aircraft departed Spanish Fort, Alabama, on October 23, 2002, en route to Montgomery, Alabama, when the pilot notified air traffic control that he needed to deviate and shortly thereafter radio contact was lost and the aircraft crashed into a swamp on the northeast corner of Mobile Bay. The pilot, the only person on the aircraft at the time, was killed. According to the FAA, this accident--the cause of which is still under investigation by the National Transportation Safety Board--was the first accident experienced by MAF.¹⁸ The FAA further advises that MAF has otherwise had a good operational and maintenance history and that that agency is aware of no information that would impact negatively on the company's fitness to conduct the proposed scheduled passenger operations.

A review of our files and other information available to us has uncovered no negative information regarding the applicant.¹⁹

Based on the above, we tentatively conclude that MAF will have the proper regard for the laws and regulations governing its service to ensure that its aircraft and personnel will conform to applicable safety standards and that acceptable consumer relations practices will be followed.

CITIZENSHIP

49 U.S.C. 41102 requires that authority to engage in air transportation be held only by citizens of the United States as defined in 49 U.S.C. 40102(a)(15). That section requires that the president and two-thirds of the Board of Directors and other managing officers be U.S. citizens and that at least 75 percent of the outstanding voting stock be owned by U.S. citizens. We have also interpreted the Transportation Code to mean that, as a factual matter, the carrier must actually be controlled by U.S. citizens.

The applicant and its parent, AAH, are North Carolina Subchapter S corporations. AAH's two principal shareholders, Don Godwin and Earl Slick, are U.S. citizens,²⁰ as are all of the applicant's key management personnel. In addition, MAF has provided an affidavit attesting that it is a citizen of the United States within the meaning of the Transportation Code and that it is actually controlled by U.S. citizens. Finally, our review of the application has uncovered no information that suggests that control of MAF rests with non-U.S. citizens.

¹⁸ At the present time, the FAA has no plans to take enforcement action against the carrier as a result of this accident.

¹⁹ We have also uncovered no information related to MAF's parent or sister companies that would lead us to question MAF's compliance posture.

²⁰ As noted earlier, Messrs. Godwin and Slick each own 31 percent of the carrier. An additional 31 percent of the stock is currently held by the company's ESOP. Mr. Godwin acts as the voting trustee for the stock in that plan.

Based on the above, we tentatively conclude that MAF is a citizen of the United States and is fit, willing, and able to provide scheduled passenger service as a commuter air carrier, subject to conditions.

OBJECTIONS

We will give interested persons 14 days following the service date of this order to show cause why the tentative findings and conclusions set forth here should not be made final; answers to objections will be due within 7 days thereafter. We expect that persons objecting to our tentative findings and conclusions will support their objections with relevant and material facts. We will not entertain general, vague, or unsupported objections. If no substantive objections are filed, we will issue an order that will make final our tentative findings and conclusions with respect to the applicant's fitness and commuter authority.

EFFECTIVE COMMUTER AUTHORIZATION CONDITIONS AND LIMITATIONS

In the event that we find MAF fit, willing, and able to conduct the proposed commuter service, we will issue to it a Commuter Air Carrier Authorization. However, that authorization will not become effective until the carrier has fulfilled all of the requirements for effectiveness as set forth in the Terms, Conditions, and Limitations attached to its authorization.²¹ Among other things, this includes our receipt of evidence that the carrier has been issued Operations Specifications by the FAA authorizing scheduled passenger service under Part 135 of the Federal Aviation Regulations, evidence of liability insurance coverage that meets the requirements of Part 205 of our rules for commuter air carriers, and evidence that MAF continues to remain fit.

Moreover, as noted earlier in this order, our current findings on the company's fitness may not hold true if it were to significantly change the scope of its operations, including the operation of larger aircraft. Therefore, we will limit the carrier's commuter authority to the use of aircraft that can be operated under Part 135 of the Federal Aviation Regulations (in effect, aircraft with not more than nine passenger seats).

Finally, we remind MAF of the requirements of 49 U.S.C. 41110(e). Specifically, that section requires that, once a carrier is found fit initially, it must remain fit in order to hold its authority. To be assured that commuter air carriers continue to be fit after effective authority has been issued to them, we require that they supply information describing any subsequent substantial changes they may undergo in areas affecting fitness. In this regard, should MAF propose any substantial changes in its ownership, management, or operations, it must first comply with the requirements of section 204.5 of our rules.²² The compliance of the company

²¹ We also reserve the right to stay the effectiveness of MAF's authority if any new information becomes available to us that warrants such action.

²² The carrier may contact our Air Carrier Fitness Division to report proposed substantial changes in its operations, ownership, or management, and to determine what additional information, if any, will be required under section 204.5. Moreover, by notice dated July 21, 1998, the Department requested

(--footnote continued on next page--)

with this requirement is essential if we are to carry out our responsibilities under the Transportation Code.²³

ACCORDINGLY:

1. We direct all interested persons to show cause why we should not issue an order finding that Mid-Atlantic Freight, Inc. d/b/a OBXpress Air Shuttle is fit, willing, and able under 49 U.S.C. 41738 to provide scheduled passenger service as a commuter air carrier.
2. We direct any interested persons having objections to the issuance of an order making final any of the proposed findings, conclusions, or the award of authority set forth here to file them with Department of Transportation Dockets, 400 Seventh Street, SW, Room PL-401, Washington, D.C. 20590, in Docket OST-02-14145, and serve them upon all persons listed in Attachment A no later than 14 calendar days after the service date of this order; answers to objections shall be filed no later than 7 calendar days thereafter.
3. If timely and properly supported objections are filed, we will accord full consideration to the matters or issues raised by the objections before we take further action.²⁴
4. In the event that no objections are filed, we will consider all further procedural steps to be waived, and we will enter an order making final our tentative findings and conclusions set out here and awarding Mid-Atlantic Freight, Inc. d/b/a OBXpress Air Shuttle a Commuter Air Carrier Authorization, subject to the attached specimen Terms, Conditions, and Limitations.
5. We will serve a copy of this order on the persons listed in Attachment A.
6. We will publish a summary of this order in the Federal Register.

air carriers to provide a 30-day advance notification of any proposed change in ownership, restructuring, or recapitalization. If the carrier fails to file the information or if the information fails to demonstrate that the carrier will continue to be fit upon implementation of the substantial change, the Department may take such action as is appropriate, including enforcement action or steps to modify, suspend, or revoke the carrier's commuter authority.

²³ We also remind MAF about the requirements of section 204.7 of our rules. This section provides, among other things, that (1) the commuter authority granted to a company shall be revoked if the company does not commence actual flying operations under that authority within one year of the date of the Department's determination of its fitness; (2) if the company commences operations for which it was found fit and subsequently ceases such operations, it may not resume commuter operations unless its fitness has been redetermined; and (3) if the company does not resume operations within one year of its cessation, its authority shall be revoked for dormancy.

²⁴ Since we have provided for the filing of objections to this order, we will not entertain petitions for reconsideration.

By:

READ C. VAN DE WATER
Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available on the World Wide Web at
<http://dms.dot.gov>*



Specimen
Terms, Conditions, and
Limitations

MID-ATLANTIC FREIGHT, INC.
d/b/a OBXpress Air Shuttle

is authorized to engage in scheduled passenger air transportation operations as a commuter air carrier.

This authority is subject to the following provisions:

(1) The authority to conduct scheduled passenger operations will not become effective until six (business) days after the Department has received the following documents; provided, however, that the Department may stay the effectiveness of this authority at any time prior to that date:

(a) A copy of the holder's Air Carrier Certificate and Operations Specifications authorizing such operations from the Federal Aviation Administration (FAA).

(b) A certificate of insurance on OST Form 6410 evidencing liability insurance coverage meeting the requirements of 14 CFR 205.5(b).

(c) A statement of any changes the holder has undergone in its ownership, key personnel, operating plans, financial posture, or compliance history, since the date of the Show Cause Order in this case.

(d) A revised list of pre-operating expenses already paid and those remaining to be paid, as well as independent verification that the holder has available to it funds sufficient to cover any remaining pre-operating expenses and to provide a working capital reserve equal to the operating

costs that would be incurred in three months of operations.

(2) Pending receipt of effective authority, the holder may not accept payment of any kind (i.e., cash, check, or credit card) or issue tickets for scheduled passenger operations, and any advertisement or listing of flights by the holder must prominently state: "This service is subject to receipt of government operating authority."

(3) The holder shall at all times conduct its operations in accordance with the requirements of 14 CFR Part 298 and any other regulations prescribed by the Department of Transportation for the services authorized here, and with such other reasonable terms, conditions, and limitations as the Department of Transportation may prescribe in the public interest.

(4) The holder's authority is limited to aircraft that can be operated under Part 135 of the Federal Aviation Regulations.

(5) The holder's authority is effective only to the extent that such operations are also authorized by the FAA, and comply with all Department of Transportation and Department of Homeland Security requirements concerning security.

(6) The holder shall at all times remain a "Citizen of the United States" as required by 49 U.S.C. 40102(a)(15).

(7) The holder shall maintain in effect liability insurance coverage as required under 14 CFR Part 205. Failure to maintain such insurance coverage will render this authority ineffective, and this or other failure to comply with the provisions of Subtitle VII of Title 49 of the United States Code or the Department's regulations shall be sufficient grounds to revoke this authority.

(8) The holder shall maintain in effect at all times with the Department of Transportation current information on OST Registration Form 4507.

(9) In the event that the holder receives effective scheduled passenger authority, the following additional conditions will apply:

(a) The holder may reduce or terminate service at any point or between any two points, subject to compliance with the provisions of 49 U.S.C. 41734 and all orders and regulations issued by the Department of Transportation under that section.

(b) The holder may not provide scheduled passenger air transportation to or from Dallas (Love Field), Texas, except within the limits set forth in section 29 of the International Air Transportation Competition Act of 1979, as amended by section 337 of the Department of Transportation and Related Agencies Appropriations Act, 1998.

(10) Should the holder propose any substantial changes in its ownership, management, or operations (as that term is defined in 14 CFR 204.2(l)), it must first comply with the requirements of 14 CFR 204.5.

(11) In the event that the holder does not commence actual flying operations as a commuter air carrier under this authority within one year of the date of the Department's determination of its fitness, its commuter authority shall be revoked for dormancy. Further, in the event that the holder commences but subsequently ceases all scheduled passenger operations, the authority granted here shall be suspended under the terms of 14 CFR 204.7 and the holder may neither recommence nor advertise such operations unless its fitness to do so has been redetermined by the Department. Moreover, if the holder does not resume such operations within one year of its cessation, its commuter authority shall be revoked for dormancy.

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