

Order 2004-9-9  
Served: September 8, 2004



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

Issued by the Department of Transportation  
on the **8<sup>th</sup> day of September, 2004**

Application of

**CHAUTAUQUA AIRLINES, INC.**

**Docket OST-2004-18638**

for a certificate of public convenience and necessity under  
49 U.S.C. 41102 to engage in interstate scheduled air  
transportation of persons, property, and mail

**ORDER TO SHOW CAUSE  
PROPOSING ISSUANCE OF CERTIFICATE AUTHORITY**

**Summary**

By this order, we tentatively find that Chautauqua Airlines, Inc. ("Chautauqua") is fit, willing, and able to provide interstate scheduled air transportation of persons, property, and mail as a certificated air carrier and should be issued a certificate of public convenience and necessity authorizing such operations.

**Background**

Section 41102 of Title 49 of the United States Transportation Code ("the Transportation Code") directs us to determine whether applicants for certificate authority to provide interstate scheduled air transportation are "fit, willing, and able" to perform such transportation, and to comply with the Transportation Code and the regulations of the Department. 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 company's fitness are whether the applicant (1) will have the managerial skills and technical ability to conduct the proposed operations, (2) will have access to resources sufficient to commence operations without posing an undue risk to consumers, and (3) will comply with the Transportation Code and regulations imposed by Federal and State agencies. We must also find that the applicant is a U.S. citizen.

On July 13, 2004, Chautauqua filed an application in Docket OST-2004-18638 for a certificate to engage in interstate scheduled air transportation of persons, property, and mail. Chautauqua accompanied its application with the fitness information required by section 204.3 of our regulations. No answers were received in response to its application and no special 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, and tentatively conclude that Chautauqua is a U.S. citizen and is fit, willing, and able to operate its proposed interstate scheduled passenger service. However, we will give interested persons an opportunity to show cause why we should not adopt as final the tentative findings and conclusions stated herein.

## FITNESS

### The Carrier

Chautauqua is an operating commuter air carrier incorporated in the State of Indiana. The carrier commenced operations in 1974,<sup>1</sup> and is a wholly owned subsidiary of Republic Airways Holding, Inc (RAH). RAH is a publicly-held Delaware corporation that also owns Republic Airline, Inc. ("Republic"), a certificated air carrier.<sup>2</sup> Chautauqua currently provides scheduled passenger service to 66 cities throughout the United States, Canada, and the Bahamas, operating 88 Embraer EMB-135, EMB-140, and EMB-145 regional jets ranging in capacity from 37 to 50 seats. Chautauqua operates pursuant to code-share agreements with four major airlines, including United Air Lines ("United"), US Airways, Inc., American Airlines, Inc., and Delta Airlines, Inc.

Chautauqua now seeks certificate authority to operate 70-seat EMB-170 regional jets on behalf of United.<sup>3</sup> Initially, Chautauqua's sister carrier, Republic, was slated to operate the EMB-170 aircraft under a code-share agreement with United; however, the agreement was amended to allow Chautauqua to conduct such flights until Republic obtains operating authority from the Federal Aviation Administration (FAA) and effective certificate authority from the Department. Under the amended agreement, Chautauqua will provide passenger service as a "United Express" carrier using up to 20 70-seat EMB-170 aircraft.<sup>4</sup> Initial flights are slated to be operated between Indianapolis and Washington, D.C. (Dulles International Airport), and between Indianapolis and Chicago (O'Hare International Airport), feeding passengers into United's mainline operations.<sup>5</sup> Once Republic receives the government approvals necessary to commence operations,

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<sup>1</sup> Chautauqua was first found fit and issued commuter authority by Order 81-7-42 on July 8, 1981.

<sup>2</sup> By Orders 2003-11-8, issued November 14, 2003, and 2004-7-26, issued July 26, 2004, the Department found Republic fit to engage in interstate air transportation of persons, property, and mail with small and large aircraft, respectively. That authority has not yet been made effective.

<sup>3</sup> Chautauqua's current operations are conducted pursuant to Part 298 of our regulations. Under this part, companies are limited to the use of small aircraft (i.e. those aircraft designed to have a maximum capacity of no more than 60 seats or 18,000 pounds payload). Because Chautauqua now intends to use large aircraft in some of its operations, it must first obtain the appropriate certificate authority under section 41102 of the Transportation Code.

<sup>4</sup> As a commuter carrier Chautauqua has registered the trade names "Delta Connection," "American Connection," "America West Express," and "US Airways Express." The carrier has requested registration of the "United Express" trade name in connection with its United code-share operations.

<sup>5</sup> United may identify additional routes in the future.

Chautauqua may provide subservice operations for Republic, as well as large aircraft operations for Chautauqua's code-share partners and other regional jet operators.

### **Managerial Competence**

Mr. Bryan Bedford joined Chautauqua in July 1999, and serves as the carrier's Chairman, President, and Chief Executive Officer. Before coming to Chautauqua, Mr. Bedford served as President and Chief Executive Officer of Mesaba Holdings, Inc., and President and Chief Executive Officer of Business Express Airlines. He also served in senior executive positions with Express Airlines I, Westair Holdings, Aspen Airways, and Continental Express.

Mr. Robert "Hal" Cooper is an Executive Vice President with Chautauqua, and also serves as the carrier's Chief Financial Officer, Treasurer, and Secretary. Prior to joining Chautauqua in 1999, Mr. Cooper served as Vice President and Chief Financial Officer of Mesaba Holdings, Inc. from 1995-1999.

Mr. Wayne Heller is Chautauqua's Executive Vice President of Flight Operations and Chief Executive Officer. Mr. Heller has over 35 years of experience in the regional airline industry and served as Mesaba Holdings, Inc.'s Managing Director of Systems Operations Control before joining Chautauqua in August 1999 as Vice President of Flight Operations.

Mr. Donald Olvey joined Chautauqua in 2000 as Vice President of Safety and Regulatory Compliance. Before coming to Chautauqua, Mr. Olvey worked for Delta Air Lines for more than 30 years in a variety of positions. Mr. Olvey is a certificated aircraft dispatcher and private pilot.

Mr. Ronald Graff, an Airline Transport Pilot, is Chautauqua's Director of Operations. After leaving Embry-Riddle Aeronautical University in 1969, he joined Air East, Inc. (Allegheny Commuter) as Line Captain where he remained until 1974 when he joined Chautauqua as a Captain. Mr. Graff has held several senior level positions with Chautauqua, including Vice President of Flight Operations, Vice President of Administration and Flight Standards, and Vice President of Safety.

Mr. Jeffrey Domrese, an Airframe and Powerplant Mechanic, serves as Chautauqua's Director of Maintenance. He joined the carrier in his current capacity in 2000 after having served as Director of Maintenance for Aspen Mountain Air and Merlin Express. In addition to four years of service in the U.S. Air Force, Mr. Domrese has over 19 years of experience in aviation including employment with various Part 121 air carriers in all aspects of aircraft maintenance, quality control, and reliability.

Mr. Bart Wooldridge, an Airline Transport Pilot, has been Chautauqua's Chief Pilot since June 1998. Mr. Wooldridge has over 25 years of pilot experience, and has accumulated over 13,000 hours of flight time. He has held pilot and flight instructor positions with various commuter air carriers and flight schools, including Jetstream International Airlines, Inc., Britt Airways, Inc., and Ross School of Aviation.

Mr. Chad Jasper, also an Airline Transport Pilot, is Chautauqua's Director of Safety. He joined the carrier in July 2001 after serving as Commander in the U.S. Coast Guard. Mr. Jasper holds a Bachelor of Science degree from Ball State University and a Master's degree from Troy State University.

Mr. Thomas Duffy, Jr., is Chautauqua's Director of Quality Assurance and Engineering. He is a certificated Airframe and Powerplant Mechanic and held senior management positions at several companies including Midway Airlines, Braniff, and Flight Options before joining Chautauqua in March 2002.

All of the individuals noted above are U.S. citizens, and in view of the experience of the applicant's key personnel and the fact that they are currently managing Chautauqua's commuter operations, we tentatively conclude that Chautauqua has a management team that possesses the managerial skills and technical ability to conduct its proposed large aircraft operations.<sup>6</sup>

### **Financial Plan and Operating Proposal**

If granted the certificate authority it seeks, Chautauqua intends to provide scheduled air transportation using up to 20 70-seat EMB-170 aircraft on behalf of United under a "fee-for-service" code-share agreement.<sup>7</sup> In support of its proposed operations, Chautauqua provided its pre-operating and first-year operating expense forecasts for its United Express operations, filed confidentially.<sup>8</sup> The carrier also provided financial information for its parent, RAH.

In its application, Chautauqua argues that the Department should not apply its standard financial fitness criteria in determining its fitness.<sup>9</sup> Chautauqua believes that this criteria is not relevant to its proposed operations given its agreement with United under which United will compensate Chautauqua, in advance, for its services without regard to the number of passengers carried, and will assume all responsibility for passenger-related reservations, ticketing, revenue collection, and re-accommodation/refund functions.

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<sup>6</sup> Before authorizing a carrier to conduct air transportation operations, the FAA also evaluates certain of the applicant's key personnel with respect to the minimum qualifications for those positions as prescribed in the Federal Aviation Regulations. The FAA's evaluation of these key personnel provides an added practical and in-person test of the skills and technical ability of these individuals.

<sup>7</sup> The EMB-170 aircraft to be used in Chautauqua's United Express operations will be purchased by Chautauqua pursuant to financing arrangements that allow the aircraft later to be transferred to Republic.

<sup>8</sup> On July 31, 2004, Chautauqua filed a motion in Docket OST-2004-18638 requesting confidential treatment of its projecting income statement, which included its pre-operating costs and its projected first-year revenues and expenses. On August 17, 2004, we granted Chautauqua's motion to afford this information confidential treatment noting that we had previously granted confidentiality to the same type of information in the application of Republic (See Docket OST-2003-14579). In both cases, we found that release of such information could harm the carrier's ability to compete by providing competitors with information on the cost structure upon which the company's code-share agreement with United is based.

<sup>9</sup> In evaluating an applicant's financial fitness, the Department generally asks that the company have available to it sufficient resources to cover all pre-operating costs plus a working capital reserve equal to the operating costs that would be incurred in three months of "normal" certificated operations. Also, in calculating available resources, projected revenues generally may not be used.

It has been the Department's practice, with respect to fitness based on fee-for-service agreements with major U.S. carriers, not to apply its standard financial fitness criteria in determining the company's fitness.<sup>10</sup> We see no reason not to follow the same practice here. However, we do require that such applicants demonstrate that they have sufficient financial resources to cover their pre-operating costs to commence operations.

In light of the above, we have reviewed Chautauqua's pre-operating expenses and find that they appear to be reasonable. Chautauqua's projected balance sheet shows that, at the commencement of certificated operations, the company will have current assets of \$1.5 million (including approximately \$700,000 in cash) and no current liabilities, giving the carrier \$1.5 million in positive working capital. The company also projects total assets of \$63 million and negative stockholders equity of \$978,000. RAH's financial statements for the last three years show that the company has been profitable. For calendar years 2001, 2002, and 2003, the company reported net income of \$6.1 million, \$17 million, and \$34 million, respectively. According to RAH's consolidated balance sheet filed with the Securities and Exchange Commission, at June 30, 2004, RAH had current assets of \$87 million and current liabilities of \$80.6 million, giving the company positive working capital of \$6.4 million. The company also reported stockholder's equity of \$158 million. Since Chautauqua will be conducting its operations under a "fee-for-service" agreement with United, and RAH's working capital significantly exceeds Chautauqua's projected start-up costs, we tentatively conclude that Chautauqua will have sufficient financial resources available to it to enable it to commence its proposed operations without posing an undue risk to consumers or their funds.

### **Compliance Disposition**

The applicant states that, except as noted in the application, there are no actions or outstanding judgments against it, its owners, or its key personnel, nor have there been any charges of unfair, deceptive or anti-competitive business practices, or of fraud, felony or antitrust violations brought against any of these parties in the past ten years.<sup>11</sup> Chautauqua notes, however, that the National Transportation Safety Board is investigating an aircraft accident involving one its EMB-145LR aircraft.<sup>12</sup> This is the only aircraft accident the carrier has had within the past 5 years. Also, the FAA's Enforcement Information System shows two open enforcement cases pertaining to Chautauqua's flight operations, but the FAA advises us that Chautauqua's commuter operations have been conducted satisfactorily and it knows of no reason why we should act unfavorably on the company's certificate application.

Under these circumstances, we tentatively conclude that Chautauqua has the proper regard for the laws and regulations governing its services to ensure that its aircraft and personnel conform to applicable safety standards and that acceptable consumer relations practices will be followed.

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<sup>10</sup> See, for example, Order 2000-1-25, *Atlantic Coast Jet, Inc.*, and Order 2000-11-22, *Potomac Air, Inc.*

<sup>11</sup> There are various pending actions against Chautauqua that have arisen in the course of its airline operations which are typical of the litigation commenced against air carriers. Nothing in the information provided, however, indicates that these actions are outside the ordinary scope of business.

<sup>12</sup> On June 23, 2003, one of Chautauqua's EMB-145LR aircraft encountered moderate turbulence on a flight from Indianapolis, Indiana, to Orlando, Florida. The aircraft was not damaged and there were no reported injuries to the crew; however, one passenger sustained a broken ankle.

## CITIZENSHIP

Section 41102 of the Transportation Code requires that certificates 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, that at least 75 percent of the outstanding voting stock be owned by U.S. citizens, and that the carrier must be controlled by U.S. citizens.

Chautauqua is wholly owned by RAH, which, itself, is wholly owned by WexAir, LLC. The sole authorized manager of WexAir is Wexford Capital, LLC (Capital), a Connecticut based limited liability company with the exclusive right and authority to act for WexAir. The ownership of WexAir is split between four companies: Imprimis Investors (85.27 percent), Wexford Spectrum Fund I (6.0 percent), Wexford Offshore Spectrum Fund (5.29 percent), and Wexford Partners Investment Co. (3.43 percent). The owners of Imprimis are Wexford Special Situations 1997, LP (Situations) and Wexford Special Situations 1997 Institutional, LP (SI) that own 78.17 percent and 21.83 percent, respectively, of Imprimis. Situations, in turn, is owned by Wexford 97 Advisors (Advisors) and 94 limited partners, while SI is owned by Advisors and seven limited partners.<sup>13</sup> Advisors is the General Partner for both Situations and SI.<sup>14</sup> The only individuals who hold a ten percent or greater interest in either Advisors (the General Partner for the owners of Imprimis) or Capital (the sole manager of Chautauqua's ultimate owner, WexAir) are Mr. Charles Davidson and Mr. Joseph Jacobs, both U.S. citizens.<sup>15</sup> We have previously found Chautauqua to be a U.S. citizen under this same ownership and control.<sup>16</sup> Further, all of Chautauqua's key personnel are U.S. citizens and the company has provided an affidavit attesting that it is a citizen of the United States within the meaning of the Transportation Code. Finally, our review of Chautauqua's citizenship has uncovered no reason to suggest that control of Chautauqua rests with non-U.S. citizens.

Based on the above, we tentatively conclude that Chautauqua is a citizen of the United States and is fit, willing, and able to conduct the interstate scheduled passenger operations proposed, subject to conditions.

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<sup>13</sup> All of the partners in Situations and SI are U.S. citizens.

<sup>14</sup> Advisors holds a 20.8 percent interest in both Situations and SI, while the limited partners hold the remaining 79.2 percent interest of each company. No one limited partner in either Situations or SI holds a ten percent or greater interest in the applicant. Therefore, the identity of these individuals has been granted confidential treatment.

<sup>15</sup> Mr. Davidson holds a 67.96 percent interest in Advisors and a 58.89 percent interest in Capital. Mr. Jacobs holds a 26.21 percent interest in Advisors and a 22.71 percent interest in Capital.

<sup>16</sup> We have also found Shuttle America (a certificated air carrier) to be a U.S. citizen under similar, although not identical, ownership.

## OBJECTIONS

We will give interested persons 7 calendar days<sup>17</sup> 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 5 calendar days thereafter. We expect such persons to direct their objections, if any, to the applications and points at issue and to support such objections with detailed economic analyses. If an oral evidentiary hearing or discovery procedures are requested, the objector should state in detail why such a hearing or discovery is considered necessary, and what material issues of decisional fact the objector would expect to establish through a hearing or discovery that cannot be established in written pleadings. The objector should consider whether discovery procedures alone would be sufficient to resolve material issues of decisional fact. If so, the type of procedure should be specified (*See* Part 302, Rules 19 and 20); if not, the reasons why not should be explained. 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 Chautauqua's fitness and certification.

## CERTIFICATE CONDITIONS & LIMITATIONS

If Chautauqua is found fit and issued the certificate it seeks, its authority will not become effective until the company has fulfilled all requirements for effectiveness as set forth in the terms and conditions attached to its certificate. Among other things, this includes our receipt of evidence that Chautauqua has been authorized by the FAA to engage in the subject large aircraft operations and evidence of insurance coverage for large aircraft operations. In the meantime, Chautauqua's commuter authority will continue to remain in effect until its certificate has been made effective.

We note that our tentative finding of fitness for Chautauqua is based on the operating plans described in its application, namely the performance of scheduled passenger operations with up to 20 large aircraft under a fee-for-service agreement with a major U.S. airline. These findings might no longer apply if the company were to substantially change the scope of its operations through an increase in the number of aircraft operated or the introduction of independent large aircraft scheduled passenger operations. Since the agreement with United and the support of RAH are critical to the applicant's viability, we intend to condition the effectiveness of the applicant's certificate authority on its continued existence as a wholly-owned subsidiary of RAH and on its operation of scheduled passenger operations under the provisions of its agreement with United, or a similar agreement with another major U.S. air carrier. Should RAH seek to sell its interest in the applicant, or should Chautauqua desire to conduct scheduled passenger operations with large aircraft independent of a fee-for-service agreement with a major U.S. air carrier, the applicant must file a request to amend the terms of its certificate. Also, since Chautauqua's

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<sup>17</sup> We have shortened the period for interested parties to show cause why our tentative findings should not be made final. Since Chautauqua already holds a Part 121 operating certificate from the FAA and commuter authority from the Department, and since no answers were filed opposing Chautauqua's application, we have determined that good cause exists for not delaying action on its application with the standard 14-day answer period.

operating plan proposes scheduled passenger operations using no more than 20 large aircraft, we will limit the carrier's fleet of large aircraft to that number.<sup>18</sup>

Furthermore, we remind the company 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. Thus, should Chautauqua propose other substantial changes in its management or operations, it must first comply with the requirements of section 204.5 of our rules.<sup>19</sup> The compliance of the company with this requirement is essential if we are to carry out our responsibilities under the Transportation Code.<sup>20</sup>

Finally, to aid the Department in monitoring the fitness of certificated air carriers, we ask all newly certificated carriers to submit a detailed progress report, within 45 days following the end of the first year of certificated operations, to the Air Carrier Fitness Division. The report should include a description of the carrier's current operations (number and type of aircraft, principal markets served, total number of full-time and part-time employees), a summary of how these operations have changed during the year, a discussion of any changes it anticipates from its current operations during its second year, current financial statements,<sup>21</sup> and a listing of current senior management and key technical personnel. The carrier should also be prepared to meet with staff members of the Fitness Division to discuss its current and future operations.

**ACCORDINGLY**, Acting under authority assigned by the Department in its Regulations 14 CFR 385.12(a)(2):

1. We direct all interested persons to show cause why we should not issue an order making final the tentative findings and conclusions stated above and award a certificate to Chautauqua Airlines, Inc., authorizing it to engage in interstate scheduled air transportation of persons, property, and mail, subject to the attached specimen Terms, Conditions, and Limitations.

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<sup>18</sup> This limitation does not in any way limit the number of "small" aircraft that Chautauqua may utilize in performing its operations.

<sup>19</sup> 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. If the carrier fails to file this updated 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 certificate authority.

<sup>20</sup> We also remind Chautauqua about the requirements of section 204.7 of our rules. This section provides, among other things, that (1) the certificate 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 certificated 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.

<sup>21</sup> These financial statements should include a balance sheet as of the end of the company's first full year of actual flight operations and a twelve-month income statement ending that same date.

2. We direct any interested persons having objections to the issuance of an order making final any of the proposed findings, conclusions, or the certificate award set forth here to file them with Docket Operations, Department of Transportation, 400 Seventh Street, SW, PL-401, Washington, D.C. 20590, in Docket OST-2001-18638, and serve them upon all persons listed in Attachment A no later than 7 calendar days after the service date of this order. Answers to objections shall be filed no later than 5 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.<sup>22</sup>
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.
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.

Persons entitled to petition the Department for review of this order, under 14 CFR 385.30 may file their petitions within 10 days of the service date of this order.

This order is effective immediately and the filing of a petition for review shall not alter its effectiveness.

By:

**RANDALL D. BENNETT**  
Director  
Office of Aviation Analysis

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

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<sup>22</sup> Since we have provided for the filing of objections to this order, we will not entertain petitions for reconsideration.



**SPECIMEN**  
Terms, Conditions, and  
Limitations

**CHAUTAUQUA AIRLINES, INC.**

is authorized to engage in interstate air transportation of persons, property, and mail between any point in any State, territory, or possession of the United States or the District of Columbia, and any other point in any of those entities.

This authority is subject to the following provisions:

(1) The authority to operate under this certificate 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) for all of its aircraft.

(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.

(2) When the authority contained in this certificate becomes effective, it shall remain so only so long as the holder remains a wholly owned subsidiary of Republic Airways Holding, Inc.

(3) When the authority contained in this certificate becomes effective, the scheduled passenger authority contained herein will be limited to operations performed under a fee-for-service agreement with United Air Lines, Inc., or a similar agreement with another major U.S. air carrier.

(4) The holder shall at all times conduct its operations in accordance with the regulations prescribed by the Department of Transportation for the services authorized by this certificate, and with such other reasonable terms, conditions, and limitations as the Department of Transportation may prescribe in the public interest.

(5) The holder's authority under this certificate is effective only to the extent that such operations are also authorized by the Federal Aviation Administration (FAA), and comply with all U.S. Government 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 a certificate 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 certificate.

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\* To assure compliance with all applicable U.S. Government requirements concerning security, the holder shall, before commencing any new service (including charter flights) to or from a foreign airport, contact its Principal Security Inspector (PSI) to advise the PSI of its plans and to find out whether the Transportation Security Administration has determined that security is adequate to allow such airport(s) to be served.

(8) The holder is authorized to conduct charter flights in interstate and/or foreign air transportation in accordance with the provisions of 14 CFR 212.

(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(1)), 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 under this certificate within one year of the date of the Department's determination of its fitness, its authority shall be revoked for dormancy, unless the holder is conducting operations under another type of certificate authority. Further, in the event that the holder commences operations for which it was found "fit, willing, and able" and subsequently ceases all such operations, its authority under all certificates held 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 operations within one year of its cessation, its authority shall be revoked for dormancy.

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