

Brian explained that Boutique was recently selected by United Airlines (UA) to be an interline partner. The UA interline agreement took effect May 1, 2017. He says that their Code share agreement with UA is expected to be finalized by the end of Q1 2018. Mileage plus miles can be earned and redeemed with United Airlines. Boutique is a TSA Pre-check participant.

Distribution reservation systems are Sabre, Amadeus, and Expedia and similar on-line distribution systems.

Brian explained that the BHB proposal was based on service from Jun 15 to October 8 and opted for 48 weekly round trips to BOS. The airline is flexible with scheduling.

Manager Madeira pointed out that if selected, that the dates of service to include EAS subsidy will have to be worked out with Cape Air and with the USDOT, because Cape Air is in the middle of a 4 year contract and their dates are set based on a previous USDOT Order. Madeira pointed out that there would have to be some sort of agreement between the USDOT, Cape Air, and the "high-season" carrier if those dates were ever to change. Madeira stated "During the summer, Cape's one round trip flight each day is not subsidized through the EAS program."

Brian Murphy then continued: He explained that Boutique is proud of not charging baggage fees. Boutique allows 50 pounds per person including checked and carryon bags. There are no charges for unaccompanied minors and dogs fly free. Typical marketing is done through print, radio, sponsor little league teams, and billboards. Fare sales and promotions are advertised through social media.

Graphs were shown to see the comparison growth in each new market they entered.

The graphs show that their completion factor rate has been consistent at 98%.

Chairman Fenton asked, "What brought you to Bar Harbor?"

B. Murphy responded that they like the opportunity to expand their presence here. There is critical mass associated with being in the region. There would be two (2) aircraft running daily, constantly, and they would have to situate a spare in the area, ideally 2 spares. He explained that bringing in extra capacity for a few months bolsters Boutique's future in Messina as well. Boutique also plans to extend service in the area with charters, etc.

Chairman Fenton: "Do you have other requests for EAS in the Northeast?"

B Murphy: "Boutique is in talks with a few other communities for EAS service. Jamestown NY is one, and there are a couple others looking for alternatives."

M Allen: "How does your maintenance program work when you move into a new area?"

B. Murphy: "In our major hubs of Denver and Dallas we have probably 50 mechanics each. We have satellite operations in Phoenix and Nashville and we are looking to expand that as well. We keep tools and parts on hand that we need most of the time, and if it is something odd that breaks, we get it overnighted and install it ourselves. We need our own maintenance. "

Manager Madeira: “How are you planning to do ground handling? How do you envision that? Historically our past seasonal carrier worked with Cape Air.”

B Murphy: “We typically use our own ground support and customer service. Customer service will field local calls, and will handle inbound and outbound flights. We are not opposed to using another airline, but we pride ourselves in maintaining our brand, and no one is going to love us like we love ourselves to some degree. We would use our own pilots and our own customer service for ground team.”

End of presentation and questions for Boutique.

5:30PM SILVER AIRWAYS:

Kurt Brulisauer, VP, and Steve Rossum, CEO, presented via conference call.

Kurt Brulisauer said he had the opportunity to spend time with Brad and the other two airport directors (at Presque Isle and Plattsburgh). He said, “Although things are changing with the initial EAS request, they still have a lot of interest in Bar Harbor. Silver has a great product and service to offer in their proposal.” Kurt said that he feels that their offer is much more compelling than what they’ve seen from the other offers. Specific points being the Boston operations and the Jet Blue code share that goes with it. Silver has been a long term code share operator with Jet Blue and with United. He feels their aircraft type, the 34 seat SAAB, fits the market well. With the reliability and infrastructure the organization brings, they are a fully independent functioning airline in Florida with a Florida network and a Bahama network. The maintenance organization, flight ops, tech ops, is all a fully functional regional airline. The process has been an interesting one. With the situation at hand regarding Plattsburgh and Presque Isle, United Airlines has been a long term partner with us and their partner SkyWest put some pretty interesting opportunities in front of those two airports. Maybe this puts BHB in a situation where they are a little more independent on their own than versus part of a bid of three.

Presentation turned over to Steve Rossum.

Steve Rossum gave a brief history of his background. He said he joined Silver about 6 months ago because the airline has such great potential and a really great opportunity to grow into a sizable independent airline that provides great customer service. He said that Silver Airways has 22 aircraft, new ownership that has righted their ship financially, and they will be here for the life of the contract and beyond with their financial solvency. Silver has code share relationships with United, Jet Blue, and Avianca and they have interline agreements with Delta, American, West Jet, and most other major carriers. Steve said there is a fairly seamless transaction of travel, for example, from Maine to Canada. From conversations with Jet Blue, Silver would offer a seamless transfer in Boston from Jet Blue to Silver’s gate without having to recheck. Steve said Silver has done EAS flying significantly in the past, and will not do anything unless it is done expertly and purposefully and provides great service to the area. They want to work hand in hand with their partners to offer excellent service to the area. Silver intends to have their crew in the area. The

economics of operating a one aircraft operation to BHB, probably doesn't make that much sense, but obviously Silver has been put in the position. Steve asked that the AAC lobby the DOT to propose a bid and an opportunity that is uniquely tailored to BHB. When Steve started with Silver 6 months ago, he was disappointed in what he saw in terms of customer service and operations. Today they are running 89% on time with a vast improvements with customer service, hired a new customer service manager. Customer service commitment, Silver would have a full time manager dedicated to EAS in the area. Everyone would have Steve and Kurt's phone numbers. They would be in BHB committed to the operations. He really does think that this is a tremendous opportunity for both the BHB area and surrounding communities. Jet Blue has reaffirmed their support and will give whatever commitment of support needed by DOT to support a single application by BHB. Jet Blue would really like the opportunity to enter that market.

Chairman Fenton: "So it sounds like their proposal would be to submit another bid?"

Manager Madeira: "Kurt and Steve, we haven't had the opportunity to have the conversation about what has transpired in Plattsburgh and Presque Isle and how that may affect us yet."

Steve: "As you know, preliminary recommendations are due to the DOT in February, but DOT made a preliminary recommendation in one case SkyWest and in one case United Airlines, both of which are operations sponsored by United Airlines. We could do the bid we did, but the bid provided doesn't work for a single market operation. We would be extremely interested in resubmitting a bid tailored to BHB if the DOT would permit that, and we think it is in your best interest. We are in all the GDS systems, you can go to any travel agency or book on Expedia etc. We are the only one who is suited to provide significant distribution both through our interline relationships and 3 codeshare relationships. We look forward to submitting a new bid with support and encouragement of the community."

Chairman Fenton: "Any questions?"

B. Butler: "Would you be operating your own flights or using contracted services locally?"

Steve: "For ground handling and customer service, we don't need to reinvent the wheel here. Cape Air is very reputable and has done extremely well. We would have personnel available, but we would likely outsource that, which would probably be the most efficient way for us."

6:00PM PENAIR

Murphy Forner, Sr. VP - Business Development, presented for PenAir. "In 2112, after Colgan Air closed up shop in the northeast, Senator Snow invited Pen Air to provide service to Bar Harbor, Plattsburgh and Presque Isle. For the first 2 years of service, Pen Air came in with no subsidy to service Bar Harbor. In the beginning there were load factor issues, but in the next bid process PenAir made arrangements to receive subsidy from May to September with 2 flights a day to BHB. Last year with the BOS runway project, Murphy

said on time performance fell dramatically. Murphy said this had very little to do with Pen Air. He said there were a couple days where there were aircraft issues, but 85 to 95 percent of the delays were strictly due to the BOS runway project. Pen Air is continually working on load factors and their on time performance. Murphy said that like Silver Airways, the big thing with Pen Air is what is going on with Presque Isle and Plattsburgh. He said there is a strong letter campaign going on. In Presque Isle about 80 letters were sent to Senator Collins on Tuesday on the subject that BOS was not chosen as the destination, and Plattsburgh has sent about the same number of letters. He said that PenAir is very comfortable saying that if BHB accepts their bid as it stands, that the DOT will see Pen Air has a very good opportunity to continue operations as they have in the past. "Regarding seasonality, if Brad and Cape Air would like, Pen Air will willingly stretch their time frame. This is up to Cape Air, if they would like to give up some time allowing Pen Air to change their seasonality of service. Pen Air would be happy to extend their time frame at BHB. Pen Air has put about \$75,000.00 into the BHB community in their short season at BHB through rent and employees costs, and donations. Pen Air is always happy to work with groups in the community. They typically donate \$10,000.00 in a season." *A list of all the community members Pen Air has done promotions with in the past was displayed on the screen.*

"Safety is number 1 with Pen Air. The airline just completed the approved FAA SMS program in October. They were the 5th carrier in the US and the 1st regional carrier to obtain this particular level of safety management training program. They have a very safe accident free record. Currently in Chapter 11, the airline will be announcing their new business plan and presenting to the creditors committee at the end of the month. We are confident that we will be out of Chapter 11 by the end of the third quarter of this year, maybe early 4th quarter. Ownership is very committed to paying off all debts, although this may be stretched out over a period of time."

Murphy said that he feels that given their Alaska routes and the ability to hang on to their EAS markets here in the lower 48, that "we will see PenAir grow and move forward in the years to come."

C. Whidden: "Have you been assigned a gate in BOS?"

Murphy: "Currently we have gate B36 and we will have that gate through January 2019. Massport, because of construction told us any operator that does not use a jet bridge will have to work off of the E Terminal. They are not going to put anybody on any terminal at this time. Massport has agreed to meet with us once the bid is awarded, to talk about the potential of bussing, or vanning inside the security zone to another terminal. There are a number of unknowns that I don't want to talk about, but yes, we are all probably going to have to operate off terminal E until they expand the E terminal out and look at what they can do again. There are a lot of challenges down there, but I think that in the long run what we can put together for an offer you will be very comfortable with."

Manager Madeira: "Is the jet bridge issue in BOS that it can't physically pair with a SAAB?"

Murphy: "Yes the jet bridge process has a number of issues. The spinner on the SAAB is like 6 inches from the jet bridge, and our safety management has identified that is not a safe operation and so we will not use a jet bridge there."

B. Butler: "So, this coming season you will operate where you are in BOS?"

Murphy: "This upcoming season we will take the opportunity to move as early as May if we get the bid. We would not like to fight the alleyway with Cape Air and everybody else from that area of the B concourse. We noted that we have had people waiting on a flight 45 minutes waiting for Cape Air to get out of that area before we could get in. It is not customer service oriented. If we get awarded the bid, I think you'll see us trying to make that move sooner rather than later. Massport is aware of that; they've already worked out where the gates will be. That should be a very positive approach for our customers."

Chairman Fenton: "Will we have these same problems with all whom are bidding?"

Manager Madeira: "It appears that we might."

Brian Murphy of Boutique: "We were not forced to go to the E terminal, our proposal is into B."

Chairman Fenton: "Without a jetport?"

Brian Murphy of Boutique: "Correct, we are partnering with United and they said that is not going to be a problem." One more point I would like to add, the customer service part where I said they would be our own people, we hire from other airlines that have been there before us. By our people, I mean our uniforms, our training, our systems, everything. So if the Cape Air people are there it would make the most sense for them to be our employees for that time."

Manager Madeira: "At this point we would like to thank the carriers for their presentations, and we will move into the committee discussion. I'll certainly provide feedback to all of the air carriers with what the committee comes up with. Thanks again."

The air carrier representatives left the meeting.

Committee discussion:

Manager Madeira provided a handout to the committee members in attendance with a summary of the proposals that were submitted.

Manager Madeira then provided the committee with an overview of what has transpired regarding the USDOT submissions to date:

Manager Madeira: "There were originally 4 proposals submitted for BHB. The original deadline for submission from the carriers was December 14, 2017, but because some of the carriers asked for extensions, the DOT moved that deadline to January 3 of this year. On that day the USDOT received four (4) proposals, one from each carrier shown on your

summary: Boutique Air, Silver Airways, PenAir, and Sky Value. The Sky Value bid was withdrawn on Jan 12 when Manager Madeira had a discussion with the operating officer and quickly discovered that the performance of Embraer 145 was very limited in certain conditions and an error was made in their calculations to operate at BHB. Their proposal was therefore withdrawn. The Silver Airways and PenAir proposals were contingent on being selected to serve all three markets of Presque Isle, Plattsburg, and seasonally at BHB. What has transpired at the other two markets is that in addition to receiving proposals from Silver and PenAir, Plattsburg and Presque Isle also got proposals from Sky West Airlines operating as United, doing so, with 50 seat regional jets operating under the United code. Presque Isle also received a separate proposal from United Airlines with service to Newark, NJ. The Airport Advisory Committee in Plattsburgh has already endorsed the Sky West proposal. The SkyWest proposal for Plattsburg includes service to Washington Dulles. The Airport Advisory committee in Presque Isle has already endorsed the United offer. What that does for BHB is that the two contingent bids for Silver and PenAir effectively come off the table, leaving us with only the Boutique Air response to the initial RFP from the DOT. The DOT has not issued any orders yet so it is not official that Silver or Pen Air are not an option for us but it's highly unlikely that either of those carriers will be selected in Plattsburgh and in Presque Isle. Boutique Airways operates single engine PC-12 aircraft. They are very safe, but our minimum level of service that is stipulated through the EAS program here calls for multiengine aircraft. The US DOT can select a single engine carrier if the community endorses a single engine carrier, but only if the community endorses that single engine carrier. If the community endorses a single engine carrier, then moving forward, the DOT is able to select a single engine carrier to serve the airport. You effectively lower that bar in terms of multiengine or single engine service through EAS. It doesn't mean that you will have single engine service provider forever, but it does allow the DOT to select a single engine carrier in the future. If the community doesn't endorse Boutique, then the only thing DOT can do is put it back out to bid and hope that a multiengine carrier responds.

Manager Madeira: "I think the decision for the committee tonight really has to be do you endorse single engine operator Boutique Air, knowing that if the commissioners support that option, then the DOT can award EAS service to single engine service providers in the future, or does this committee recommend to the commissioners that you are in support of Silver or Pen Air knowing that we probably won't have those options based on these specific proposals. If you do that, then the DOT will likely put this back out to bid. We know that Silver is willing to submit another bid, but we don't know if Pen Air is willing to do that. The numbers change for these carriers when they submit a single market bid as opposed to a multi-city bid."

Manager Madeira then elaborated regarding the Air Carrier proposal comparison handout: "In comparing the numbers on the handout (see attached), the total numbers of seats coming into and out of the BHB airport is important to look at on a seasonal basis.

Boutique on an 8 to 9 seater operating multiple times daily proposes to bring 6107 pax inbound and 6107 pax outbound during the entire season. Silver operating twice daily with 34 seats proposes to bring 6800 pax inbound and 6800 outbound seasonally, and Pen Air with twice daily service on a 30 seat configuration proposes to bring 5940 passengers inbound and 5940 outbound.

B. Butler explained that Pen Air has done BHB a favor by restricting the per flight passenger loads to 30 seats instead of 34 as this has avoided weight and balance issues that can often occur in the summer.

Manager Madeira pointed out that another aspect to consider is the airfares: "Boutique offers fares starting at \$99.00, Silver fares will average \$109.00 and Pen Air fares average \$143.00 according to their proposals. Furthermore, regarding codeshare and airline agreements, Boutique has an interline agreement with United Airlines. Silver has a codeshare with Jet Blue and interline agreements with most major carriers. Silver could connect with Jet Blue and have baggage agreement in BOS to offer a large network of connections across the county. PenAir has a codeshare with Alaska, which is not so meaningful since Alaska doesn't have much service out of Boston. They do also have an interline agreement with Delta, American and United."

Manager Madeira stated "that the codeshare for Silver with Jet Blue is quite significant considering how many connecting flights that JetBlue offers out of Boston. There are a lot of bad reviews on the web about Silver's performance and regarding poor customer service. A question for Silver is how this new management team will improve these factors. Silver is upgrading their fleet and recently ordered 20 new ATRs and new planes mean less maintenance issues. On January 9 of this year they signed a purchase agreement to acquire Seaborne Airways and their fleet of 8 SAAB 340s and 2 Twin Otter aircraft. Their codeshare may expand for Silver as Seaborne has code share agreements with American Airways and Delta as well. Pen Air is in bankruptcy. They owe the county almost \$20,000.00 in past fees for last season which were incurred between May 1st and August 6th (bankruptcy filing date). Murphy [Forner] said they are committed to paying back their creditors at 100%. Enplanement numbers with Pen Air were about the same in 2017 as they were in 2012 (their first season operating here). Pen Air is just not putting up the numbers that we need to secure the federal funding that we need. Silver is interested in submitting a stand-alone bid. The only way that we will be able to see that option is if the DOT goes out to bid for BHB again, which can only happen if the County Commissioners do not endorse Boutique. We would then hope to get another bid from Boutique and new bids from Silver and PenAir and perhaps other airlines as well. As a community we should always strive to get as many options as possible. In future we need to explain to DOT that we would prefer to have stand-alone proposals as opposed to contingent proposals. Pen Air is currently operating under a DOT order to provide service through June 30th to all three communities, but if they don't get Plattsburgh and Presque Isle, there is a risk that they might exit the region entirely."

Leroy Muise mentioned we need to be careful to not lower the standards (multiengine to single engine EAS standards for BHB). He noted we need to look at not just two years out, but farther into the future.

Manager Madeira said that if we don't endorse a single engine carrier then the DOT is required to maintain our minimum level of service even if it costs more in subsidy.

Chairman Fenton said that he was very impressed with the presentation from Boutique and said that he would be afraid to lose the bid from Boutique. He said that Boutique Air reminded him of the Caruso brothers, how they started and grew their company quickly to 100 employees.

M. Allen noted that Boutique is offering to go eight times a day, which is very impressive with PC-12s.

Manager Madeira: "Something else to consider with regard to single engine service is that the regulations only require airports to be certified when you have scheduled air carriers operating with more than nine seats. Part of being a certified airport is providing ARFF services. A significant portion of the cost to provide that service comes from the air carriers. If we have no air carrier that requires ARFF services, then that item will not likely be supported when they submit it to DOT as a part of their subsidy request. If it went that way, the airport would not be able to support ARFF without those fees. If we gave up certification in the short term and needed it again later, ramping up that service again, rehiring employees, and getting re-certified will be challenging and it wouldn't happen overnight."

Chairman Fenton: "So your recommendation would be [looking at Manager Madeira]?"

Manager Madeira: "It seems to me that there is a risk but I think it is small that Boutique won't come back with a bid if the DOT reissues an RFP. I think the community should strive to get as many options on the table as possible. If the DOT has to go back out to bid, I believe that will probably be the best thing for us."

L Muise: "Can you go back and not make a recommendation: How can we make that happen, force their hand, if you will?"

Manager Madeira: "I suppose you can simply not endorse any of them and that would still require the DOT to go back out to bid. Either recommending Pen Air, or Silver, or not recommending any, would likely require the DOT to go back out to bid. Silver is interested in putting in a stand-alone proposal, Boutique is likely to resubmit. Pen Air is a question mark. I understand that the folks at Silver read the DOT order thinking they had to bid all three, but they could have bid on any individual airport. Boutique is requesting the highest EAS subsidy of the 3 bids at 1.6M, Silver is roughly 700,000.00 and Pen Air is roughly

400,000.00 based on these proposals. Again, those numbers will change with non-contingent bids. In doing analysis on what gets the maximum number of people through the airport, price is the key. Getting a seasonal airline in here that can offer fares in the 100.00 range is a huge deal. At the same time, offering fares in this range coupled with a meaningful code share will drive numbers. A good code share and a decent fare will benefit the community. There are some people that will not get on a small plane, they wait until they can get on a larger 30 seat aircraft.

Chairman Fenton: "Do we have a motion?"

L. Muise: "I'll make a motion for Silver"

B. Bouffard: "I'll second it."

Chairman Fenton: "4 votes for Silver, 1 abstention."

Manager Madeira noted that if the USDOT puts out another RFP, that he will have to work with them to ensure that the process is as efficient as possible so that we are not the ones holding up the process with this next order. "We'll have to do our best to make that work. We want to get through the process so that whatever carrier is selected this summer will work and they'll have enough lead time to get set up properly."

Chairman Fenton: "Any further business? Hearing none, then I make a motion to adjourn."

B. Butler: "I second the motion"

All were in favor.

The meeting ended at 7:00PM