



Proposed Passenger Service To Mexico Destinations

Request for Start-up Funding & Ticket Subsidies

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2.
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3. Aviation Definitions

1. Operator Name - This is the legal or official name of the air operator.
2. DBA Name - The name(s) the company is Doing Business As.
3. FAR - The Federal Aviation Regulation (FAR) under which a person or organization has received authority to conduct business.
4. FAA Designator Code - A unique four letter identifier assigned to the airline by the Federal Aviation Administration (FAA), Flight Standards Service (AFS).
5. Certificate Number - A unique number issued to the airline, for identification purposes, by the FAA/AFS.
6. Certificate Issue Date - The date the Airline received its air carrier certificate from the FAA.
7. Aircraft Make/Model/Series- Description of the aircraft being operated by the airline. Make/Model/Series (i.e. B-737-200 is a Boeing Model 737 Series 200 aircraft).
8. Certificating Office- The FAA office that has responsibility for administering the certificate. It is charged with the overall inspection of the certificate holder's operations.
9. Operation Kind- The type(s) of operation(s) a certificate holder is authorized to perform (i.e.; Domestic, Flag, Commuter, etc.).
10. FAR 121 Domestic Operation- Any scheduled operation conducted by any person operating any turbojet powered airplanes, or airplanes having a passenger-seat configuration of more than 9 passenger seats, excluding each crewmember seat, or airplanes having a payload capacity of more than 7,500 lb. at the following locations between any points within the 48 contiguous states of the United States (US), or operations solely within the US and specifically authorized point located outside the US.
11. FAR 121 Flag Operation- Any scheduled operation conducted by any person operating any turbojet powered airplanes, or airplanes having a passenger-seat configuration of more than 9 passenger seats, excluding each crewmember seat, or airplanes having a payload capacity of more than 7,500 lb. at the following locations between any point within the U.S. or any territory or possession of the US respectively, or between any point within the U.S. and any point outside the U.S. or between any point outside the U.S. and another point outside the U.S.

12. FAR 129 Foreign Operation- Any operation conducted by a foreign air carrier between a place in the U.S. and any place outside of the U.S. or the operation of U.S. registered aircraft solely outside the U.S. by a foreign air operator.

13. FAR 135 Commuter Operation- Any scheduled operation conducted by any person operating any other than turbojet powered airplanes, having a maximum passenger-seat configuration of 9 seats or less, and having a payload capacity of 7,500 lb. or less, or rotorcraft; with a frequency of operation of at least five round trips per week on at least one route between two or more points according to the published flight schedules.

14. PAX/CARGO - Any aircraft operation carrying people. An aircraft used in a passenger-carrying operation may also carry cargo or mail in addition to passengers.

15. ACMI - Aircraft, Crew, Maintenance & Insurance- The LESSOR provides the aircraft, one or more complete crews (including engineers) including their salaries and usually allowances, all maintenance for the aircraft and insurance, which usually includes hull and third party liability. The LESSOR will charge for the block hour (choc off to choc on) and depending on the aircraft type sets a minimum guaranteed block hour's limit per month. If the airplane flies or not, the LESSEE must pay the amount for the minimum guaranteed block hours.

The LESSEE has to provide all fuel, landing/handling/parking/storage fees, crew, including meals and transportation as well as visa fees, import duties where applicable as well as local taxes. Furthermore the LESSEE has to provide passenger/luggage and cargo insurance. Furthermore the LESSEE has to pay the over flight/navigation charges. Flights are flown under LESSOR'S **air operator's certificate (AOC)** granted from a national aviation authority (NAA) to an aircraft operator to allow it to use aircraft for commercial purposes. This requires the operator to have personnel, assets and system in place to ensure the safety of its employees and the general public. The certificate will list the aircraft types and registrations to be used, for what purpose and in what area - specific airports or geographic region. ACMI lease may be used for any of the above 121, 129, 135 operations without the LESSEE holding the certificate.

16. TSA Indirect Air Carrier (IAC)- An Indirect Air Carrier is defined as any person, organization, or business within the United States national air system that does not possess a Federal Aviation Administration issued air carrier operation certificated yet, employs the services of licensed air carriers to move cargo from one destination to another. Air carriers leasing and sometimes even selling space on their aircrafts provide these services to companies for the purpose of shipping items. Examples of an indirect air carrier could be a charter vendor, the postal service, or freight forwarder.

4.

Pan American Airlines Operations Certificates

Pan American Airways will operate PAX/CARGO using an ACMI lease with SkyKing and other FAR 121 AOC carriers under FAR 121 Flag Operation. Pan American Airways intends to use 737-200 aircraft with 88 seats in business class and 14 seats in first class. Pan American Airways is also an Indirect Air Carrier (IAC # SC1101005).

Pan American Airways and Logo are trademarked and owned by Pan American Airways.

5. Pan American Airways & Associated Corporations

Three companies have been established in Brownsville since July of 2009 by a common set of directors and shareholders, bringing jobs to the City of Brownsville. These companies were planned to be operated out of Ellington AFB, in Houston, Texas, but were moved to Brownsville upon the decision of Robert Hedrick, President of all three companies. These combined companies will bring over 6,500 direct and indirect jobs to the City of Brownsville over the next five (5) years.



World-Wide Consolidated Aquatics, Inc. (WWCA) is a distributor of equipment to hotels, motels, municipalities, wastewater treatment plants, water purification plants, industrial processing plants, and agricultural projects world-wide. This company currently has over 200 Million USD in equipment projects world-wide.



World-Wide Consolidated Logistics, Inc. is the ground, rail, ocean and air transportation arm of WWCA, Pan American Airways and Pan American Airways Systems - Mexico. WWCL operates a TSA Homeland Security Screening Facility at Brownsville South Padre Island International Airport and is a DOT coast to coast trucking company.



Pan American Airways is in the process of re-opening the "Gateway to Latin America" opened by the previous Pan American Airways in 1929. It is in the process of establishing a cargo hub in St. Louis, MO to link Canada, the Midwest and other international cities to the Latin American gateway. This will eventually bring over 5 billion pounds of cargo to Brownsville (annually) for rail, ground, ocean and air transportation. It will create over 1,000 direct jobs and could create an additional 5,000 indirect jobs.

Pan American Airways Systems - Mexico was established by Pan American Airways in January 2010. This division is operated by Steve Perez, a local and long established businessman in the Brownsville Community. This division consists of 14 newly established jobs. Four are located in the Pan American Airways Building and

ten (10) are located at ITEC. Four (4) additional employees will be added within the next 30 days. Pan American Airways Systems - Mexico currently promotes and sells air, ground, rail, and ocean freight to and from cities in Mexico to include Matamoros, Monterrey, Mexico City, Saltillo, Reynosa and Querretaro.

Cargo from these cities is currently interlined with carriers at Houston Intercontinental Airport due to the fact that the runway at Brownsville South Padre Island International Airport is too short to take off a 747 aircraft fully loaded.

Upon establishment of passenger services to Mexico this (already in place and funded) organization will promote and sell passenger tickets for Pan American Airways.

Pan American Airways MRO will be relocated to Brownsville within the next few months from Cincinnati, OH bringing over 300 jobs to the city for the conversion of Airbus and other aircraft from passenger to cargo operations within the next 24 months.

6.

Pan American Airways Monterrey Passenger Service Project

In July of 2010, Pan American Airways was requested by Larry Brown, Director of Aviation, The Chamber of Commerce of Brownsville, The Chamber of Commerce of South Padre Island, The Brownsville Economic Development Council, and the Honorable Rodolfo Quilantán Arenas, Cónsul de México en Brownsville to provide passenger service from Brownsville, Texas to Monterrey, Mexico.

On August 18, 2010 the Cónsul de México, set up a meeting in Monterrey, Mexico to discuss Pan American plans for passenger service to Monterrey. This meeting was held in the offices of C. Lic. Javier Treviño Cantú, Secretario General de Gobierno, Estado de Nuevo León, Palacio de Gobierno, Monterrey, N.L., México.

Present at the meeting from Brownsville:

- **Consulado de México en Brownsville**
Rodolfo Quilantán Arenas, Cónsul Titular
- **Brownsville Economic Development Council**
Jason Hilts, Presidente CEO
Gilbert Salinas, Vicepresidente Comunicaciones y Mercadotecnia
- **City of Brownsville**
Charlie Cabler, Gerente de la Ciudad
Roberto Luna, Director de Compras de la Ciudad
- **Chamber of Commerce**
José Luis Guerrero, Representante
Steve Pérez, Representante
- **International Brownsville Airport**
Larry Brown, Director de Aviación
Michael Jones, Director de Negocios y Mercadotecnia
- **Pan American Airways (World-Wide Consolidated Logistics, Inc.)**
Richard Alaniz, Vice Presidente
- **South Padre Island**
Lili DeRousie, Coordinadora Internacional de Turismo de la Isla del Padre Sur
- **University of Texas at Brownsville /Texas Southmost College (UTB/TSC)**

Patricia Valenzuela, Directora de Programas para
Proyectos Internacionales

Present at the meeting from Mexico:

Lie. Javier Treviño Cantú
Secretario de Gobierno

Lie. Raymundo Rodriguez Diego
Secretario Particular del Secretario de Gobierno

Lie. Ivan Elizondo
Oficina del Secretario de Gobierno

Lie. Victor Bravo
Director del Aeropuerto "Mariano Escobedo" de
Monterrey, Nuevo Leon

Lie. Luis Trevino Chapa
Director General de la Corporación para el
Desarrollo Turístico de Nuevo León

Lie. Andrés Franco Abascal
Subsecretario de Inversión Extranjera y Comercio
Internacional de la Secretaria de Desarrollo
Economic del Estado

Lie. Zeferino Salgado Almaguer
Delegado de la Secretaria de Comunicaciones y
Transportes

Prior to preparing its proposal on providing passenger services to Monterrey, Robert Hedrick, President of Pan American Airways asked Larry Brown, Director of Aviation (witness David Turnage) if any startup cost or ticket subsidies were available from the City of Brownsville (equal to those offered to American Airlines), for Pan American Airways. Larry Brown responded that there were no incentives, subsidies or startup cost for Pan American Airways and that the city had no money and would not even consider a proposal seeking such funds.

Pan American presented its proposal and costs to provide this service to Monterrey in its presentation to the combined delegates (See Next 3 pages).



TO: C. Lic. Javier Treviño Cantú
Secretario General de Gobierno
Estado de Nuevo Leon
Palacio de Gobierno
Monterrey, N.L.
México

August 18, 2010

I appreciate the opportunity being afforded Pan American Airways and World-Wide Consolidated Logistics (WWCL) to present the capabilities of our corporations to open a "gateway" between Brownsville, Texas and Monterrey, N.L. This coincides with Pan American Airways' intent to reopen the "Gateway to Latin America" that was opened in 1929 by our predecessor.

Our corporations can assist in the following areas:

- Passenger service between the two cities.
- Cargo service between the two cities.
- Freight forwarding from Brownsville to all other US cities.
- Certified Cargo Screening Facility and Bonded Warehousing.

1. **Passenger Service:** The 3 year business plan for Pan American Airways and WWCL does not include budgeting for passenger services. However, Monterrey is on the destination cities list to receive cargo service, thus we are fully capable of providing passenger service between Brownsville, Texas and Monterrey, Mexico. The cost to start up this operation is between \$3-5 million USD which is not included in the Pan American Airways 5 year cargo business plan. To establish this service these funds would have to be raised either by grants, subsidies or by "private" investment capital in Pan American Airways or WWCL.

The issues surrounding establishment of passenger service are not the aircraft or the crews. We have three aircraft available which can be placed into service immediately if all other preparations and considerations are met:

- a. A Dornier 328 with seating capacity of 30.
- b. A Dash 8 with seating capacity of 50.
- c. A 737-800 with seating capacity of 127 executive size seats.

These aircraft could be flown up to 3 times per day round trip since the flight time to Monterrey is 45 minutes or less. If flown 22 days per month this would equal 50 hours of flight time. This creates one of the issues surrounding this service. A guarantee of 70

Page 1

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This means that we have to pay a minimum of 70 hours of expenses regardless of the hours that we fly the aircraft. The costs of operating a Dornier 328 is \$3,800 USD per hour of flight time. This includes crew, aircraft costs, and fuel, but does not include any ground operations. The minimum total cost just for the 70 flight hours is \$266,000 USD per month.

Operations costs for flight scheduling, flyover rights, landing rights, crew accommodations, and landing fees cost \$1,000 USD per flight. This would cost \$66,000 USD per month. Insurance will cost approximately \$10,000 USD per month.

Costs for ticketing, counter space, and ground handling will run \$640 USD per turn. At 66 flights per month this cost is \$42,240 USD. Ticketing support staff would cost an additional \$8000 per month.

Total costs (no profit) per month would run: \$392,240 USD. The maximum number of passengers that could be carried monthly is 3,960 at 100% capacity both ways.

NOTE: All costs are best estimate.

An evaluation of passenger load verses costs to arrive at profitability indicates that at some percentage of passenger ticket sales the flight may be operated profitably and at a reasonable ticket price.

	45% Load	50% Load	60% Load	70% Load	80% Load	90% Load	100% Load
Cost	\$220	\$198	\$165	\$142	\$133	\$110	\$99
Ticket Price (1way)	220	\$220	\$205	\$195	\$190	\$180	\$170
% of profit	0%	11%	24%	38%	43%	64%	72%

NOTE: Ticket pricing could be reduced if landing fees, airport taxes, flyover costs, and any other parking fees were waived by both airports.

2. **Cargo Service:** Monterrey is on the cargo service routes planned by Pan American Airways and WWCL. This service was to start operations in early 2011, but can be advanced to meet the same start up times as passenger service. If definite commitments for Pan American Airways cargo service to the US are committed by Monterrey freight forwarders; the cost of tickets for the passenger service can be reduced and compensated for in cargo income.

3. **Freight Forwarding:** WWCL is a freight forwarder using "World Trak" technology for air, ground, sea and rail forwarding world-wide. The cargo business plan provides for the trucking larger air freight to and from all major Texas airports including Houston, San Antonio, Corpus Christi, Austin and Dallas. Additionally, cargo and passenger flights to Austin, San Antonio and Houston are planned, allowing cargo services from Brownsville to major hubs.

4. **TSA Certified Cargo Screening Facility:** WWCL – Cargo Management Division is in the final phase of the TSA Certified Cargo Screening Facility located in the Cargo Terminal of the Brownsville South Padre Island International Airport. This facility will be open for business before the end of September. This facility will also contain a bonded warehouse and fresh warehouse for flowers and other items needing climate control and may also include frozen capabilities. We would like to recommend an "airport to airport" agreement to link the secure facilities for cargo screening in Monterrey with the Screening Facility in Brownsville to insure that the cargo travelling between the two cities is secure on exit and entry to both countries.

Dual customs is in the process of being established at the Brownsville South Padre Island International Airport which will make cargo transfers between Mexico and the United States faster and easier than at LAX or MIA.

I would like to recommend that the business to business (B2B) relationships between Monterrey and Brownsville be developed over the next few years to make Brownsville the port of entry for all freight from Monterrey to the United States making this "Joint Project" the method of opening the third major gateway into the United States with LAX and MIA being the other two.

A direct route to the United States from Mexico using Brownsville as the port of entry will save 3-5 days of transit time and reduces the cost incurred at LAX or MIA.

Thank you again for the opportunity to present our capabilities and to assure you that Pan American Airways and World-Wide Consolidated Logistics will do everything possible to provide Monterrey with professional passenger and cargo services into the United States.

Sincerely,



Robert L. Hedrick

President

Pan American Airways, Inc.

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Pan American Airways was very clear in this presentation that it could provide this passenger service if the \$3-5 million was provided by "...grants, subsidies or "private investment capital"..."

The lack of commitment by the City of Brownsville to provide startup costs or subsidies did not stop Pan American Airways from seeking "private investment capital" to put this service in place. Several investors were identified and in the process of providing the needed capital to put this service into place.

Then on March 16th, 2011, Robert Hedrick, President of Pan American Airways "accidentally discovered" that, thru a back door deal, using a "shell" company that did not exist the City of Brownsville was going to provide \$500,000 in startup costs and between \$1.5 to \$2 million in ticket subsidies to a non-existent company call Frontera Airlines (AKA Fly Frontera).

On March 16th, 2011 at 9:39 AM in the following email, Michael Jones from Brownsville South Padre Island International Airport stated:

"While this carrier does not exist and is unknown to the public, the right marketing plan could make the service viable."

From: Michael D. Jones [mailto: mdjones@cob.us]
Sent: Wednesday, March 16, 2011 9:39 AM
To: Octavio Aguilar
Subject: BRO FlyFrontera.com

Octavio,

This is the proposed agreement presented by PC Charters to members of the Airport Advisory Board and City Commission yesterday. WE are considering only Pro-forma B, daily service to MTY and 3xweekly service to TAM. While this carrier does not exist and is unknown to the public, the right marketing plan could make the service viable. We, of course, would need your help with any service to Mexico. No one questions the need for the BRO MTY service. And while TAM is in the proposal, there are other destinations that may be more important such as SLP, BJX, and QRO .

The proposed aircraft, an EMB-120 is a comfortable 30-seat turbo prop with a range of 500 miles and average cruise speed of 300 mph and offers a full galley and lavatory. We still intend to proceed with efforts for established carrier service to MEX and CUN, however FlyFrontera proposes establishing interline and code share agreements with AM, and other Mexico carriers to make their passengers through passengers with one ticket to their final destination,

however this could take a while to implement, perhaps as much as a year or more.

We are now looking for funding assistance in gathering the required start up costs, \$500K for equipment, staff, and marketing and the dollar guarantee for 75% load factor on all flights.

We welcome your thoughts about these ideas and any assistance you can offer.

Saludos,

Michael

Michael D. Jones
Director Comercial y Mercadotecnia
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Why would the City of Brownsville give \$2 million to a non-existing company?

Why would the Mayor of Brownsville refuse to go out for open bids for passenger services from established and existing companies (nationwide)?

7.

Frontera Airlines (AKA Fly Frontera) - A “shell” Company operated by Convicted Racketeer Carlos Quintanilla (Passenger Service Proposal Protested by Pan American Airways).

On March 16th, 2011, Robert Hedrick, discovered (by accident) that the City of Brownsville was poised to provide the incentives that were “denied” to Pan American Airways to a non-existent company called Frontera Airlines (AKA Fly Frontera). Furthermore, that this company was to be operated by convicted “racketeer”, Carlos Quintanilla and was being “single sourced” and supported by Commission Charlie Atkinson. The Mayor of Brownsville; Pat Ahumada is actively promoting “Fly Frontera” as the only option. In anyone’s mind this is a conflict of interest in with his position as Mayor of Brownsville.

This improper conduct leads Pan American Airways to question the motives of both Charlie Atkinson and Pat Ahumada. It raises the issue a “personal financial interest” in making sure that a convicted “racketeer” has free access to an aircraft on an airport on the US - Mexico border. Free and unescorted access by convicted felons could result in “illegal” activities by-passing US and Mexico customs. A move is also being made to establish “dual” customs on the same airport. This also raises questions as to the motives of allowing Carlos Quintanilla unescorted access to the airport and the ownership of an aircraft on that airport.

The enormous efforts by Charlie Atkinson and Pat Ahumada, at city expense, to support Carlos Quintanilla and to make sure that Fly Frontera (a shell company) is the single source for passenger service does not fully support the premise that this airline is only interested in providing passenger services.

Why not run an ad in the Wall Street Journal requesting “open bids”?

What is the hidden agenda?

Pan American Airways has protested this “single source” action strongly.

The facts surrounding the public protest by Pan American Airways and the presentation of this “passenger service proposal” is best described in the articles published by the Brownsville Herald.

1. [Airport head seeks support to bring direct flights to Mexico](#), Steve Clark, The Brownsville Herald, dated 3-22-11.
2. [Pan Am chief asks city to table action on Mexico flights](#), Steve Clark, The Brownsville Herald, dated 4-1-11.

3. City commission public debate over airline gets ugly, Steve Clark, The Brownsville Herald, dated 4-6-11.
4. Atkinson, Pan Am at odds, Steve Clark, The Brownsville Herald, dated 4-11-11.



Airport head seeks support to bring direct flights to Mexico

By STEVE CLARK, The Brownsville Herald

2011-03-22 20:57:42

Apparently the only thing standing in the way of direct flights between Brownsville and Mexico is the lack of a signed contract between the city of Brownsville and Public Charters Inc., a Pennsylvania-based air charter company that has proposed airline service to Monterrey and Tampico under the name "Fly Frontera."

Jim Gallagher, president of Public Charters, says he was under the impression that the contract would be voted on at a special meeting of the city commission scheduled for Thursday but then found out it's not on the agenda after all. Gallagher said his initial target date for getting planes into the air was June 1 — to take advantage of South Padre Island's peak tourist season — in order to get the airline off to the strongest start possible. Public Charters has requested a "minimum revenue guarantee," not unusual in contracts between air carriers and municipalities, to help offset losses if ticket sales are weaker than anticipated. If revenue doesn't reach a certain projected level, they would be liable for the difference — to a point. A cap on how much the city would be on the hook for would be written into the contract.

Gallagher says Public Charters wants a minimum revenue guarantee capped at \$2 million over two years. That's the same amount the city agreed to in order to land American Eagle, according to Larry Brown, director of aviation for the Brownsville-South Padre Island International Airport. Gallagher says his Public Charters contract is essentially identical to the American Eagle contract. "If the market really does do well, then there's no out-of-pocket for the community," he says. Brown says such contracts also contain an "exit clause."

"If we see that it's not really working, either side can terminate the service," he says. "We build in safe clauses so nobody goes too far into the hole."

Brown is in the process of drumming up financial support from other entities — the town of South Padre Island and the Port of Brownsville, for instance — that stand to gain from Brownsville-to-Mexico air service, so that the city doesn't have to bear the cost alone. "The city may be taking the lead in terms of trying to get this done, but the people who are flying in aren't just coming to Brownsville," he says.

If and when Brown secures those pledges of support, he'll go back before commissioners with the Fly Frontera proposal.

"In reality, we're in the early stages of this process," he says. "After the city commission approves a contract, only then will it be a done deal."

Gallagher says he's curious to know "how quickly they can act as a body to get this approved." Fly Frontera would offer daily service to Monterrey — one flight a day on Sunday, Tuesday, Wednesday and Thursday; and two flights daily on Friday, Saturday and Monday. Service to Tampico would feature one flight each Monday, Wednesday and Friday. Gallagher says regular fares should be around \$130 each way between Brownsville and Monterrey, and \$150 each way between Brownsville and Tampico. Fly Frontera would use 30-seat Embraer "Brasilia" twin turbo-prop commuter aircraft.

More flights and destinations may be added as demand warrants, Gallagher says. "We're very positive that this service is going to do very, very well," he says. "It's just a matter of getting in there and developing it." While Brownsville officials deliberate, Gallagher has lined up meetings with travel and tourism officials in the Mexican states of Tamaulipas and Nuevo Leon. Brown says Mexican officials he's spoken with have "definitely made it clear they would like this service."

Gallagher says he originally approached Brownsville officials about the possibility of air service to Mexico at the urging of Carlos Quintanilla, president of the Dallas-based community action group Accion America. Gallagher says it was also Quintanilla who put him touch with Mexican officials.

Brown says direct flights to Mexico represent the third phase of the airport's "airline service development strategy," the first two goals of which were to increase frequency of service to Houston and establish service to Dallas-Fort Worth, both of which have been accomplished. The final phase will be getting service to San Antonio-Austin — but first comes Mexico, he says.

While Gallagher is impatient to start flying and has gone so far as to create a Fly Frontera Brownsville-Monterrey-Tampico website, Brown says it will ultimately be up to commissioners whether the carrier is truly the one.

"We have a proposal on the table and we're following up on it," he says. "We don't have a contract yet, so I can't say for certain. Either this group or somebody else is going to offer service."

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Pan Am chief asks city to table action on Mexico flights

By STEVE CLARK, The Brownsville Herald

2011-04-01 21:29:17

Bob Hedrick, president of Brownsville-based Pan American Airways Inc., is unhappy with the way the city is handling a potential deal to establish regular passenger air service between Brownsville and Mexico under the name "Fly Frontera."

Specifically, Hedrick is upset that the city appears poised to grant major incentives to Charter Air Transport and Public Charters Inc., the partnership behind Fly Frontera, even though he was informed last August that no such incentives were available to Pan American for flights to Mexico.

The Fly Frontera group is asking for — and the city may be on the verge of approving — \$2 million in start-up cash incentives and revenue guarantees, \$500,000 of it in the form of start-up money.

The Greater Brownsville Incentives Corporation last week voted to approve half the start-up funds, contingent upon the city agreeing to provide the other half. Fly Frontera would provide passenger service between Brownsville and the Mexican cities of Monterrey and Tampico.

Hedrick, who moved his businesses into the historic Pan American Building at the Brownsville South Padre Island International Airport two years ago, primarily to establish air cargo operations, said he was asked by Mexican and Brownsville officials last August to explore offering passenger service.

Hedrick said he was told by airport officials that no subsidies for establishing passenger flights to Mexico were available from the city; the city could not afford them because it already was paying out subsidies to other air carriers, and city leaders would not consider additional subsidies, Hedrick says. Incentives and subsidies are a common tool cities use to attract airline service.

CRUNCHING THE NUMBERS

Hedrick went ahead nevertheless, exploring options for providing service to Mexico without subsidies. The only financially feasible option, he said, was to use two 727-300 jet aircraft for flights from San Antonio to Brownsville to Monterrey, and from San Antonio to Brownsville to Tampico, with options to Mexico City.

Without subsidies, the only way to make it work and keep ticket prices affordable was for Pan American's cargo operation to subsidize passenger flights at the rate of \$162 per seat, Hedrick said.

"I still have two large investors who are looking at us," he said. "If we can subsidize the passenger service with our cargo income, then we'll do the passenger service."

"By itself, without my cargo company paying \$162 a seat, it can't be done. It's just not profitable. With subsidies, we would have already had passenger service from San Antonio to Brownsville to Monterrey."

Hedrick said his companies spent \$500,000 establishing operations in Brownsville, including \$70,000 to renovate offices in the Pan American Building, which is owned by the city. His firm World Wide Consolidated Logistics, also based at the Pan American Building, has spent \$100,000 to date opening a TSA-certified cargo screening facility at the airport, he said.

Recently and quite by accident, Hedrick said, he learned that airport and city officials were working on the Fly Frontera deal with David Lucas and Jim Gallagher of Charter Air Transport and Public Charters, respectively. Carlos Quintanilla, who Gallagher says initially encouraged him to approach city officials about providing air service, is involved behind the scenes. Quintanilla, president of the community advocacy group Acción América, was convicted of federal racketeering charges in the early 1990s.

"I was floored," Hedrick said. "If the subsidies had been offered to us back a couple of months ago, we would have already been flying."

REQUEST FOR DELAY

Hedrick on Wednesday hand-delivered a five-page letter to City Manager Charlie Cabler and City Attorney Mark Sossi, outlining his concerns and requesting that any action regarding Fly Frontera and potential subsidies or incentives be removed from the City Commission's April 5 meeting agenda.

The letter also requests that all action regarding Fly Frontera be suspended for three weeks, in order to give his company equal time to prepare a proposal and presentation for providing air passenger service to Mexico— now that subsidies and incentives seem to have been freed up.

Hedrick said he does not necessarily question the ability of Charter Air and Public Charters to do what they propose. But he does wonder why, when money to help attract airline service to Mexico did become available, the city did not issue a request for proposals, which would have opened up the process to any air carrier, charter service or other entity that wanted to submit. Not doing so creates the impression of a "back door" deal, he said.

Hedrick adds he was surprised that Pan American — already established at the airport and likely to sign a major cargo deal for Brownsville soon — was not invited to submit a proposal.

Addressing criticism that the company has yet to fly after two years in Brownsville, Hedrick argues that Southwest Airlines and FedEx each took years to get planes in the air.

Airport director Larry Brown said that just because subsidies were not available to Pan American when Hedrick asked about them last year, Hedrick should not have inferred they would never be available. "Saying that no subsidy would ever be available is not a realistic assumption," Brown said.

The reason subsidies did become available again is that the city's subsidy commitment to American Eagle is ending, he added, while the subsidy package being contemplated for Fly Frontera basically mirrors the one given to American Eagle.

Airport officials continually seek out opportunities to bring more airline service to Brownsville, Brown said. He considers Fly Frontera a viable option for passenger air service between Brownsville and Mexico but said

Hedrick is welcome to submit a proposal if he cares to.

"The city of Brownsville never really shuts its door to consideration of proposals that will be in best interest of the city," Brown said. "Until such time as the City Commission has decided what action it wants to take, no one can say (Fly Frontera) is a done deal."

FULL STEAM AHEAD

Cabler calls Pan American a "wonderful addition to the airport" but doubts city leaders will delay their work on Fly Frontera despite Hedrick's request for a three-week hiatus.

"We're not going to slow down progress as far as identifying a viable airline who wants to come to the city," Cabler said.

He argues that the city's dealings on Fly Frontera have been open and aboveboard, while conceding the whole thing "came to us pretty quick" — meaning, within the past two months.

Cabler said whatever decision the City Commission makes on airline service will be "what's best for our city."

"We're going to work with this company, and if somebody else comes forth and says we have better deal, then we'll look at that, too," he said.

Hedrick, meanwhile, is going on the offensive. On Monday, he reserved the names “Fly Frontera” and “Fly Frontera Airlines Inc.” with the Texas Office of the Secretary of State. This means that, for the 120-day period starting March 28, no one else, including Charter Air and Public Charters, can legally use them. Apparently, no one had reserved — much less registered — the names with the state for the purpose of doing business under them.

As for the Fly Frontera deal, Hedrick said he expected the City Commission at its April 5 meeting to “try to slip it through.” According to the April 5 agenda, posted Friday afternoon, included among the “action items” is “Consideration and ACTION on an Air Service Proposal for Air Service to Mexico.”

Hedrick, meanwhile, says he intends to press his case.

“I want them to understand this isn’t going to go away,” he said. “There are rules and regulations about how the city goes about this. You can’t just single-source stuff.”

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City commission public debate over airline gets ugly

By STEVE CLARK, The Brownsville Herald

2011-04-06 21:25:40

Brownsville city commissioners on Tuesday put off action on a deal with Charter Air Transport Inc. and Public Charters Inc. for passenger air service to Mexico. Although the airline deal was included as an "action item" on the April 5 agenda, commissioners voted to hold off on a decision for "no more than 25 days" so the city could complete its "due diligence."

The proposed airline, Fly Frontera, would offer service between Brownsville and the Mexican cities of Monterrey and Tampico. On the table are \$2 million in subsidies and incentives that Charter Air Transport and Public Charters have requested — the same deal Brownsville-South Padre Island International Airport officials made with American Eagle to lure that airline to Brownsville.

The waters were roiled when Bob Hedrick, president of Brownsville-based Pan American Airways Inc., complained publicly that he'd been told by airport officials in August that no subsidies were available, and would not be available, for his company to establish passenger flights to Mexico. Hedrick accused airport and city officials of trying to slip Fly Frontera in through the "back door," and said other air carriers should have been invited to bid.

Several people in the audience Tuesday night shared the sentiment. Following the vote to table action, and at the urging of audience members eager to voice their opinions on the Fly Frontera deal, Mayor Pat M. Ahumada Jr. agreed to open it up to public discussion. A line quickly formed at the public comment podium.

For the next two hours, the mayor and one or two other members of the commission engaged in a heated tit-for-tat with audience members who expressed displeasure with the commission's handling of the airline proposal. Voices were raised as accusations, recriminations, heckling, insults and sarcasm flew in either direction, interspersed with periods of relatively calm debate. Commission officials and members of the audience frequently shouted over each other.

A portion of the public criticism focused on the involvement of Carlos Quintanilla, president of the community advocacy group Accion America, who was convicted on federal racketeering charges in the early 1990s. Quintanilla was initially the link between city officials and David Lucas and Jim Gallagher, the presidents of Charter Air and Public Charters, respectively, and continues to be involved.

Ahumada insisted the city was not dealing with Quintanilla, and said the city has no control over who Charter Air or Public Charters chooses to subcontract with.

Nevertheless, it was Quintanilla who stepped up to the podium to deliver an impassioned pitch for Fly Frontera, highlighting what he saw as an enormous economic development opportunity for Brownsville. Jim Gallagher, president of Public Charters, was in attendance at the meeting but did not speak. Quintanilla, regarding his racketeering conviction, said it was in the past and he had since rededicated his life to fighting for immigrant and Latino rights, children and the dispossessed.

More than once during the meeting Ahumada, Atkinson and Longoria, with an air of disgusted resignation, expressed the belief that the noisy public debate over Fly Frontera would end up costing Brownsville the chance to finally secure direct flights to Mexico after decades of trying.

"They're not coming back," Longoria said of Charter Air and Public Charters. Longoria also asserted repeatedly during the meeting that the commission had conducted itself openly and no secret deals were made concerning Fly Frontera during commission executive sessions or at any other time. Still, one speaker, Joe Barton, asked commissioners to open up the process to bids from other aviation

companies on the theory that it could result in a better deal financially for the city. Ahumada responded that it was “that kind of thinking” that would have lost Continental Airlines for Brownsville in the 1990s.

Continental began offering service between Brownsville and Houston in 1993. It’s not unusual, though, for a city to invite multiple entities to submit bids for air service contracts. In fact,

Charter Air and Public Charters themselves have, in recent months, bid against other companies in an effort to win air service contracts in Macon, Ga., Muscle Shoals, Ala., and Watertown, NY.

Hedrick also spoke at the public podium, reiterating his contention that other companies — Pan American included — should be allowed to bid and get a shot at the same subsidies being contemplated for Fly Frontera. During the meeting, Atkinson ridiculed Hedrick’s claim that Pan American would be able to provide air service, noting that the company has yet to make a cargo flight since moving into the airport two years ago. Hedrick responded that he was working on a major cargo deal for Brownsville involving St. Louis, Mo., and that Brownsville officials had been in on meetings with St. Louis officials regarding the deal. Hedrick said he intended to submit a proposal for flights to Mexico within three weeks.

Commissioner Anthony Troiani, among the majority who managed to maintain his composure during Tuesday’s free-for-all, said three weeks would be sufficient time to answer any lingering questions about Fly Frontera’s bona fides and the economic feasibility of bringing it to Brownsville. Delaying the vote until more information can be gathered, he added, should serve as a signal to skeptics that the commission is proceeding with appropriate caution. “That should be enough,” Troiani said.

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Atkinson, Pan Am at odds

By [STEVE CLARK, The Brownsville Herald](#)

2011-04-11 21:55:43

The unfolding saga featuring the city of Brownsville, Fly Frontera and Pan American Airways has taken another intriguing turn.

Bob Hedrick, president of Brownsville-based Pan American, over the weekend released the contents of two cell phone messages he received from City Commissioner Charlie Atkinson on March 17 and March 23. Hedrick said the purpose of the messages was to intimidate him.

Atkinson disputes that interpretation.

The release of the voicemails comes almost a week after the City Commission decided to hold off on making a decision on whether to move forward with a proposal from Charter Air Transport and Public Charters Inc. The air service providers plan to offer passenger air service to Mexico.

The City Commission tabled action on the deal after Hedrick complained that the city was trying to slip the deal through the "back door." Several of those in attendance of last week's meeting shared his sentiment. The city said that it wanted to complete its "due diligence" on the deal.

[\(Listen to Charlie Atkinson's voicemail to Bob Hedrick.\)](#)

The messages were sent the day after an encounter Hedrick had March 16 with David Lucas, president of Charter Air Transport, inside the terminal building at Brownsville South Padre Island International Airport, where Atkinson was also present, as were director of aviation Larry Brown; city manager Charlie Cabler; Jason Hilts from the Brownsville Economic Development Council and others.

Charter Air Transport and Public Charters Inc. had been negotiating a contract with city officials to provide regular charter flights to Mexico under the business name "Fly Frontera."

At stake is \$500,000 in startup money and potentially another \$1.5 million in revenue guarantee subsidies to make up for lower-than-expected ticket sales, if they occur. Hedrick, who asked airport officials last August if subsidies were available for Pan American to offer passenger service to Mexico, and was told no, said it was only during the March 16 encounter with Lucas that he learned of the city's talks regarding Fly Frontera.

Hedrick, in a public statement released Saturday, said he addressed Lucas at the time and "questioned both the capability and the viability of Fly Frontera to provide these services and the validity of the company as an entity."

The calls from Atkinson came the next day. In the first message, left on Hedrick's voicemail on the afternoon of March 17, Atkinson states:

"Hello. Hey, Bob, give me a call, Charlie Atkinson, commissioner of Brownsville. I hope you're not trying to get in the way from what we're trying to do here in Brownsville by sparking another type of interest. I'd like to talk to you about this, because I truly hope you're not trying to sabotage anything that the city of Brownsville's doing."

The second message, sent on the evening of March 23, is as follows:

"Hey, Mr. Hedrick, this is Charlie Atkinson, just calling you to see if you can call me back. I'd like to talk about the stuff going on at the airport, your involvement in some of these things and the future of your company with Brownsville."

In his statement, Hedrick said the “references to the ‘future’ of my companies in Brownsville can only be taken as a direct threat.”

Atkinson offers a different explanation, saying his allusion to Hedrick’s commercial future in Brownsville referred to the possibility that Pan American and Fly Frontera might partner on passenger and cargo service— something Atkinson says Hedrick himself brought up during the March 16 conversation with Lucas.

In an interview, Hedrick said he suggested to Lucas that he consider using Boeing 737s, which Pan American would bring to Brownsville, rather than the 30-seat Embraer turbo-props Fly Frontera has proposed. Hedrick insists Atkinson’s phone messages had nothing to do with this, however, and believes the commissioner’s only intent was to intimidate.

While Hedrick has criticized the city for not giving other companies — such as Pan American — a shot at the same incentive package proposed for Fly Frontera, Atkinson has publicly called into question Hedrick’s ability “to deliver.” Asked if the city would be willing to entertain viable proposals from other air charters or carriers,

Atkinson replied: “Bring it.”

City commissioners at their April 5 meeting voted to delay for “no more than 25 days” a decision on whether to sign a contract with Fly Frontera.

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Crowd turns out for town hall meeting on flights to Mexico

By STEVE CLARK, The Brownsville Herald

2011-04-13 21:35:15

It wasn't quite standing room only, but a decent crowd turned out Wednesday evening for Mayor Pat Ahumada's town hall meeting to talk about a proposed deal for passenger air service between Brownsville and the Mexican cities of Monterrey and Tampico.

Among those attending the event at the Amigoland Event Center were several members of the citizen watchdog group Brownsville Cheezmeh, which has been critical of the deal. Ahumada said last week the purpose of the meeting was to set the record straight on the proposal and allow people with concerns to speak up. Criticism of the plan has largely centered around the perception on the part of some who feel a deal with Fly Frontera has been rushed; that due diligence was not done; and that city leaders are too eager to commit taxpayer money to get Fly Frontera off the ground.

Potentially at stake is \$1.5 million in guaranteed revenue subsidies over a period of two years if Fly Frontera fails to fill a minimum number of seats on the 30-passenger turboprops it proposes to fly. The deal also calls for \$500,000 in startup funding.

The Greater Brownsville Incentives Corporation has agreed to contribute half that amount contingent upon the city signing a contract with the companies behind Fly Frontera, which are Charter Air Transport Inc. and Public Charters Inc.

The Brownsville Public Utilities Board reportedly has agreed to foot the other half.

As the meeting got under way, for more than an hour the audience heard a series of speakers, starting with Ahumada, make the case why the city should do the deal with Fly Frontera. The danger of traveling into Mexico by car or bus was cited often. A Public Charters spokesman, Felipe Huicochea, testified to the companies' readiness to fly, financially, operationally, legally and otherwise. Huicochea said data his company had collected pointed to the likelihood that Fly Frontera would have enough passengers to make revenue subsidies unnecessary. The contract would also include a six-month opt-out clause, meaning either side could cancel the contract if it became clear things weren't working out as planned for whatever reason.

Carlos Quintanilla, president of the community advocacy group Accion America, whose conviction on federal racketeering charges in the early 1990s has contributed controversy to the debate over Fly Frontera, took a turn at the podium as well to argue for the deal. **Quintanilla** brought the principals together initially, and continues to lobby for the deal.

For the public comment period, nine speakers lined up to air their concerns. Initially, those concerns dealt with the burden on taxpayers if Fly Frontera fails. Dagoberto Barrera, the first speaker, noted that Brownsville taxpayers had been left holding the bag on other business ventures in the past that had failed, and worried the same thing would happen again.

"You may say I'm very negative," he said. "No, I'm just cautious."

The next speaker was Esequiel "Zeke" Silva, would-be challenger for City Commissioner Charlie Atkinson's District 2 seat, who has been placed on and removed from the ballot multiple times. Silva, who now appears to be off the ballot for good, noted that he created a large trucking company without subsidies or incentives of any kind. "Let them lose their own money," he said of Fly Frontera. The public comment period had just begun when The Herald went to press.

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The “appearance” of a known and convicted “racketeer” (Carlos Quintanilla), the “threats” to the President of Pan American Airways, and the insistence of Charlie Atkinson and Pat Ahumada to support only Fly Frontera raises serious questions as to the motives for the establishment of this “shell” company and the “true” purpose of Fly Frontera. **Why is there no “open bidding” on this project?**

To prove that Frontera Airlines (AKA Fly Frontera) is not a legitimate company to do business in the state of Texas; Pan American airways reserved the names of “FLY FRONTERA” and “FRONTERA AIRLINES” with the Texas Secretary of State - Corporate Division on March 28, 2011. Apparently, Carlos Quintanilla and company did not want to identify its agents, principals or officers that would be subject them to prior “due diligence” examination.

Carlos Quintanilla has a long arrest record (beyond his convictions under RICO), having been arrested by the Irving, Texas police on or about November 15, 2007 on “outstanding warrants” as reported by the Dallas Morning News on Thursday, November 15, 2007. The police also stated:

“Police stated Thursday that they become aware of Mr. Quintanilla’s warrants when they performed a background check after he applied for a parade permit last month.”

In the proposal by Fly Frontera (March 10, 2011) to Larry Brown, Director of Aviation for the City of Brownsville, the president of Fly Frontera is listed as follows:

Fly Frontera, Inc.
Carlos Quintanilla, President
421 South Dwight
Dallas, Texas, 75211
214-524-1011

Has the City of Brownsville done any background investigations into this company, its officers or its shareholders in the United States and Mexico?

8.
Demographics on Passenger Services to Mexico

Hispanic Statistics		
Location	Population	Hispanic-Latino
State of Texas	25,145,561	9,278,712
Brownsville	176,859	163,696
Laredo	215,411	203,386
McAllen	126,411	101,508
Harlingen	64,843	46,680
Total for Embraer 120:		473,270
San Antonio	1,838,630	1,274,784
Total All Cities:		1,790,327
County		
Cameron	406,220	352,787
Hidalgo	774,769	695,743
Starr	60,968	59,261
Bexar	1,714,773	1,484,993
Total for 737 Service:	2,956,730	2,591,783
Monterrey, MX	4,080,329	4,080,329

Pan American Airways evaluated the use of Embraer 120 aircraft for passenger services to Mexico Cities and rejected it as non-viable and non-sustainable after any subsidies. The service cannot sustain itself with the population totals of the cities of Brownsville, Harlingen, McAllen and adding Laredo (Pop. 473,270). The second cause of rejection was the limitation of 30 passengers. This limitation results in passenger fares of:

Brownsville to Monterrey : \$260-320 round trip.
Brownsville to Tampico: \$300-360 round trip.
San Antonio to Brownsville: \$200 - 250 round trip.

There are not enough seats on the Embraer 120 to meet the economic needs (ROI) of Brownsville and South Padre Island. The basic need is for a \$100-\$150 round trip ticket to and from Brownsville to Monterrey and Brownsville to Tampico. This means that a family of five (5) can come to Brownsville and South Padre Island for a weekend to vacation or for a week of shopping for \$500-750.

The use of small, turbo prop jets (Fly Frontera's Proposal), with limited seating, a family of five (5) would have to pay \$1,300 to \$1,800 to travel to Brownsville and South Padre Island for the weekend or for a week of shopping.

Expanding the service area to include San Antonio, Texas and surrounding counties expands the passenger base to 2,591,783. When added to the population of Monterrey this is a passenger base of 6,672,112.

With this passenger base and using 737 **JET (not prop)** aircraft with 88 seats in economy and 14 in first class Pan American Airways will be able to offer weekend and select weekly flights for a round trip cost of between \$100-\$150 **round trip**.

Pan American's cargo operation will provide the "stability" and additional "subsidies" (up to \$163 per seat) to insure survival and profitability of the passenger service beyond any incentive or subsidy program.

The return on investment (ROI) is secured by being able to bring "families" to shop in Brownsville and South Padre Island and to play on the beaches. Hotels will fill and condos will prosper. Restaurants will endure.

9. Investment & Return on Investment

In order for this proposal to be a success the airport and the business community must participate in both the startup operation as well as the first two years of marketing and development of the services to the area being served by the passenger services. The costs of initiating a new service using 737 jet aircraft, establishing a crew base, providing for maintenance on the aircraft (Pan American Airways MRO), pre-selling tickets, opening ticket counters in Monterrey, Tampico, San Antonio and Brownsville takes up to \$3 million.

Part of this is already in places since Pan American Airways has been in operation for 16 months at the Brownsville South Padre Island International Airport. Our offices are already in place, over \$35,000 in computer servers for use with World-Trak, Sabre or Amadeus Global Distributions Systems (GDS) is already installed in our offices and lacks only the installation of the software. Less than 2 weeks lead time.

World-Wide Consolidated Logistics (owner of Pan American Airways) operates an independent TSA Homeland Security Screening facility for the screening of passenger aircraft baggage and cargo as well as cargo aircraft cargo.

This facility is in operation and “vetted” by Homeland Security. and will provide its own screening equipment (a savings of \$150,000) to the passenger operation and to the City of Brownsville. Pan American Airways and its associated companies have already invested \$600,000 in the Brownsville economy over the past two years and will create over 5,000 jobs over the next 5 years.

Pan American Airways is a Brownsville established company.

We propose that the sustainability for the airline is a combination of ticket subsidies from the community combined with subsidies from Pan American Airways - Cargo division. The total of which would equal to the break-even point of the Pan American Airways Passenger operation.

This means that Pan American Airways is sharing the “risks” associated with passenger flights to Mexico cities. We believe that there is a direct relationship with the ICONIC Pan American Airways and the citizens of the Valley that immediately brings a return on the investment.

Marketing of the name Pan American Airways, immediately, opens the doors to passenger ticket sales. It immediately gains world-wide attention of the mass media. It brings millions of dollars of free advertising to both Brownsville and Pan American Airways. CNBC has requested the first 3 seats on the first Pan American aircraft that fly's passengers. No other air carrier, regardless of their name or money can bring this world-wide exposure and support to Brownsville, Texas. Pan American Airways

brings this to the table and it is one of our greatest assets. Flying the first Pan American Airways passenger service with its base in Brownsville puts the airport on the global map. This contributes heavily to passenger occupancy on each flight and brings jet service and not turbo service to Brownsville.

Using 737 aircraft Pan American Airways, in its startup plan, would have a capability of bringing 13,870 first class passengers and 96,360 economy class passengers thru Brownsville annually. Current airport statistics show that approximately 80,000 passengers utilize the existing air carriers. At 60% capacity Pan American Airways will bring an additional 66,138 passengers to the airport or an increase of 83%. If each passenger spends \$175 the additional spending to the ROI is \$11,574,150 as a direct income.

However, this is not where the ROI ends. For every dollar spend by Pan American Airways the community in jobs and purchases an additional \$7.00 per dollar is created due to indirect jobs created. The passenger operation to Mexico will require Pan American Airways to spend \$1,800,000 per year in operation expenses spent in the community. This brings an ROI of \$126 million on a very conservative basis.

Pan American Airways will bring an ROI of over \$137 million annually for an investment of \$2.5 million. Add this to the current spending by Pan American Airways of \$300,000 per year which related to an additional \$2.1 million.

Air Service

a. Pan American Airways shall provide regularly schedule passenger air service between San Antonio - Brownsville - Monterrey and San Antonio - Brownsville - Tampico in both directions (the "Air Service"), effective for a period of two (2) years within 90 days of approval for startup incentives and ticket subsidies. For this service is a Boeing 737 (off several model types) shall be used.

Specifications B737-200

The Boeing 737-200 is a twin-engine short-range narrow body airliner.

Crew:	2 plus attendants.	Speed:	504 Kts (580 mph)
1st Class:	14 passengers	Ceiling:	37,000 ft.
Economy:	88 passengers	Range:	3,044 miles
Propulsion:	2 Turbofan Jet Engines	Wing Span:	93 ft.
Empty Weight:	59,789 #'s	Length:	100 ft.
Takeoff Weight:	115,500 #'s		



11.
Projected Schedule and Fares

Phase 1 - Schedule and Ticket Pricing						
Segments & Frequency						
	Monday & Tuesday				1st Class	Economy
	Depart		Arrive		Ticket	Ticket
PA Flt 1	SAT	6:30 A.M.	BRO	7:30 A.M.	\$500	\$210
	BRO	8:30 A.M.	MTY	9:15 A.M.	\$500	\$260
	MTY	10:15 A.M.	BRO	11:00 A.M.	\$500	\$260
	BRO	12:00 A.M.	SAT	1:00 P.M.	\$500	\$210

PA Flt 2	SAT	2:00 P.M.	BRO	3:00 P.M.	\$500	\$210
	BRO	3:45 P.M.	TAM	4:45 P.M.	\$500	\$300
	TAM	5:15 P.M.	BRO	6:15 P.M.	\$500	\$300
	BRO	7:15 P.M.	SAT	8:15 P.M.	\$500	\$210

Wednesday Reserved for Cancun - Panama City Flights

	Thursday				1st Class	Economy
	Depart		Arrive		Ticket	Ticket
PA Flt 1	SAT	6:30 A.M.	BRO	7:30 A.M.	\$500	\$210
	BRO	8:15 A.M.	TAM	9:15 A.M.	\$500	\$300
	TAM	10:15 A.M.	BRO	11:15 A.M.	\$500	\$300
	BRO	12:15 P.M.	SAT	1:15 P.M.	\$500	\$210

PA Flt 2	SAT	2:00 P.M.	BRO	3:00 P.M.	\$500	\$210
	BRO	3:45 P.M.	MTY	4:30 P.M.	\$500	\$260
	MTY	5:15 P.M.	BRO	6:00 P.M.	\$500	\$260
	BRO	7:00 P.M.	SAT	8:00 P.M.	\$500	\$210

Friday					1st Class	Economy
Depart		Arrive			Ticket	Ticket
PA Fit 1	SAT	6:30 A.M.	BRO	7:30 A.M.	\$500	\$160
	BRO	8:15 A.M.	TAM	9:15 A.M.	\$500	\$175
	TAM	10:15 A.M.	BRO	11:15 A.M.	\$500	\$175
	BRO	12:15 P.M.	SAT	1:15 P.M.	\$500	\$160

PA Fit 2	SAT	2:00 P.M.	BRO	3:00 P.M.	\$500	\$150
	BRO	3:45 P.M.	MTY	4:30 P.M.	\$500	\$125
	MTY	5:15 P.M.	BRO	6:00 P.M.	\$500	\$125
	BRO	7:00 P.M.	SAT	8:00 P.M.	\$500	\$150

Saturday Reserved for Cancun - Panama City Flights

Sunday					1st Class	Economy
Depart		Arrive			Ticket	Ticket
PA Fit 2	SAT	2:00 P.M.	BRO	3:00 P.M.	\$500	\$150
	BRO	3:45 P.M.	MTY	4:30 P.M.	\$500	\$125
	MTY	5:15 P.M.	BRO	6:00 P.M.	\$500	\$125
	BRO	7:00 P.M.	SAT	8:00 P.M.	\$500	\$150

Note: Pricing for 1st class and economy may be changed as “special offers” and block ticket sales are offered on such terms as 30 in advance, 20 days in advance and week in advance. Pan American Airways will announce that it intends to accept previous Pan American Airways “miles” if any actual Pan American Passenger or their descendants’ can provide documentation supporting the miles that were earned.

Pan American Airways will announce the **Pan American Elite Club** for previous employees of Pan American Airways will include special discounted pricing and benefits.

The **Pan American Million Mile Club** will recognize families who travelled with Pan American Airways and have a combined travel distance of 1 million miles. Members of this club will receive discounted tickets and 5 round trip tickets (annually) to any destination flown by Pan American Airways for their family.

The **Pan American Flight Crew Club** is a very special club for families who have had three (3) generations of flight crew members of any of the Pan American companies. These members “fly free”.

12. Market Development

Pan American Airways uses Signature Marketing Group, P.O. Box 7219, The Woodlands, Texas, 77387 - 281-298-6644 - www.gobeyondtheobvious.com to market Pan American Airways. The following is our marketing plan for passenger services from Brownsville:

Passenger:

1. Print media – Pan American Airways is already covered in World Press.

Targeting Texas initially – High Profile magazines such as:

- Texas Monthly (state wide)
- Houston Lifestyle and Home (Houston)
- Texas Highways (state wide)
- In town (Dallas)
- On Magazine (Dallas)
- (And others in target markets)
- Regional newspapers

2. Online advertising:

- E-blasts
- Web site
- Online media (banner ads) on other sites

3. Direct marketing:

- Postcards/self-mailers introducing brand to target audience
- WOW! mailings with unique premium as a thank you for flying.

4. In Airport advertising:

- Posters
- Jet-bridge wraps
- Window clings
- Gate monitors
- Onboard magazines
- Ticket jackets
- Flight schedules

5. Billboard advertising

6. Television: 30 sec to 1 min slot on the new ABC "Pan Am" Series.

CNBC Anchor with cameraman and sound man has already reserved the first three (3) seats on the first passenger flight Pan American Airways' return to flight.

7. Radio spots

8. Social Media:

Blogging
Facebook
Twitter
YouTube

9. Telemarketing introducing the new brand to the community

10. Networking Groups/Associations

11. Loyalty recognition program

12. Theatre advertising

13. High profile event sponsorships

14. Collateral and online components to push the brand, competitive advantages, etc.

15. Community involvement

16. Tradeshows



13.

Proposed Contract Terms & Flight Route Protection

Pan American Airways requires a two (2) year commitment for market development. For the first two (2) years Pan American Airways requests exclusive travel routing from Brownsville to Monterrey, Tampico, Cancun, Cozumel, Saltillo, San Luis Potosi, Morelia, Michoacán and Mexico City.

14.
Minimum Revenue Requirement

Pan American Airways is seeking the same incentives and subsidies that were offer to Fly Frontera, regardless of the fact that the 737 has over 3 times the passenger capacity of the aircraft proposed by Fly Frontera.

An advanced deposit is required from the City of Brownsville in the net sum of \$500,000 to; secure the aircraft, facilitate the transition from exploratory to actual implementation of air service to Mexico, including training staff, developing and implementing a marketing campaign, putting systems on line finalizing airport agreements with Mexico, hiring ground crews and implementing ticketing software installations and any required fees or certifications for operations in Mexico or US airports.

Brownsville would provide a load guarantee for each of the following segments:

Segment A: 23 seats at a cost of \$130 per ticket from BRO to MTY.
Segment B: 23 seats at a cost of \$130 per ticket from MTY to BRO.
Segment C: 23 seats at a cost of \$150 per ticket from BRO to TAM.
Segment D: 23 seats at a cost of \$150 per ticket from TAM to BRO.
Segment E: 23 seats at a cost of \$150 per ticket from BRO to SAT.
Segment F: 23 seats at a cost of \$150 per ticket from SAT to BRO.

This load guarantee will be for \$1 million per year for a period not to exceed two (2) years.

Each month Pan American Airways will confirm the revenue passenger count for each flight and bill the airport according to the short fall in passengers according to the projected load factors.

The "Settlement Period" shall be each calendar month beginning on the day of the first flight.

The "Minimum Revenue Requirement" shall mean the Segment Charge as set forth above for each Air Service Flight.

15. Revenue Calculation

Revenue calculations shall be determined by the total number of passengers on each Segment multiplied by the amount of guarantee for that segment. Pan American Airways will determine the total amount of ticket sales for that segment. The guarantor will only be responsible for the short fall between the amount of total ticket sales and the total of the amount determined as the guarantee. For example:

If on Segment A, on a Monday, leaving BRO at 8:30 to MTY:

3 tickets were sold in first class at \$500 each
11 tickets were sold in economy class at

3 tickets were sold in 1st Class at \$500 each round trip; to total \$1500.
11 tickets were sold in Economy Class at \$269 each round trip; to total \$2,860.

Since these are round trip tickets they would be divided by 2 to determine Segment A revenue.

Total revenue Segment A revenue = \$4,360 (round trip revenue) ÷ 2 = \$2,180

Guaranteed Revenue for Segment A = 23 x \$130 = \$2,990.

City of Brownsville would owe: \$2,990 - 2,180 = \$810

Since it is a round trip ticket the reverse trip would be calculated when the ticket is used in Segment B.

16.
Payment Reconciliation

Pan American Airways, Inc. shall invoice the Brownsville South Padre Island Airport Committee each month reconciling passenger revenue costs based upon 23 passengers per flight leg (Segment) as follows:

Segment A: 23 seats at a cost of \$130 per ticket from BRO to MTY.
Segment B: 23 seats at a cost of \$130 per ticket from MTY to BRO.
Segment C: 23 seats at a cost of \$150 per ticket from BRO to TAM.
Segment D: 23 seats at a cost of \$150 per ticket from TAM to BRO.
Segment E: 23 seats at a cost of \$150 per ticket from BRO to SAT.
Segment F: 23 seats at a cost of \$150 per ticket from SAT to BRO.

The subsidy period shall begin on the commencement date of the flight services and shall not exceed \$1,500,000 USD.

17.
Cancellation Clause

Brownsville South Padre Island International Airport and Pan American Airways, Inc.

Neither party may terminate or cancel this agreement prior to 180 days of the commencement date of the proposed service. After such, each party shall have the right to terminate the service with a ninety (90) day written notice to the other party. If the service is terminated for reasons other than civil unrest or a natural occurrence, that physically prevents the operations of the flights, then the canceling party will be subject to a \$50,000 cancellation fee.



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