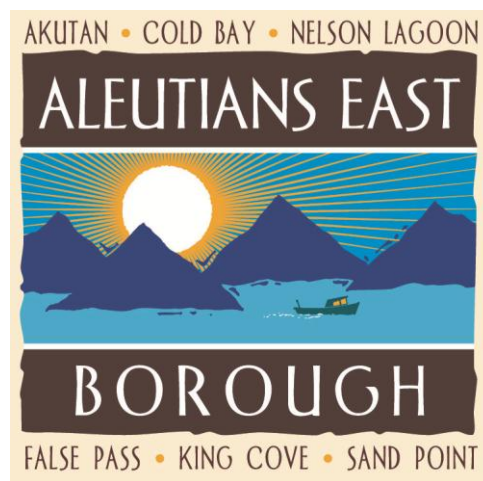


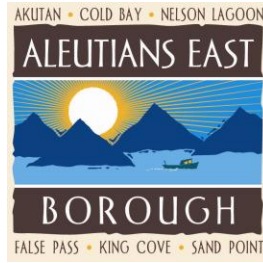
Aleutians East Borough Special Assembly Meeting



Meeting: Friday, June 29, 2012 – 9:00 a.m.

Roll Call & Establishment of a Quorum

Adoption of Agenda



SPECIAL ASSEMBLY MEETING
(material available on website: www.aleutianseast.org)

- Date:** June 29, 2012
- Time:** 9:00 a.m.
- Location:** By Teleconference in the locations below:
King Cove AEB office
Sand Point – AEB office
Nelson Lagoon Corp.office
False Pass city office
Akutan city office
Cold Bay city office - library
Anchorage – 3380 C Street

All communities will be provided with conference calling information for the designated location in your community. Public comments on agenda items will take place immediately after the adoption of the agenda.

AGENDA ITEMS

1. Roll Call & Establishment of Quorum
2. Adoption of the Agenda.
3. Community Roll Call and Public Comment on Agenda Items.
4. New Business:
 - Insurance proposed coverage comparison/approval of contract.
5. Old Business:
 - Contract for HoverLink (Akutan – Akun Hovercraft Operations) *Tabled at last meeting.*
6. Next Meeting Date & Location.
7. Adjournment.

Community Roll Call & Public Comment on Agenda Items

New Business

Aleutians East Borough

Risk Solutions Proposal

July 1, 2012 to July 1, 2013

**MARSH &
MCLENNAN**
A G E N C Y

Presented By:

Brandon Allen, CRM, Senior Vice President

Jenny K. Dean, CISR, Client Representative

Nicole Ruttle, Client Representative

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Contact Information

Marsh & McLennan Agency, LLC

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PO Box 107502
Anchorage, Alaska 99501-7502

Phone: (907) 276-5617
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Nicole Ruttle, Client Representative	257-6313	nicole.ruttle@marshmc.com

Marsh & McLennan Agency LLC is part of the family of MMC companies, including Guy Carpenter, Marsh USA, Mercer Human Resource Consulting (including Mercer Health & Benefits, Mercer HR Services, and Mercer Global Investments), and the Oliver Wyman Group (including Lippincott and NERA Economic Consulting).

Introduction

The information contained herein is intended to serve only as a brief outline of your various insurance coverages. Only the insurance policies themselves determine actual coverage. To avoid misinterpretation as to the full scope of protection provided by each policy, we advise that you refer directly to the respective policies for complete details on coverage, limitations, deductibles, conditions and exclusions that apply.

Also included in this report, you will find policy numbers, dates of inception and expiration, and other pertinent information for quick reference. If additional assistance is needed regarding the materials presented herein, please contact one of your account staff for further assistance.

YOUR ATTENTION REQUIRED - PLEASE READ CAREFULLY

We ask that you **IMMEDIATELY NOTIFY** us of any of the following types of changes:

- **ORGANIZATIONAL STRUCTURE** - Mergers, acquisitions, partnerships, new subsidiaries, joint ventures and/or other material changes to the legal status of your organization.
- **BUSINESS OPERATION** - Any change in products sold, services rendered, territories represented, operating procedures, and/or advertising distribution.
- **FORECAST AND PROJECTIONS** - Significant fluctuations in estimated sales, payroll and/or revenue.
- **ACQUISITION, SALE, LEASE, RENTAL, USE** - Pertaining to real estate, equipment, vehicles, aircraft, watercraft, and mobile equipment.
- **MAJOR FLUCTUATIONS** - Relative to inventory, accounts receivable, cash, values of transportation or cargo.
- **AGREEMENTS - ORAL OR WRITTEN** - During the normal course of operating you may sign leases, contracts or other agreements which may transfer serious financial obligation to your organization.

We will rely exclusively upon you to inform us of changes such as these, when they occur in your organization, or, if possible, before they occur. Many insurance policies do not contain fully automatic coverages for new acquisitions, increased exposures, material changes in business operations or properties. There may be limitations and exclusions that apply. Once informed of the changes, we will assist in obtaining the extension of coverage that provides your organization with the full, adequate protection necessary for your changing operations.

Named Insureds - Master Listing

Named Insured:

Aleutians East Borough

Attn: Stanley Mack
3380 C Street., Suite 205
Anchorage, Alaska 99503
907-276-7569 fax
smack@aeboro.org

Property

	2012-2013 Proposed Coverage	2012-2013 Proposed Coverage
Carrier:	Alaska Municipal League Joint Insurance Association	Alaska Public Entity Insurance
Best's Rating:	Not Rated	Not Rated
Effective Date:	07/01/2012 to 07/01/2013	07/01/2012 to 07/01/2013
Policy Number:	GP2013-82	TBD
Coverage:	All-Risk Property including Earthquake and Flood <ul style="list-style-type: none"> □ Buildings, Contents, EDP, Mobile Equipment, Fine Arts, Boiler & Machinery 	All-Risk Property including Earthquake and Flood <ul style="list-style-type: none"> □ Buildings, Contents, EDP, Mobile Equipment, Fine Arts, Boiler & Machinery
Limit:	<u>Property Limits</u> <ul style="list-style-type: none"> □ \$ 66,863,078 Building □ \$ 5,850,463 Contents/EDP □ \$ 203,000 Mobile Equipment □ \$ 0 Fine Arts □ \$1,000,000,000 Boiler & Machinery □ \$ 35,000,000 Earthquake Each Occurrence & Aggregate □ \$ 175,000,000 Flood Each Occurrence & Aggregate 	<u>Property Limits</u> <ul style="list-style-type: none"> □ \$ 66,863,078 Building □ \$ 5,850,463 Contents/EDP □ \$ 203,000 Mobile Equipment □ \$ 0 Fine Arts □ \$ 50,000,000 Boiler & Machinery □ \$ 50,000,000 Earthquake & Flood Each Occurrence & Aggregate □ \$ incl Crime (see pg 14)
Deductible:	<u>Property Deductibles</u> <ul style="list-style-type: none"> □ \$ Per Schedule Below □ \$ 5,000 Mobile Equipment as scheduled □ \$ Various Boiler & Machinery- depending on size of object □ \$ 100,000 Earth Movement (not Earthquake Shock) □ \$ 2% per occurrence subject to \$100,000 min □ \$ 250,000 Flood, Zones A & V, \$100,000 all other zones 	<u>Property Deductibles</u> <ul style="list-style-type: none"> □ \$ 25,000 Buildings □ \$ 5,000 Mobile Equipment as scheduled □ \$ 10,000 Boiler & Machinery □ \$ 10,000 Contents/EDP □ \$ 500 Fine Arts □ \$ 25,000 Docks/Piers/Harbors □ \$ 25,000 Other Structures □ \$ 25,000 Earthquake & Flood
Valuation:	Agreed Amount	Agreed Amount
Coinsurance:	N/A	N/A
Premium Basis:	Scheduled Values by Location (TIV = 72,916,541)	Scheduled Values by Location (TIV = \$72,916,541)
Endorsements/ Exclusions:	Available upon request	Available upon request
Audit/Reporting Provisions:	The insured must report any material changes in the exposure, additions, deletions, or other changes in scheduled values.	The insured must report any material changes in the exposure, additions, deletions, or other changes in scheduled values.

Premium:	\$ 88,177.00	\$ 98,612.51 or \$ 97,095.13 (with 3-year agreement)
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Property Schedule

Property	Building	Contents	EDP	Bus Int	TIV	Deductible AMLJIA	Deductible APEI
Akutan School	\$ 5,038,425	\$ 488,646	\$ 50,000	\$ -	\$ 5,577,071	\$ 25,000	\$ 25,000
Cold Bay Dock (City pays ded. Difference)	\$ 8,627,500	\$ -	\$ -	\$ -	\$ 8,627,500	\$ 75,000	\$ 25,000
Cold Bay Duplex	\$ 438,336	\$ -	\$ -	\$ -	\$ 327,708	\$ 5,000	\$ 25,000
Cold Bay School	\$ 3,905,438	\$ 426,565	\$ 75,000	\$ -	\$ 4,149,722	\$ 25,000	\$ 25,000
False Pass School	\$ 3,355,742	\$ 205,087	\$ 50,000	\$ -	\$ 3,610,829	\$ 25,000	\$ 25,000
Juneau Office	\$ -	\$ 5,666	\$ 10,000	\$ -	\$ 15,666	\$ 5,000	
King Cove Office	\$ 256,010	\$ 11,897	\$ 17,000	\$ -	\$ 222,789	\$ 5,000	\$ 25,000
Nelson Lagoon Community Center	\$ 504,153	\$ -	\$ -	\$ -	\$ 504,153	\$ 5,000	\$ 25,000
Nelson Lagoon Dock	\$ 3,514,237	\$ -	\$ -	\$ -	\$ 3,514,237	\$ 75,000	\$ 25,000
Nelson Lagoon School	\$ 2,465,064	\$ 249,789	\$ 75,000	\$ -	\$ 2,789,853	\$ 25,000	\$ 25,000
New King Cove School	\$ 14,999,692	\$1,295,024	\$200,000	\$ -	\$ 15,480,755	\$ 25,000	\$ 25,000
Office - Contents Only	\$ 0	\$ 100,000	\$100,000	\$ -	\$ 200,000	\$ 5,000	\$ 10,000
Sand Point Bus Barn	\$ 185,350	\$ -	\$ -	\$ -	\$ 185,350	\$ 5,000	\$ 25,000
Sand Point Office	\$ 876,484	\$ 28,328	\$130,657	\$ -	\$ 808,137	\$ 5,000	\$ 25,000
Sand Point School	\$ 15,720,683	\$1,409,690	\$280,000	\$ -	\$ 17,410,373	\$ 25,000	\$ 25,000
Sand Point 4-Plex	\$ 1,747,964	\$ 104,630	\$ 20,000	\$ -	\$ 1,872,594	\$ 10,000	\$ 25,000
Cold Bay Terminal Bldg	\$ 5,228,000	\$ 523,150	\$ 10,000	\$100,000	\$ 5,861,150	\$ 10,000	\$ 25,000
	\$66,863,078.00	\$4,842,806.00	\$440,657.00	\$100,000	\$71,157,887.00		

Equipment Schedule

Item #	Description	Serial #	Value
01	2003 Tri-Max Mobile Firefighting	N/A	\$ 53,000
02	2005 Caterpillar Telehandle	23A11014	\$150,000
Total Equipment Value:			\$203,000.00

General Liability & Public Officials Liability

	2012-2013 Proposed Coverage	2012-2013 Proposed Coverage
Carrier:	Alaska Municipal League Joint Insurance Association	Alaska Public Entity Insurance
Best's Rating:	Not Rated	Not Rated
Effective Date:	07/01/2012 to 07/01/2013	07/01/2012 to 07/01/2013
Policy Number:	GP2013-82	TBD
Coverage:	<ul style="list-style-type: none"> □ Commercial General Liability-Occurrence Form □ Employee Benefit Liability-Occurrence Form □ Employment Practices Liability-Claims Made Form □ Sewer Backup 	<ul style="list-style-type: none"> □ Commercial General Liability-Occurrence Form □ Employee Benefit Liability-Occurrence Form □ Employment Practices Liability-Claims Made Form □ Sewer Backup □ Specialty Equipment (ATV's, Snowmobiles & Watercraft) Liability □ Cyber Liability
Limit:	<p><u>Commercial General Liability</u></p> <ul style="list-style-type: none"> □ \$10,250,000 Each Occurrence □ \$10,250,000 Each Occurrence Employee Benefit Liability <p><u>Public Officials Liability</u></p> <ul style="list-style-type: none"> □ \$10,250,000 Each Occurrence <p><u>Employment Practices Liability</u></p> <ul style="list-style-type: none"> □ \$10,250,000 Each Occurrence □ 50% of reasonable legal fees and costs incurred as a result of employment related administrative hearings, subject to \$10,000 maximum – Defense Reimbursement Program 	<p><u>Commercial General Liability</u></p> <ul style="list-style-type: none"> □ \$15,250,000 Each Occurrence □ \$15,250,000 Each Occurrence Employee Benefit Liability <p><u>Public Officials Liability</u></p> <ul style="list-style-type: none"> □ \$15,250,000 Each Occurrence <p><u>Employment Practices Liability</u></p> <ul style="list-style-type: none"> □ \$15,250,000 Each Occurrence <p><u>Cyber Liability</u></p> <ul style="list-style-type: none"> □ \$ 250,000 Each Occurrence
Deductible:	<ul style="list-style-type: none"> □ \$ 5,000 Commercial General Liability □ \$ 10,000 Sewer Backup □ \$ NIL Employee Benefit Liability □ \$ NIL Public Officials Liability □ \$ NIL Employment Practices Liability 	<ul style="list-style-type: none"> □ \$ NIL Commercial General Liability □ \$ 10,000 Sewer Backup □ \$ NIL Employee Benefit Liability □ \$ NIL Public Officials Liability □ \$ 10,000 Employment Practices Liability
Premium Basis:	Varies by Classification	Varies by Classification
Endorsements/Exclusions:	Available upon request	Available upon request

Audit Provisions:	Annual Audit – General Liability	Annual Audit – General Liability
Premium:	\$ 9,508.00	\$ 5,280.82 or \$ 5,069.61 (with 3-year agreement)

Business Auto

	2012-2013 Proposed Coverage	2012-2013 Proposed Coverage
Carrier:	Alaska Municipal League Joint Insurance Association	Alaska Public Entity Insurance
Best's Rating:	Not Rated	Not Rated
Effective Date:	07/01/2012 to 07/01/2013	07/01/2012 to 07/01/2013
Policy Number:	GP2013-82	TBD
Coverage:	<ul style="list-style-type: none"> □ Automobile Liability-Occurrence Form □ Uninsured/Underinsured Motorists Coverage □ Hired/Non-Owned Auto Liability, excess of primary provider □ Comprehensive & Collision 	<ul style="list-style-type: none"> □ Automobile Liability-Occurrence Form □ Uninsured/Underinsured Motorists Coverage □ Hired/Non-Owned Auto Liability, excess of primary provider □ Comprehensive & Collision
Limit:	<u>Liability</u> <ul style="list-style-type: none"> □ \$10,250,000 Each Occurrence <u>Uninsured/Underinsured Motorists</u> <ul style="list-style-type: none"> □ \$ 1,000,000 Each Occurrence <u>Comprehensive & Collision</u> <ul style="list-style-type: none"> □ Actual Cash Value for each and every loss provided value and location are scheduled 	<u>Liability</u> <ul style="list-style-type: none"> □ \$15,250,000 Each Occurrence <u>Uninsured/Underinsured Motorists</u> <ul style="list-style-type: none"> □ \$ 250,000 Each Occurrence <u>Comprehensive & Collision</u> <ul style="list-style-type: none"> □ Actual Cash Value
Deductible:	<ul style="list-style-type: none"> □ \$ NIL Liability □ \$ 500 Uninsured/Underinsured □ \$ 500 Comprehensive □ \$ 500 Collision □ \$ 500 Hired/Non-Owned 	<ul style="list-style-type: none"> □ \$ NIL Liability □ \$ NIL Uninsured/Underinsured □ \$ 500 Comprehensive □ \$ 500 Collision □ \$ NIL Hired/Non-Owned
Premium Basis:	Scheduled Autos	Scheduled Autos
Endorsements/Exclusions:	Available upon request	Available upon request
Reporting Provisions:	The insured must report any material changes in the exposure, additions, deletions, or other changes in scheduled autos.	The insured must report any material changes in the exposure, additions, deletions, or other changes in scheduled autos.
Premium:	\$4,936	\$ 3,440.00 or \$ 3,268.00 (with 3-year agreement)

Auto Schedule

Year	Make / Model	VIN #	Value	Comp/ Coll
1988	IHC School Bus	1HVLN2RP4JH587674		No
1997	Dodge Pickup	1B7HC16X1VS167189	\$5,000	No
2005	Chevrolet 4500	1GBE4E3245F509876	\$42,000	Yes
2007	Ford 172 SD Crew Cab	1FTWW31P17EA75986	\$30,000	Yes
2005	Mazda Tribute	4F2CZ94145KM15067	\$22,000	Yes
2005	Mazda Tribute	4F2YZ92Z55KM11236	\$19,000	Yes
1994	Ford Bus	IFDKE3067RHA36805		No

Workers' Compensation

	2012-2013 Proposed Coverage	2012-2013 Proposed Coverage
Carrier:	Alaska Municipal League Joint Insurance Association	Alaska Public Entity Insurance
Best's Rating:	Not Rated	Not Rated
Effective Date:	07/01/2012 to 07/01/2013	07/01/2012 to 07/01/2013
Policy Number:	GP2013-82	TBD
Coverage:	<u>Workers' Compensation</u> □ Including Employer's Liability	<u>Workers' Compensation</u> □ Including Employer's Liability
Limit:	<u>Workers' Compensation</u> □ Statutory Limits <u>Employer's Liability</u> □ \$2,500,000 Each Occurrence	<u>Workers' Compensation</u> □ Statutory Limits <u>Employer's Liability</u> □ \$1,000,000 Each Occurrence
Deductible:	<u>Workers' Compensation</u> □ NIL <u>Employer's Liability</u> □ NIL	<u>Workers' Compensation</u> □ NIL <u>Employer's Liability</u> □ NIL
Premium Basis:	Scheduled Payrolls	Scheduled Payrolls
Rate:	Varies by Classification	Varies by Classification
Endorsements/ Exclusions:	Available upon request	Available upon request
Reporting Provisions:	The insured must report any material changes in the exposure, additions, deletions, or other changes in scheduled payrolls.	The insured must report any material changes in the exposure, additions, deletions, or other changes in scheduled payrolls.
Premium:	\$7,097.00	\$ 4,606.39 or \$ 4,376.07 (with 3-year agreement)

Payroll Schedule

WC Class Code	Class Code Description	2012-2013 Payroll Estimates	2012-2013 AMLJIA Rates	2012-2013 APEI Rates
7382	Bus Drivers / Public Transportation	\$ 0	\$ 9.77	
8601	Architect or Engineer Consulting	\$ 22,800	\$ 0.95	\$ 0.6137
8810	Clerical / Professional Employees	\$ 478,678	\$.65	\$.4225
9015	Building / Maintenance / Operations	\$ 55,843	\$ 6.75	\$ 4.3763
9410	General Municipal Employees	\$ 0	\$ 3.60	
7024	Vessels – NOC – Program II	\$ 0	\$ 7.20	
	Total	\$ 557,321		
	Experience Modifier		1.03	.95

Crime

	2012-2013 Proposed Coverage	2012-2013 Proposed Coverage
Carrier:	Alaska Municipal League Joint Insurance Association	Alaska Public Entity Insurance
Best's Rating:	Not Rated	Not Rated
Effective Date:	07/01/2012 to 07/01/2013	07/01/2012 to 07/01/2013
Policy Number:	GP2013-82	TBD
Coverage:	<u>Crime</u> <input type="checkbox"/> Public Employee Dishonesty <input type="checkbox"/> Forgery or Alteration <input type="checkbox"/> Theft, Disappearance and Destruction <input type="checkbox"/> Occurrence Form	<u>Crime</u> <input type="checkbox"/> Public Entity Crime Coverage <input type="checkbox"/> Occurrence Form
Limit:	<input type="checkbox"/> \$500,000 Each Occurrence	<input type="checkbox"/> \$250,000 Each Occurrence
Deductible:	<u>Public Employee Dishonesty</u> <input type="checkbox"/> \$ 10,000 <u>Forgery or Alteration</u> <input type="checkbox"/> \$ 10,000 <u>Theft, Disappearance and Destruction</u> <input type="checkbox"/> \$ 10,000	<input type="checkbox"/> \$ 2,500
Endorsements/ Exclusions:	Available upon request	Available upon request
Premium:	\$1,200.00	Included in Property

Premium Summary

Coverage Line	2012 - 2013 AMLJIA Premiums	2012 - 2013 APEI Premiums (1 year)	2012 - 2013 APEI Premiums (3-year)
Property	\$ 88,177.00	\$ 98,612.51	\$ 97,095.13
Boiler & Machinery	\$ Incl in Property	\$ Incl in Property	\$ Incl in Property
General Liability	\$ 9,508.00	\$ 5,280.82	\$ 5,069.61
Business Auto	\$ 4,936.00	\$ 3,440.00	\$ 3,268.00
Workers' Compensation	\$ 7,097.00	\$ 4,606.39	\$ 4,376.07
Crime	\$ 1,200.00	\$ Incl in Property	\$ Incl in Property
LCIP Discount	\$ (3,871)	N/A	N/A
Rate Stabilization Credit (max amount)	\$ (9,615)	N/A	N/A
Broker Fee	\$ 17,000	\$ 17,000	\$ 17,000
TOTAL:	\$ 114,432.00	\$ 128,939.00	\$ 126,808.81.00

OLD BUSINESS

FERRY SERVICES AGREEMENT

This Ferry Services Agreement (“Agreement”) is entered into to be effective April 9, 2012 (“Effective Date”), by and between Hover Link, LLC, a Washington limited liability company (“HoverLink”), and Aleutians East Borough, a borough located in the State of Alaska (“AEB”).

RECITALS

- A. AEB owns a BHT-130WD Hovercraft, SUNA-X, Official Number 1190205 (the “Vessel”).
- B. The Vessel will provide service from an improved sea plane ramp located on Akutan Island near the village to the new airport being constructed on Akun Island (the “Service Route”), as depicted on the route plan set forth on Exhibit A (the “Plan”).
- C. HoverLink will operate the Vessel to provide passenger transportation on the Service Route pursuant to the terms of this Agreement, and as further described on the Ferry Services Plan attached hereto as Exhibit C.
- D. AEB will carry out capital improvements and ongoing maintenance at the Akutan Village sea plane ramp, the Vessel hanger site, and the Surf Bay landing area on Akun Island, as depicted on the Plan (the “Facilities”).

AGREEMENT

The parties agree as follows:

1. Services.

1.1 HoverLink’s Services. HoverLink will perform the services described in Exhibit B, attached hereto (the “Services”). HoverLink and its Personnel will provide the Services in a professional manner.

1.2 Personnel. HoverLink will have and maintain qualified personnel (the “Personnel”) to perform the Services and its other obligations under this Agreement, as more particularly described in Exhibit B. HoverLink will be responsible for the training and performance of its Personnel under this Agreement. The Personnel will be qualified to operate and navigate the Vessel on the Service Route and will comply with all applicable federal and state laws. HoverLink may use vendors or subcontractors as needed to perform Services.

1.3 Vessel.

1.3.1 AEB will provide the Vessel to HoverLink in good working order on or before June 1, 2012, at a location mutually acceptable to the parties.

1.3.2 AEB owns good and marketable title to the Vessel, free and clear of all liens or encumbrances.

1.3.3 AEB will be responsible for ensuring that the Vessel has and will continue to have all applicable permits, authorizations, and licenses necessary for HoverLink to provide the Services.

1.4 Maintenance and Repair.

1.4.1 Routine Maintenance. HoverLink will maintain the Vessel in accordance with the Vessel manufacturer's and major component manufacturers' recommended service schedules and maintenance manuals and procedures.

1.4.2 Spare Parts. HoverLink will maintain spares at the Vessel hanger site depicted on the Plan at all times during the term, of sufficient type and quantity as reasonably required to permit HoverLink to maintain the Vessel in a fully operational condition.

1.4.3 Main Repairs. HoverLink will immediately notify AEB in the event that a single repair to the Vessel will exceed \$25,000 in total cost (projected parts and labor). Any single repair that will exceed \$50,000 in total cost (projected parts and labor) requires the prior written approval of AEB.

1.5 AEB Responsibilities.

1.5.1 AEB will be responsible for carrying out all capital improvements and ongoing maintenance at the Facilities reasonably required for HoverLink to perform the Services.

1.5.2 AEB will provide certain logistical and infrastructure support to enable HoverLink to perform the Services, including utilities, telecommunications, weather data, and such other support and assistance as mutually agreed to by the parties (collectively, the "Infrastructure").

1.5.3 AEB will procure and pay for all fuel needed for HoverLink's operation and maintenance of the Vessel.

1.6 Fare Revenue and Ticketing. All passenger fare revenue will be collected by AEB. HoverLink will verify tickets or travel vouchers of passengers, and will keep appropriate records for AEB's billing purposes, as AEB may reasonably require.

3. Compensation.

3.1 Fees. HoverLink will perform the Services set forth in this Agreement at HoverLink's costs, including general and administrative costs as provided in the Budget, margined at ten percent (10%) of such costs. The estimated budget is set forth on Section V of the Ferry Services Plan attached hereto as Exhibit C ("Budget").

3.2 Invoices; Payment. HoverLink will provide AEB monthly invoices at the beginning of each month based upon the Budget. Within thirty (30) days after the end of each calendar quarter during the term of this Agreement, HoverLink will provide AEB a quarterly "true-up" invoice based upon the difference between budgeted costs and actual costs incurred in the prior quarter. Such quarterly invoices will show an amount owing or amount to be credited to AEB. AEB will pay HoverLink all amounts due within fifteen (15) days of the monthly or quarterly invoice date.

3.3 Taxes. Each party is responsible for its own taxes incurred or levied in connection with its activities under this Agreement, except for business and occupation (B&O) taxes which are included in the Budget.

3.4 Books and Records. During the term of this Agreement and for one (1) year thereafter, HoverLink will keep copies of books and records related to amounts HoverLink requests to be paid for the Services. A Certified Public Account designated by AEB may, on reasonable notice to HoverLink and during normal business hours, examine and make copies of HoverLink's books and records for purposes of auditing and verifying the fees charged under this Agreement.

3.5 Reports. During the term of this Agreement, HoverLink will provide AEB a report of the Services upon request by AEB in the format set forth in Exhibit D.

4. Term.

4.1 Term and Renewal. The initial term of this Agreement will begin on the Effective Date and will expire on August 31, 2013 (the "Initial Term"), and will automatically renew for successive, one-year terms (each, an "Additional Term") unless AEB provides HoverLink written notice of its intent not to renew not less than ninety (90) days prior to the end of the Initial Term or Additional Term, as applicable.

4.2 Termination for Convenience. Notwithstanding Section 4.1, AEB may terminate this Agreement on ninety (90) days' prior written notice to HoverLink. If AEB terminates this Agreement pursuant to this Section, AEB will be responsible for any portion of the compensation owed to HoverLink for any Services rendered through the termination date and for any costs reasonably incurred by HoverLink to wrap-up and shut-down its operations, including without limitation severance payments to its Personnel.

4.3 Termination for Breach. Notwithstanding Section 4.1, either party may terminate this Agreement for breach or default of the other party on thirty (30) days' written notice to the breaching party. If the breaching party does not cure the breach or default within the thirty (30) day period, the non-breaching party may thereafter terminate this Agreement at any time, effective immediately, and has no obligation to accept an attempted cure by the breaching party. A party's right to terminate pursuant to this Section 4.3 is not exclusive and is in addition to any other legal or equitable remedies accorded that party under applicable law.

4.4 Post-Termination Survival. The terms and conditions of Sections 3.2, 3.3, 3.4, 5, 7, and 8 shall survive any termination or expiration of this Agreement.

5. Confirmation of Relationship.

5.1 Independent Contractor. AEB and HoverLink are independent contractors with respect to the Services provided and received under this Agreement. Except as specifically set forth in Section 5.2, the provisions of this Agreement will not be construed to establish any form of partnership, agency or other joint venture of any kind between AEB and HoverLink, nor to constitute either party as the agent, employee or legal representative of the other. All persons furnished by either party to accomplish the intent of this Agreement will be considered solely as the furnishing party's employees or agents and the furnishing party will be solely responsible for compliance with all laws, rules and regulations involving,

among other things, employment of labor, hours of labor, working conditions, workers' compensation, payment of wages, and withholding and payment of all applicable taxes of any nature.

5.2 Agency. In performing its obligations in this Agreement, HoverLink is acting as the agent of AEB. AEB hereby ratifies and confirms and undertakes at all times hereafter to ratify and confirm all lawful conduct of Hoverlink, its personnel, employees, contractors, officers, agents, managers, members, and representatives in the performance of their obligations under this Agreement.

6. Representations and Warranties.

6.1 AEB Representations and Warranties. AEB represents and warrants to HoverLink that: (i) it has the necessary authority to enter into this Agreement and carry out its obligations hereunder; (ii) it has all licenses, permits, and authorizations necessary for HoverLink to operate the Vessel in accordance with this Agreement; (iii) it has good and marketable title to the Vessel; (iv) it carries the insurance set forth in Section 8 below; (v) it will comply with all applicable laws, rules, regulations and orders of any governmental authority in its performance under this Agreement.

6.2 HoverLink Representations and Warranties. HoverLink represents and warrants to AEB that: (i) it has the necessary authority to enter into this Agreement and carry out its obligations hereunder; (ii) it will employ qualified Personnel to perform the Services; and (iii) it will comply with all applicable laws, rules, regulations and orders of any governmental authority in its performance under this Agreement.

6.3 Exclusive Warranties. EXCEPT AS OTHERWISE SET FORTH IN THIS SECTION 6, NEITHER PARTY MAKES ANY WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE SERVICES OR ANY MATERIALS PROVIDED TO EACH OTHER HEREUNDER, AND BOTH PARTIES EXPRESSLY DISCLAIM THE WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

7. Indemnification.

7.1 AEB Indemnification. Except to the extent arising out of HoverLink's negligence or willful misconduct, AEB will indemnify, defend and hold harmless HoverLink, its personnel, employees, contractors, officers, agents, managers, members, and representatives from and against any and all damages, liabilities, penalties, fines, losses, costs and expenses including reasonable attorneys' fees (collectively, "Losses") arising from or relating to (a) any third-party claims or actions based on the performance of this Agreement and the provision of Services; or (b) breach of any of the representations or warranties set forth in Section 6.1 above.

7.2 HoverLink Indemnification. HoverLink will indemnify, defend and hold harmless AEB, its personnel, employees, contractors, officers, agents, managers, members, and representatives from and against any and all Losses arising from or relating to (a) any third-party claims or actions based on HoverLink's negligence or willful misconduct in performing its obligations under this Agreement; or (b) breach of any of the representations or warranties set forth in Section 6.2 above.

7.3 Notification, Rights and Cooperation. The indemnified party agrees to give the indemnifying party prompt written notice of any claim subject to indemnification; provided that an indemnified party's failure to promptly notify the indemnifying party will not affect the indemnifying

party's obligations hereunder, except to the extent that the delay prejudices the indemnifying party's ability to defend the claim. The indemnifying party will have the right to conduct the defense of any claim with counsel of its own choosing and to settle the claim as the indemnifying party deems appropriate, provided that the indemnifying party will not enter into any settlement that adversely affects the indemnified party's rights without the indemnified party's prior written consent. The indemnified party agrees to reasonably cooperate with the indemnifying party in the defense and settlement of any claim, at the indemnifying party's expense.

8. Insurance.

8.1 Coverages. AEB will, at its expense, procure and maintain in full force and effect the following insurance coverage during the term of this Agreement:

8.1.1 Workers' Compensation insurance in the full statutory limits as required by (i) the State of Alaska, and (ii) the laws of the United States, including, to full statutory limits, the Longshoremen and Harbor Workers Act, as applicable.

8.1.2 Employers' Liability insurance in an amount not less than \$1,000,000 per occurrence.

8.1.3 Commercial General Liability insurance in an amount not less than \$1,000,000 per occurrence, coverage shall be extended to include coverage for Terminal Operations, Action Over Indemnities, Contractual Liability and Blanket Additional Insureds and any watercraft exclusion deleted. General liability insurance shall also include liquor liability coverage.

8.1.4 Protection and Indemnity insurance pursuant to Form SP-23 (Revised 1/56) or equivalent, including, without limitation, Jones Act Insurance, with a minimum of \$1,000,000 per occurrence and any "as owner" limitations to be deleted. Protection and Indemnity Insurance shall include, or shall be provided under a separate policy, War & Terrorism coverage in accordance with American Hull Insurance Syndicate War Risk Protection & Indemnity Clauses.

8.1.5 Pollution and Environmental Liability insurance, including coverage for damages, cleanup and restoration costs, with an amount not less than [\$____,000,000] per occurrence.

8.1.6 With respect to the vessels, insurance covering navigating hull and machinery, subject to the terms and conditions of the American Institute Hull Clauses policy (6/2/1977) and the American Institute Liner Negligence Clause (6/2/1977) or equivalent, in an amount equal to the Vessel's agreed value. Such insurance shall include, or be provided under a separate policy, War & Terrorism coverage in accordance with American Institute Hull War and Strikes Clauses, including damage by acts of vandalism, sabotage or malicious mischief.

8.1.7 Automobile Liability (bodily injury and property damage) in an amount not less than \$1,000,000 combined single limit extending to owned, non-owned, and hired vehicles.

8.1.8 Bumsershoot liability in the amount of [\$_____] each occurrence in excess of the primary limits specified in above covering all legal liability for personal injury, bodily injury or death to passengers and crew; property damage; and pollution and environmental liability, which may arise out of the Services.

8.1.9 Innocent Owners insurance naming AEB as the insured for an amount equal to [\$_____].

8.2 General Requirements.

8.2.1 All insurance provided pursuant to this Agreement shall be effected under valid enforceable policies issued by insurers of recognized responsibility having a rating of at least A-VII in the most current edition of Best's Insurance Reports.

8.2.2 All insurance policies, except workers' compensation, required by this Agreement shall be endorsed or otherwise provide the following:

(a) Name HoverLink and its respective members, managers, officers, employees, agents and volunteers as additional insureds to be covered as insured as respects liability arising out of the Services. Any owner limitations applicable to the Protection and Indemnity insurance shall be deleted. An additional insured named herein shall not be held liable for any premium, deductible portion of any loss, or expense of any nature on the policies required hereunder or any extension thereof. Any other insurance, self-insurance, or joint self-insurance held by an additional insured shall not be required to contribute anything toward any loss or expense covered by the insurance required hereunder and shall be considered excess as to the additional insured.

(b) All policies shall be endorsed to provide thirty (30) calendar days' advance written notice to AEB of cancellation, except in the cast of cancellation for nonpayment of premium, in which case cancellation shall not take effect until ten (10) business days prior written notice has been given. AEB shall give HoverLink such notice within two (2) days of its receipt of such notice.

8.2.3 All insurance coverage shall be primary insurance to any other insurance available to the additional insureds (including self-insurance or joint self-insurance. All policies shall include provisions denying such respective insurer the right of subrogation and recovery against HoverLink. Such policies shall also provide for severability of interests and that an act or omission of one of the named insureds which would void or otherwise reduce coverage shall not reduce or void the coverage as to any insured, and shall afford coverage for all claims based on acts, omissions, injury or damage which occurred or arose (or the onset of which occurred or arose) in whole or in part during the policy period.

8.2.4 Any deductibles or self-insured retentions shall be declared and approved by AEB. AEB is responsible to pay for any deductible or self-insured retention.

8.2.5 All insurance coverage shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

8.2.6 The amounts of required insurance may be increased from time to time upon one hundred twenty (120) calendar days' written notice to AEB.

8.3 Certificates. On or before June 1, 2012, AEB shall deliver to HoverLink certificates of insurance in form reasonably satisfactory to HoverLink evidencing the coverages required hereunder ("Evidence of Insurance"), and HoverLink shall provide AEB with Evidence of Insurance thereafter

before the expiration dates of expiring policies. Such certificates shall also contain substantially the following statement:

“Should any of the above insurance covered by this Certificate be canceled or coverage reduced before the expiration date thereof, the insurer afforded coverage shall provide thirty (30) days’ advance notice to AEB.”

8.4 Failure to Secure. If AEB at any time during the term of this Agreement should fail to secure or maintain or fail to cause to be maintained the foregoing insurance, HoverLink shall be permitted to obtain such insurance in AEB’s name or as an agent of AEB; provided, however, HoverLink shall notify AEB in writing of the inadequacy of AEB insurance and AEB shall have a thirty (30) calendar day cure period to allow AEB adequate time to secure such insurance. If AEB fails to secure such insurance after the expiration of the cure period, HoverLink shall be compensated by AEB for the costs of the insurance premiums, plus interest at the maximum rate permitted by law computed from the date such premiums have been paid. AEB shall indemnify and hold harmless HoverLink from any Losses arising from the failure to maintain any of the insurance policies required above.

9. Damages Limitation. IN NO EVENT WILL HOVERLINK BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES FOR ANY CLAIM ARISING OUT OF HOVERLINK’S PERFORMANCE OF THE SERVICES UNLESS SUCH DAMAGES ARE PROVED TO HAVE RESULTED SOLELY FROM THE NEGLIGENCE OR WILLFUL MISCONDUCT OF HOVERLINK, IN WHICH CASE (EXCEPT FOR DAMAGES RESULTING FROM HOVERLINK’S WILLFUL MISCONDUCT) THE TOTAL LIABILITY TO AEB FOR ANY SUCH CLAIM WILL NOT EXCEED TEN TIMES THE TOTAL ANNUAL FEES PAID AND OWING BY AEB TO HOVERLINK UNDER THIS AGREEMENT.

10. Miscellaneous.

10.1 Relationship Managers. Each party will name a representative as the primary liaison with the other party (each, a “Relationship Manager”). The Relationship Manager for HoverLink will be the General Manager, currently Martin Robbins, and the Relationship Manager for AEB will be the AEB Administrator. The Relationship Managers will serve as the parties’ points of contact. The Relationship Managers will communicate on a frequent (not less than quarterly) basis to review HoverLink’s performance hereunder and to address any related concerns and questions of AEB.

10.2 Dispute Resolution. If a dispute or claim arises under this Agreement (a “Dispute”) that the Relationship Managers of each party are unable to resolve, a party will notify the other party of the Dispute in writing (which may be via email) with as much detail as possible. AEB and HoverLink senior business representatives with full authority to resolve the Dispute will use good faith efforts to resolve the Dispute within ten (10) business days after receipt of a Dispute notice. If the parties’ senior business representatives are unable to resolve the Dispute, or agree on the appropriate corrective action to be taken, within the ten (10) business days, then notice of the Dispute shall be submitted to binding arbitration in King County, Washington by a single arbitrator under the auspices of Judicial Dispute Resolution, LLC, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction over the parties. The arbitrator may award the prevailing party the cost and reasonable attorney’s fees expended in such arbitration. Pending resolution of the Dispute, both parties will continue to perform their respective, undisputed responsibilities under this Agreement. Nothing

contained in this section will limit or delay the right of either party to seek injunctive relief where in such party's sole opinion the absence of such relief would cause irreparable harm to such party.

10.3 Governing Law. This Agreement is governed by the laws of the State of Alaska.

10.4 Assignment. The parties may not assign or transfer this Agreement, in whole or in part, without the other party's prior written consent. Any assignment in contravention of this provision will be null and void. This Agreement will be binding on all permitted assignees and successors in interest.

10.5 Entire Agreement/Amendments. This Agreement, together with all exhibits that are attached hereto, represents the entire agreement of the parties regarding the subject matter described herein, and all other promises, representations, understandings, arrangements and prior agreements related thereto are merged herein and superseded hereby. The provisions of this Agreement may not be amended except by an agreement in writing signed by authorized representatives of both parties referencing this Agreement and stating their intention to amend this Agreement.

10.6 Notices. Except as may be otherwise set forth herein, all notices, requests, demands and other communications hereunder will be in writing and will be deemed to have been duly given: (i) on the day of delivery when delivered in person to the party's designated representative(s) for receipt of notices; (ii) on the date three (3) days after mailing if mailed by registered or certified mail; or (iii) on the next day if delivered by overnight courier to the party. To be effective, all notices must be sent to the following addresses to the attention of the person(s) or position(s) identified:

If to HoverLink:

HoverLink, LLC
Attn: Keith Whittemore
469 NW Bowdoin Place
Seattle, WA 98107

With a copy to:

Graham & Dunn P.C.
Attn: V. Marc Droppert
2801 Alaskan Way, Suite 300
Seattle, WA 98121

If to AEB:

Attn: _____

With a copy to:

Attn: _____

Such addresses may be changed by notice given by one party to the other pursuant to this section.

10.7 Severability. If any provision of this Agreement is invalid or unenforceable in any jurisdiction, the other provisions herein will remain in full force and effect in such jurisdiction and will be liberally construed to effectuate the purpose and intent of this Agreement, and the invalidity or unenforceability of any provision of this Agreement in any jurisdiction will not affect the validity or enforceability of any such provision in any other jurisdiction.

10.8 Waiver of Breach. The waiver of any breach of any provision of this Agreement will be effective only if in writing. No such waiver will operate or be construed as a waiver of any subsequent breach.

10.9 Interpretation. As used in this Agreement, including Statements of Work, the use of the term “including” is illustrative and not limiting.

10.10 Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed to be an original, but all of which together will be considered one and the same agreement.

10.11 Force Majeure. No party shall be liable or responsible to the other party, nor be deemed to have defaulted under or breached this Agreement, for any failure or delay in fulfilling or performing any term of this Agreement, when and to the extent such failure or delay is caused by or results from the following force majeure events (“Force Majeure Events”): (a) acts of God; (b) flood, fire, earthquake or explosion; (c) war, invasion, hostilities (whether war is declared or not), terrorist threats or acts, riot or other civil unrest; (d) government order or law; (e) actions, embargoes or blockades in effect on or after the date of this Agreement; (f) action by any governmental authority; (g) national or regional emergency; (h) strikes, labor stoppages or slowdowns or other industrial disturbances; and (i) other similar events beyond the reasonable control of the party impacted by the Force Majeure Event (the “Impacted Party”). The Impacted Party shall give to the other party, stating the period of time the occurrence is expected to continue. The Impacted Party shall use diligent efforts to end the failure or delay and ensure the effects of such Force Majeure Event are minimized. The Impacted Party shall resume the performance of its obligations as soon as reasonably practicable after the removal of the cause.

10.12 Himalaya Clause. No employee, agent, or contractor of Hoverlink shall be liable to AEB for any Losses arising out of or resulting from such employee’s, agent’s, or contractor’s act or omission during his or her course of employment or engagement with HoverLink. Without limiting the generality of the foregoing sentence, every exemption, limitation, condition, and liability applicable to HoverLink in this Agreement shall also be available to, and shall extend to protect, each employee, agent, or contractor of HoverLink. To the extent necessary for the applicability of this Section 10.12, HoverLink

shall act as agent or trustee on behalf of such employee, agent, or contractor and, such employee, agent, or contractor shall be deemed to be a party to this Agreement.

The parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

HOVER LINK, LLC

ALEUTIANS EAST BOROUGH

By: _____
(signature)

By: _____
(signature)

Name: _____
(print name of person signing agreement)

Name: _____
(print name of person signing agreement)

Title: _____

Title: _____

Date Signed: _____

Date Signed: _____

EXHIBIT A
ROUTE PLAN

(See Attached)

EXHIBIT B
SERVICES

1. Services. The services shall include the following, as further described in the Ferry Service Plan attached hereto as Exhibit C, which shall be updated by mutual agreement of the parties from time to time.
 - a. Phase 1. HoverLink will provide the following services during the period beginning April 9, 2012 and ending August 31, 2012:
 - Hire all Personnel;
 - Finalize operations and safety plans and procedures;
 - Train and certify all Personnel;
 - Develop and finalize the go and no-go protocols;
 - Finalize maintenance procedures;
 - Provide demonstrations for government agencies as reasonably required; and
 - Additional services as agreed by the parties.
 - b. Phase 2. HoverLink will provide the following services beginning during the period beginning September 1, 2012, and ending August 31, 2013:
 - Operate the Vessel to provide round trip service on the Service Route, at a schedule to be agreed to by the parties which is synchronized with the flights operated by Peninsula Airways or additional airlines providing service at the Akun Island airport (the "Schedule"). The Schedule will be adjusted on agreement of the parties based upon seasonable or timetable adjustments made by the air carriers;
 - Be available to communicate with AEB in support of the round trip service on the Service Route 7 days-a-week, 365 days-a-year;
 - Be prepared to operate the Vessel for other missions at the reasonable, prior, written request of AEB;
 - Explore options for other revenue streams such as fuel and vehicular transportation, freight, mail, search and rescue, and medical evacuation; and
 - Additional services as agreed by the parties.
2. HoverLink Personnel. The Personnel required to operate the Vessel will include the following three (3) member crew, and a total on-site staff of four (4):

- (a) One 100 Ton Master (minimum) as Captain, holding a radar observer qualification and hovercraft endorsement;
 - (b) One 100 Ton Master (minimum) as First Officer, holding a radar observer qualification and hovercraft endorsement;
 - (c) One qualified high speed deckhand, who, together with (a), and (b) will complete the crew; and
 - (d) One hovercraft maintenance engineer, as a riding gang member who will provide shore staff support.
3. Communication; Reporting Requirements. HoverLink's Relationship Manager will be primarily responsible for communications with AEB. HoverLink will provide AEB routine administrative reports in the format set forth on Exhibit D and will maintain all necessary logs and records necessary for compliance with applicable law.

EXHIBIT C
FERRY SERVICE PLAN

(See Attached)

EXHIBIT D
REPORTS

(See Attached)

Akutan – Akun Hovercraft Ferry Service Plan

I. Summary of the Service

A. The Route

The ferry route shall be served by a single hovercraft owned by the Aleutians East Borough (AEB) and operated under contract by HoverLink, LLC (HoverLink).

HoverLink is a wholly owned subsidiary of Kvichak Marine Industries, Inc. (KMI). The service route shall be from an improved sea plane ramp located on Akutan Island near the village, to the new airport being constructed on Akun Island. The landing on Akun Island will be via the beach at Surf Bay. There will also be a hovercraft hangar built at the head of Akutan Harbor.

B. Service Schedule

The ferry service will provide the marine link between the new airport and Akutan. Flight schedules to Akun have not been established. HoverLink has already met with Peninsula Airways (PenAir) and they have not yet finalized their schedules. Other airlines may also choose to provide scheduled or chartered service to Akun with passengers and/or freight. HoverLink will respond to the PenAir schedule, and coordinate with other airline arrivals as necessary, to provide the marine link in an efficient manner.

The ferry service may consist of one or two (or more) daily scheduled round trips between Akutan Island and Akun Island. The schedule will integrate with future air service into Akun Island by all airlines that establish such service. For example, PenAir currently offers direct service from Dutch Harbor (DUT) to Akutan Island (KQA) using the Grumman G21 Goose sea plane. It is anticipated that the new fixed wing service to Akun Island will roughly follow the current schedule, and that is the current assumption of this Plan. The following flight schedule is currently in effect and is operated seven days per week, weather permitting:

- Flight 322 Depart DUT 11:00 Arrive KQA 11:20
- Flight 323 Depart KQA 11:40 Arrive DUT 12:00
- Flight 324 Depart DUT 15:45 Arrive KQA 16:05
- Flight 325 Depart KQA 16:25 Arrive DUT 16:45

The PenAir schedule is subject to seasonal and demand changes, as well as weather limitations on the existing aircraft and facilities. Direct service from Anchorage (ANC) to Akun Island bypassing DUT is also a possibility. PenAir may serve the route with Saab 340 or 340B model aircraft that will have a greater passenger capacity than the Grumman Goose. During peak personnel changes at the Trident Seafood plant in Akutan, additional sailings may be required. Those peak travel times are mid-December to mid-January, mid-March to late April, and late May to late June. Based on the current pattern of flights, a nominal ferry timetable is proposed as follows:

Action	Time	Action	Time
Crew On at Hangar	8:30	Depart Hangar	9:30
Arrival Akutan Village – Load Outbound Pax	9:45	Depart Akutan Trip #1	10:00
Arrive Akun Island – Surf Bay	10:30	Unload Pax	10:45
PenAir Flight Arrives with Inbound Pax	11:20	Shuttle Pax to Surf Bay	11:45
Load Inbound Passengers	11:45	Depart Surf Bay	12:00
Arrive Akutan Trip #1	12:30	Unload Pax	12:45
Depart for Hangar	12:45	Arrive Hangar	13:00
Crew Break at Hangar	13:00	Depart Hangar	14:15
Arrival Akutan Village – Load Outbound Pax	14:30	Depart Akutan Trip #2	14:45
Arrive Akun Island – Surf Bay	15:15	Unload Pax	15:30
PenAir Flight Arrives with Inbound Pax	16:05	Shuttle Pax to Surf Bay	16:30
Load Inbound Passengers	16:30	Depart Surf Bay	16:45
Arrive Akutan Trip #2	17:15	Unload Pax	17:30
Fuel Vessel	17:45	Depart for Hangar	18:15
Arrive Hangar	18:30	Crew Off at Hangar	19:30

The assumed schedule is based on two flights per day, and will be adjusted to any seasonal or timetable adjustments made by the air carriers. The hovercraft crew operating day is therefore 11 hours in duration, with a one hour mid-day break. The vessel will be underway for three hours per day, with two of those hours in revenue service.

C. The Vessel

The route will be served by the SUNA-X, Official Number 1190205 owned by AEB. SUNA-X is a BHT-130WD hovercraft and she currently holds a United States Coast Guard Certificate of Inspection (COI) as a Subchapter T vessel. The vessel admeasures at 92 gross tons.

SUNA-X and will carry up to 49 passengers with luggage, with an operating crew of up to four, maximum of 53 persons allowed onboard. The vessel can also accommodate one heavy duty pickup truck as cargo. The current COI is attached as Appendix A to this Plan.

D. The Facilities

AEB is in the process of carrying out all capital improvements at the following hovercraft sites with other agencies; and is responsible for any future or ongoing maintenance needed at these sites as they pertain to hovercraft operations. HoverLink's role will be to provide operational guidance to AEB as requested for all facilities; and to keep AEB informed as to the status of these facilities regarding state of good repair.

- Akutan Village Sea Plane Ramp – HoverLink personnel have reviewed drawings provided by Alaska Department of Transportation (ADOT). We will be forwarding constructive comments to them as part of Phase 2. The work to construct the ramp is expected to complete by August 20, 2012.
- Hovercraft Hangar Site – same as above. We will need to arrange for storage of spare parts, tools, materials, and consumables at this site either in a permanent facility or using shipping containers.
- Surf Bay Landing Area – same as above, this ramp was nearly complete during the HoverLink visit to the site on April 21, 2012.

Additionally, HoverLink's crew will require shore side logistical and infrastructure support in order to carry out the service. Following is a brief summary of these items; the status of each will be updated as more information becomes available during Phase 2 and an addendum (and possibly a revised budget) to this plan will be issued.

- Utilities – RESERVED, pending information on the utilities (if any) that are available at each of the hovercraft sites listed above. It is assumed that AEB will pay for all utilities at the sites (power, sewage, water, trash disposal, recycling, et cetera). If necessary HoverLink can pay for these items and they would be added to the budget via an addendum.
- Telecommunications – RESERVED, ideally there would be cellular service, land line, and high-speed internet access available at both the sea plane ramp and the hangar. In the event that HoverLink ends up paying for telecommunications, a placeholder value has been included in the proposed budget. There will be a marine band radio installed at the Snow Removal Equipment Building (SREB) at the airport. Additionally, SUNA-X is equipped with an aviation band radio for direct communication with arriving aircraft. SUNA-X is also equipped with a satellite telephone.
- Housing – RESERVED, suitable accommodation is required for a minimum of four (but ideally six) crew members either in the village or at the hangar site. If suitable accommodation is unavailable, HoverLink is prepared to procure and set up a modular trailer living compound for the crew to support the service (perhaps as a capital cost item versus operating cost). Sleeping accommodations for each crew member are required along with modest living space, basic kitchen and laundry facilities, and a small office space. Information was recently received regarding possible motel/inn space in Akutan via the Akutan Corporation, or the use of construction camp units as that work completes ... more information needs to be developed and the suitability of these options needs to be determined.
- Groceries – the HoverLink crews will be responsible for their own groceries and meal preparation duties funded out of their per diem allowance.
- Transportation – AEB will be providing a 21 foot Workskiff, Inc. M-Series skiff, with a S-Series cabin and full outfit, for HoverLink's use for crew transportation between the village and the hangar. The hovercraft itself will be used to shuttle heavy freight or bulky items (oil drums, spare parts, et cetera). Further, AEB will be providing a pickup truck for the crew's use at Akutan, and a bus will be provided on Akun for shuttling passengers between the hovercraft and the airport. HoverLink will provide bus driving services to support the marine link. HoverLink has been advised by locals that the shuttle bus should be a four wheel drive vehicle due to the nature of the road between the hovercraft ramp and the airport, and the prevailing weather conditions.
- Weather Data – RESERVED, data may be available from the airport on Akun for the Surf Bay landing conditions; this would require coordination with the FAA and ADOT. HoverLink has

submitted a proposal to AEB to procure, as a capital project expense, a wave rider buoy for deployment along the route to measure wave characteristics and wind data. The buoy will be deployed by HoverLink staff. This is a critical item to complete the Go/No-Go matrix we will use for ferry operations.

E. Plan Implementation

The work to develop this Plan is a deliverable item under HoverLink's RFEI letter and the resultant letter agreement between AEB and HoverLink as executed on February 21, 2012. Those documents further describe Phase 2 and Phase 3 of this project as follows:

For Phase 2 (Planning):

- hire all staff;
- finalize operations and safety plans and procedures as contained in this Plan;
- train and certify all staff for the operation;
- develop and finalize the go and no-go protocols;
- finalize maintenance procedures;
- provide demonstrations for United States Fish & Game, United States Coast Guard and other agencies as required or requested;
- all as outlined and described in this Plan, its appendices, and any agreed upon addendums.

For Phase 3 (Operations):

- provide twelve months of safe, reliable, and efficient hovercraft ferry service;
- be prepared to do any other missions as requested by AEB;
- explore options for other revenue streams such as fuel and vehicular transportation, freight, mail, SAR, medical evacuation;
- all as outlined and described in this Plan, its appendices, and any agreed upon addendums.

II. Operations

A. Route Manual & Wildlife Protection

The hovercraft ferry service will be operated in a safe and environmentally responsible manner. These operating requirements are paramount. HoverLink will train the operating crews during Phase 2 of the project; and the crews will ultimately be qualified to operate and navigate SUNA-X on the prescribed route in strict accordance with the AEB approved Route Plan.

Additionally, the crews will be thoroughly trained on all aspects for the protection of the environment, wildlife, marine mammals, fish, and bird resources. In particular, the operating crews will be trained regarding the proper treatment of threatened and endangered species; and their respective habitats. All federal and state laws regarding protection of the environment, wildlife, marine mammals, fish, and bird resources will be strictly followed.

See Appendix C of this Plan for the particulars and details of the *Akutan – Akun Route Plan and Wildlife, Marine Mammal, Fish, and Bird Resource Protection Plans.*

B. Vessel Crewing

For the Akutan to Akun Island hovercraft ferry route the vessel will normally operate with a fully qualified four person crew consisting of:

- One 100 Ton Master (minimum) – holding a radar observer qualification and hovercraft endorsement;
- One 100 Ton Master as First Officer/Pilot (minimum) – holding a radar observer qualification and hovercraft endorsement;
- One Hovercraft Maintenance Engineer – with radar observer qualification; and
- One Qualified High Speed Deckhand; at all times.

The decision to carry a four person crew is based on relative increase in risk arising from change in operating environments between Cold Bay and Akutan. The decision is also importantly based on the lack of operational data and history on which to conclude that risks maybe acceptable operating with a three person crew.

The strategy regarding USCG minimum manning will be to pursue a new COI that allows for operation of the hovercraft with a crew of only three. Given that the Master and First Officer are both licensed to fully operate the craft; this will allow for hovercraft operations to continue without interruption should any one member of the crew be unavailable for duty.

Additionally, in this case the start-up costs to the project are relatively unaffected by the increase in student numbers (for example from two to four). The start-up training costs will yield four licensed operators – giving the project some capacity to immediately deal with unplanned personnel turnover or absences in first year.

Note: The COI will require only one hovercraft endorsed pilot onboard – the second license need only provide radar guidance.

Future risk analysis may conclude the route can be served with a three person crew at which point HoverLink and AEB can analyze the risk/benefit of making that change; versus ramping up with a second pilot training scheme in future.

Therefore, it is proposed that the service will be staffed by two four person operating crews, each consisting of one Captain (or Master), one First Officer/Pilot, one Hovercraft Engineer, and one Deckhand. Each crew will work a shift rotation of three weeks on and three weeks off the vessel. All eight crew members will be direct employees of HoverLink and will report directly to the General Manager.

The oncoming crew will assemble in Seattle, WA on the day prior to their rotation date and will meet with the General Manager. This crew will then travel together from Seattle to Akutan on the scheduled rotation date. Once on-site both crews will participate in a turnover period where operational, maintenance, and logistical details will be shared with the oncoming crew. Once turnover of the route to the oncoming crew is complete, the off going crew will return to Seattle and meet with the General Manager prior to starting their three week off period.

Note: In the event that hovercraft ferry operations are reduced to one scheduled trip per day, a two day split crew turnover will be utilized to preclude a situation where one crew hands off to the other at Surf Bay with minimal turnover time. Examples of these crew swap scenarios are included as Appendix D.

See Appendix E of this Plan for complete crew position descriptions, including key activities, responsibilities, job content knowledge, and required communication skills. The Captain, First Officer, and Deckhand will also assist the Hovercraft Engineer as required for preventative maintenance and repair activities; exercising the “total team” approach to operational safety, reliability, and service efficiency.

C. Maintenance Crewing

As outlined above in Section II.B, it is proposed that each crew include a Hovercraft Engineer to provide for proper daily vessel preventative maintenance and repairs.

See Appendix E of this Plan for a complete position description, including key activities, responsibilities, job content knowledge, and required communication skills. The Hovercraft Engineer will also assist the Captain, First Officer, and Deckhand as required for vessel navigation and underway operations.

HoverLink proposes to augment the skill set and experience of the Hovercraft Engineers with the consulting services of Hovertex (Mr. Paul Tobin). These services will be provided on an as needed basis and will be overseen by the General Manager. Specific ongoing support will be provided in these areas:

- audits and inspections of maintenance reports, records, and procedures;
- audit of craft technical and master log books;
- provide advice and recommended solutions to HoverLink personnel upon request with 24/7 telephone support;
- provide additional specific hovercraft maintenance training as requested;
- provide on-site certified hovercraft engineer to assist or augment the crew if required and subject to availability; and
- provide on-site BHT 130 experienced Pilot in Command (as an advisor to the crew) on an as required basis.

D. Preventative Maintenance & Repair Plan

Hovercraft SUNA-X shall be maintained in accordance with the manufacturers recommended service schedule and approved maintenance manual and procedures.

References:

DOC.066 BHT130WD Maintenance Manual
DOC.065 BHT130WD Type Operating Manual
CFR 46 Subchapter T parts 175 thru 185
Hoffmann - Propeller Operation and Maintenance Manual No - E765A

Suitable maintenance and operation of this type of hovercraft includes:

1. Ensuring that up to date records are maintained, to include the following:
 - A) Operating hours
 - B) Any damage or defects which may affect the safe operation of the craft
 - C) Any incidents or unusual occurrences, including particularly severe weather conditions
 - D) All modifications or design changes approved by the manufacturer and USCG MSO
 - E) All service bulletins issued by the manufacturer

2. Daily Inspections:
 - A) Daily inspections are conducted by maintenance staff on a pre and post flight basis.
 - All defects are recorded in a craft technical log and are signed off as rectified or as a deferred defect
 - Craft is certified as *serviceable* by maintenance personnel and all findings, rectifications and signatures are noted in the technical log book

 - B) The Daily Inspection consists of inspecting and recording the following items pre flight:
 - All Fluid Levels - engine oils, coolant, hydraulic fluid etc. level and any addition
 - Engine hours – pre and post flight
 - Craft Hour Totals
 - Structure
 - Electrics
 - Engines
 - Propellers
 - Lifts Fans & shaft components
 - Control Systems
 - Skirt Systems

3. Major Inspections and Preventative Maintenance/Service:

Preventative maintenance and service shall be accomplished in a block check methodology consisting of inspection and servicing at every 50 hour interval of craft operations. The block

check method consists of 20 separate checks and service over 1000 hrs of craft operations and is a proven technique adapted from the aircraft industry with the focus on safety and ensuring reliability.

Maintenance personnel refer to the block check service schedule and sign off on the related tasks as completed. This procedure occurs @ every 50 hours of craft operations until 1,000 hours is achieved. Once a particular block check is completed it is noted in the craft master and technical log book. At every 1,000 hour milestone the block check method defaults to Block 1 check 1 and the process repeats. See Appendix F and table below for *current* SUNA-X schedule and block check sign off sheets, as an example:

**Block Check Service Schedule
SUNA-X BHT 150WD**

	Check 1	Check 2	Check 3	Check 4
Block 1	1050 hrs <i>Complete</i>	1300 hrs	1550 hrs	1800 hrs
Block 2	1100 hrs <i>Complete</i>	1350 hrs	1600 hrs	1850 hrs
Block 3	1150 hrs <i>Complete</i>	1400 hrs	1650 hrs	1900 hrs
Block 4	1200 hrs	1450 hrs	1700 hrs	1950 hrs
Block 5 *	1250 hrs (oils)	1500 hrs (oils)	1750 hrs (oils)	2000 hrs (oils)

* - indicates oil changes every 250 hours

E. Safety Management

The United States Coast Guard recommends the use of Safety Management Systems in all commercial passenger carrying services – irrespective of vessel size or class of voyage. HoverLink endorses this recommendation fully and has as a consequence developed a comprehensive suite of standing orders, instructions and guidelines as operators of the SUNA-X for the Akutan to Akun hovercraft ferry service. The documents are a Safety Management System (SMS) and provide

guidance and direction for all employees to safely and effectively deliver the marine link connecting Akutan with Akun Island. The SMS is constituted of ten chapters – commencing with Standing Orders, and concluding with the vessel manufacturer’s type operating manual. These documents are “controlled” in that each chapter is assigned an alpha numeric designation with an approved company signature band and date. In this way Captains and crews can and should help “evolve” the safety management system based upon their operational experiences in and around the passenger service. Suggestions for change which have been approved by the company are in turn issued or re-issued with new tracking numbers. Operational crews will review parts of the SMS during each Occupational Safety Meeting – which are typically held once every 3 weeks. HoverLink will be tailoring the existing SMS for SUNA-X to the Akutan to Akun route as part of Phase 2. The tailored SMS will become Appendix G (currently RESERVED) of this Plan when it is complete.

F. Security

The SMS for this hovercraft ferry service contains specific and detailed information regarding safety and security procedures to be followed by the HoverLink crews in carrying out the service.

As this is a USCG Subchapter T vessel, HoverLink believes that we will not be required to operate under an approved vessel or facility security plan, as would be required under the Marine Transportation Security Act (MTSA). Regardless, HoverLink will coordinate with USCG personnel and confirm this assumption.

Currently there is no TSA screening process out of ANC and onwards to AEB on flights operated by PenAir. For the purpose of this Plan and proposal we assume that there will be no security requirements enforced upon the ferry service.

G. Operating & Environment Permits

Any and all permits required for the service shall be paid for and secured by AEB. HoverLink will assist AEB as requested with technical and operational data. AEB shall communicate any future

operating or environmental permit requirements to HoverLink for inclusion in future addenda to this Plan.

HoverLink will incorporate all known permit requirements into the respective operational and route manual documents.

III. Management & Administration

A. Organization Chart

An organizational chart for the service is provided as Appendix H.

B. Position Descriptions

Position descriptions for all HoverLink staff are contained in Appendix C of this Plan.

C. Communications

The General Manager will bear the primary responsibility for all communications between HoverLink and AEB; and prospective partners such as PenAir, other airline partners, and Trident. When completed, the SMS (Appendix G) will provide further details on communications internal to the HoverLink staff; and for notifications to outside agencies necessitated by ferry operations that are typically made by the crew.

HoverLink commits to providing the required communication links on a 24/7/365 basis in support of the hovercraft ferry service. The General Manager will nominally be available at all times and serve in an on-call status. During times of vacation, illness, or while otherwise out of cellular phone range, the General Manager will delegate the on-call responsibility to one of the off-duty Masters or First Officers, or to another person knowledgeable of the service (e.g., KMI management staff).

D. Reports

HoverLink will provide the following routine administrative reports to AEB, and will keep copies on file. The format and content of the reports will be subject to development in Phase 2 and

mutual agreement. These data reports will be generated by the crews, and the back office staff at KMI as part of the General & Administrative effort:

- monthly ridership and freight data, cumulative and by airline
- monthly fuel consumption
- quarterly spare parts usage
- monthly emergent repair activity
- quarterly vessel and machinery hour summary
- quarterly preventative maintenance summary
- quarterly budget update and true up
- annual Drug & Alcohol Testing results to the USCG and FTA
- any inspection reports or other correspondence received from outside regulatory agencies (USCG 835)
- any complaints received from ferry customers or service partners, along with HoverLink’s resolution of same
- AEB will be copied on all HoverLink outgoing correspondence to outside regulatory agencies
- any reportable marine casualties or incidents (USCG 2692)

In addition, the Masters will be responsible for maintaining all required logs and records on the vessel and at the Akutan office facilities; and for generating any required reports per the SMS.

E. Insurance

RESERVED - KMI is currently working with AEB and its insurance brokers on the insurance coverage issues. The efforts at this point are twofold: a) ensure that the AEB provided coverages are appropriate and offer the best insurance value for AEB, and b) ensure that all parties are fully insured and protected for the services being rendered. It is hoped that a single policy can be assembled to provide the total depth and breadth of insurance required. In the event that gap insurance coverage is required to fully insure both AEB and HoverLink for ferry operations, we propose that those premiums be billed to AEB directly. Therefore we have not included any provision in the budget for insurance premiums.

F. Invoicing & Payment Procedures

1. Invoicing

HoverLink shall invoice AEB once per month, at the end of each calendar month based on budgeted amounts as mutually approved. Within 45 days of the end of each calendar quarter a “true-up” invoice shall be submitted to adjust for the difference between budgeted (pro-forma) costs previously invoiced and actual costs incurred. Invoices will be electronically mailed to AEB by the General Manager in the form of a PDF file on the last weekday of each month. Books and records in support of actual costs for the cost plus portion of invoices shall be available at the corporate headquarters of KMI in Seattle, Washington. These records may be reviewed by the AEB in Seattle at a prearranged time of mutual convenience. See Section V and Appendix B of the Plan for more detailed information and budgets and monthly pro-formas for Phases 2 and 3.

2. Payments to HoverLink

Payment for each invoice sent to AEB shall be due within 15 calendar days of the date of the invoice. Payment shall be via wire transfer directly into the bank account of HoverLink. HoverLink will provide bank wire instructions under separate cover.

3. Payments to HoverLink Employees and Vendors

KMI has set up HoverLink as a completely separate entity in its corporate payroll, accounting software, and related financial systems; including separate bank accounts. HoverLink will be setup to make payments to HoverLink employees and all vendors who provide services directly in support of HoverLink operations for AEB. Strict separation of all financial transactions shall be maintained between KMI and HoverLink.

G. Fare Revenue & Ticketing

HoverLink will not collect fares (cash or credit cards) directly from hovercraft ferry passengers or produce tickets. All passenger fare and freight revenues will be collected by the airlines serving the Akun airport. HoverLink operating crews will count passengers, and document the weight and volume of any freight items. We will create and provide the appropriate records so that AEB can be accurately reimbursed for all marine link transportation services provided directly by the airlines serving Akun, see Section III.D.

HoverLink will assist AEB as required to determine tariffs and fee structures (including revenue sharing) for other potential services such as freight, fuel and vehicular transportation, medical evacuation, SAR, mail delivery, et cetera.

HoverLink will coordinate as necessary with partners such as PenAir and any other airline serving Akun to arrange for package deals, and Trident to make any fare revenue or ticketing system work in an efficient and auditable manner. Throughout Phase 2 and Phase 3 HoverLink will take the lead to identify and secure new and/or increased revenues for the service, see Section V.J for additional information regarding this effort.

IV. Staff

A. HoverLink Staff Size

In 2010 AEB applied for and received an amendment to the USCG COI for crew level on the SUNA-X. The original four person crew which included:

- One Master (100Ton minimum);
- One Radar Observer; and
- Two Deckhands at all times.

Permission was received to reduce the crew to a total of three with the following designations:

- One (1) Master;

- One (1) Senior Deckhand (High Speed);
- One (1) Qualified Deckhand (High Speed) at all times;

with Deckhands trained in accordance with NVIC's 5-01, Ch1 and 1-91, CH1 respectively.

For the new hovercraft route from Akutan to Akun Island, HoverLink proposes that the vessel will operate in year one with a crew as detailed in Section II.B of the Plan. For the purposes of this Plan, HoverLink will then consist of nine total direct employees as follows:

- General Manager (GM)
- Two Captains
- Two First Officers/Pilots
- Two Hovercraft Maintenance Engineers
- Two High Speed Deckhands

Position descriptions for all operating staff are detailed in Appendix E of this Plan. The two operating crews will be designated as Crew A and Crew B. The GM will establish a strong personal presence in Akutan in support of the service, the community, the regulators, and the various partners; generally as follows:

- During Phase 2 planning and training, nominally two weeks per month on-site, and as needed
- During the second half of Phase 3, nominally one week per month in Akutan, and as needed

The GM is in place as of April 9, 2012 as a HoverLink employee; his first visit to Akutan occurred on April 21, 2012 and he met with the Mayor, Trident representatives, other Akutan residents; and he toured the various facilities.

The two hovercraft operating crews will be recruited nationwide. It is anticipated that crew members will live wherever it suits each individual. The crews will travel to Seattle independently

and at their own cost; and assemble as a team prior to departure day for Akutan. These operating crews will go “on the clock” at the time of their on-coming briefing in Seattle, and they will come “off the clock” upon completion of their off-going brief to the GM in Seattle following their three week shift. All vessel crew of HoverLink will be salaried to mitigate overtime labor costs, and all will execute a marine employee contract that covers all aspects of rotational and off-site employment.

Note: If a crew member normally lives between Seattle and Anchorage, or in Alaska; then final crew assembly would occur in Anchorage. That person would go “on the clock” upon crew departure to Akun.

Should it become necessary at some point in the future, HoverLink may hire an administrative assistant to supplement the staff.

B. Recruitment

HoverLink will advertise for crew positions starting in mid-April; with postings given the widest possible dissemination. HoverLink will also be advertising within the borough for employees. It is anticipated that a short list of interviewees will be determined by the end of May. In person interviews will be held in Seattle during late May and early June; and job offers will be made shortly thereafter. In order to support the required training program, the effective hire date for the crews will be early June.

C. Human Resources

KMI will provide human resource services to HoverLink as necessary to advertise for, recruit, hire, administer, retain, and replace as necessary all HoverLink employees. Employee policies, procedures, administration, and benefits will be generally comparable between employees of KMI and HoverLink. These services are provided as part of the fixed monthly G&A cost; see Section V and Appendix B of this Plan.

D. Training

The level of training required is very difficult to predict or estimate given the fact that crews have not yet been hired. For example, we could find, recruit, and hire a core group of very experienced hovercraft mariners (ex-US Navy for example) that require only basic familiarization training with SUNA-X, and some route specific training at Akutan and Akun. On the other hand we could find ourselves hiring very capable and experienced mariners, but with little or no hovercraft experience at all. So the range in the “training level of effort required” is quite broad. This means that the cost to provide this training is equally hard to predict with any certainty. Another uncertainty and unknown that affects training (and its cost) is the weather factor. Given the weather in King Cove, Cold Bay, and the Akutan area there will be days when instructional staff are on-site but weather conditions preclude underway training time. We propose below that each Captain and First Officer accrue 40 hours of Pilot-In-Control time, and we will have to train and certify four. Additionally, we are building in an additional 40 hours of underway training time for instructor reconnaissance of the Akutan to Akun route; and full development and refinement of the “go/no-go” matrix with each crew.

HoverLink will provide all required training of hovercraft operations personnel during Phase 2 of the contract with AEB; all training will be complete prior to the start of ferry service. The training program summarized below is an example of the training regimen for the Captain (or Pilot) of the vessel, the most arduous and challenging position on the crew. Similar training will be undertaken for all other crew members. The training syllabus has been submitted to the USCG for formal approval.

PILOT TRAINING - PROGRAM SUNA-X

1.0 INTRODUCTION

Controlled documents have been developed to guide an Air Cushion Vessel Master Instructor – approved by USCG and designated by HoverLink – in the pilot and navigation training evolutions required to make a certified deck officer (here-in-after described as a Student) competent to serve in commercial operations aboard the hovercraft SUNA-X. Successful completion of this training program will permit the Trainee to safely operate the vessel within the manufacturer’s prescribed operating envelope.

2.0 METHODOLOGY

The course follows a 240 hour training progression from a classroom environment covering ‘ground school’ topics - to final consolidation evolutions requiring real-time pilot and navigation skills at sea. There are four modules to this training scheme:

- 2.1 principles and theory of Air Cushion Vehicles and BHT-130WD SMS;
- 2.2 craft systems and maintenance training;
- 2.3 basic piloting and control of the BHT-130WD;
- 2.4 principles of the safe operational envelope, individual and team high-speed navigation skills under radar guidance.

160 total hours of mission time must be accumulated on the SUNA-X as part of the USCG endorsement requirements; this will yield four fully credentialed hovercraft pilots. Forty (40) of these hours will be as “pilot-in-control” with 15 hours providing radar guidance. Trainees will track these hours in a personal pilot logbook which will be made available to USCG examiners upon request. Upon successful completion of the training program the approved instructor authority will issue an “attestation of training completion” to each trainee. The attestation must be presented to the USCG regional

examination center in order to obtain a Hovercraft endorsement to their marine certificate – which will authorize them to operate the SUNA-X.

V. Budget

The estimated budget for Phases 2 and 3 is attached as Appendix B of this Plan. The following paragraphs provide a brief narrative of the budgeting thoughts, assumptions, and methodology for each of the budget line items. The first page of Appendix B is a summary sheet, showing total cost by both line item and phase, and a grand total. The proposed monthly pro-formas for each phase are also shown. Subsequent pages of the budget show details, quantities, unit costs, et cetera.

Careful and prudent management of the budget is critical. It shall be the responsibility of the General Manager to keep AEB completely informed regarding budget performance. Significant budget anomalies will be brought to the attention of AEB immediately for resolution; typically these would involve some mechanical failure necessitating expensive repair services or parts that go well beyond the respective budget line items.

Additionally, the GM will produce a budget update on a quarterly basis along with the true-up budget accounting numbers.

For certain costs items such as the consumables, vendors, and maintenance and repair the costs have been pro-rated across Phases 2 and 3 according the ratio of anticipated vessel hours.

A. Labor

All HoverLink employees are to be salaried to preclude overtime, all will be considered to be employed in Seattle, WA or Alaska for tax and employment law purposes. Detail Sheet 2 shows the estimated direct and indirect labor costs. Salaries for crew, and consultant days required, are best estimates only at this time. During the hiring phase HoverLink will endeavor to deliver highly qualified and experienced crew hires at these rates, or lower if possible. Compensation for the GM is set. For the operating crews, there will be “day-rate” adjustments in their employment contracts

to account for extra or fewer days worked in any given payroll period. Provisions will also be made for per diem if crews are stranded in a non-duty status due to weather or transportation delays. To cover this cost we have included a 7.5% direct labor contingency in the budget; see Sheet 2 of Appendix B. See Section IV.D above for further discussion concerning the broad range of potential training costs; and their potential impact on overall labor costs. We have aimed near the middle of the range with our estimates. HoverLink has made some job offers as of May 22, 2012 that have been accepted by the prospective employees. These actual offer amounts are reflected in Appendix B along with estimates for positions not yet filled.

HoverLink will also be utilizing the services of consultant labor for both phases; these gentlemen are already working on Phase 1 as agreed, and are well known to AEB. There is heavy consultant involvement in Phase 2, and a much reduced role foreseen in Phase 3. They have all indicated a day rate to cover their travel and working time. They will be traveling to Seattle during the crew interview process and possibly for some classroom training, otherwise they will be traveling to Cold Bay or Akutan for on-site and on-vessel work. HoverLink will assist as necessary to ensure that these Canadian citizens have the appropriate credentials to work in the United States.

B. Travel & Per Diem Costs

Costs for crew, staff, and consultant travel and per diem are detailed on Sheet 3 of the budget, split out for each phase. All costs for airfare and lodging are best estimates or placeholders at this point pending resolution of previously RESERVED items of this Plan.

Regarding airfare, HoverLink has teamed up with US Travel – Fisheries Division in order to procure air travel with the required flexibility and best pricing. We will also speak with PenAir about possible airfare arrangements. As previously mentioned, crews will be responsible for their own travel between the lower 49 and Seattle.

Regarding lodging and accommodation see the discussion in Section I.D of the Plan. Included here as a placeholder we have accommodations both in Cold Bay/King Cove and Akutan for crews, the GM, and the consultant team. For CB/KC we have identified a suitable accommodation at \$4,500 per month. For Akutan we are still researching the options as previously discussed. Once the Akutan picture comes into focus for crew housing, we will prepare a budget addendum for AEB approval.

Crew, GM, and consultant per diem is set at the currently approved federal rate of \$102 per day as determined by the GSA for Dutch Harbor. Likewise, we have used the GSA rate as an estimate for any hotel stays that may be incurred. As with airfares, we are working with US Travel to secure better hotel deals in Seattle, Anchorage, and Dutch Harbor. HoverLink will bill for any required hotels at actual cost.

C. Maintenance & Repairs

There is no detail sheet for repairs, for preventative maintenance costs the labor is included in crew labor, and the associated consumables are spoken to in Section V.D below. In terms of emergent (unplanned) maintenance and repair work; predicting what might break during any given year of ferry operations is difficult at best. While preventative (planned) maintenance costs are well understood and easy to budget for, emergent repairs are much more random in nature. To mitigate the risk certain spare parts are being procured in support of the service under KMI's separate efforts to prepare the vessel for service, see Section VI.A below. Our philosophy will be to have critical spares on the shelf and to maintain that stock at all times; especially difficult or long lead time items.

As a starting point and place holder, we have examined historical repair cost histories for other ferry services and determined that repairs typically run at about 15% of the total cost of all other direct costs. Therefore we are using that value as a first estimate. As mentioned above, HoverLink

will provide AEB immediate notification in the event that the need for expensive repairs becomes apparent. As the craft sees regular service over the first years this number will become somewhat easier to predict.

D. Consumables

Sheet 4 of the budget shows the anticipated costs for consumables for the first 1,200 hours of craft operation. In order to get best value for known consumables, we will buy items in bulk out of Seattle and arrange for cost effective shipping to Akutan and/or Cold Bay. We will purchase a one year supply of given items being mindful of any shelf life limitations. The combined value of consumables and spare parts will necessitate the need for secure and dry storage. All items will be inventory controlled; and we will set up a system to track usage and provide for cost effective replenishment. As with all direct costs, HoverLink will bill only the actual cost incurred and will stretch AEB's budget dollars to the greatest extent possible.

E. Vendors

Sheet 5 of the budget shows estimates for the service of outside vendors in support of hovercraft operations. In some cases these are services that may or may not be required, but we felt it prudent to put some budget in for them regardless. In some cases these are skill sets that the crew will not have, and are best performed by outside repair technicians.

Undoubtedly the need for other vendors or specialized services may arise. Based on details that emerge in Phase 2 regarding facilities and ongoing efforts to prepare SUNA-X for training and service, this budget category may be revised via addendum.

F. Fuel

Fuel for the vessel will be provided by Trident and shall be paid for directly by AEB. Information received from Hermann Scanlan has indicated that Trident Seafood is the best source for providing fuel to the operation as the City of Akutan does not have the requisite capacity. We anticipate that

the vessel will consume approximately 77 gallons per hour of operation. Given two airline flights per day and the training requirements of the Plan, that works out to approximately 1,200 vessel operating hours total for Phase 2 (training) and Phase 3 (first year of operation). Therefore AEB should plan on purchasing 92,000 gallons of diesel fuel to cover hovercraft operations for the period June 1, 2012 through August 31, 2013. This calculation is shown on Sheet 4 of Appendix B. HoverLink will fully document all fuel deliveries from Trident and provide the requisite reports.

G. Insurance

As mentioned in Section III.E, there may be a cost to AEB for any premium associated with gap coverage needed by HoverLink to provide the service. In the event that gap insurance is required, that will be billed directly by the insurance carrier to AEB.

H. Fixed Fees & Taxes

KMI has proposed a fixed monthly fee for General & Administrative support of HoverLink at \$12,000 per month for the first year. KMI feels that this value covers the actual efforts for human resources, accounting, accounts payable, logistics, planning, payroll, record keeping, and other administrative costs. AEB should not be exposed to escalating G&A costs that would be calculated on a percentage basis, as the aforementioned efforts should be fixed and independent of the other operational direct costs.

HoverLink will incur business and occupation taxes (B&O) taxes on gross receipts, payable to the State of Washington and the City of Seattle at the rates indicated on the budget summary sheet. These percentages are calculated against the subtotal of direct costs and G&A; but not against profit even though it is taxed as part of the gross receivable.

The budget proposal does not include any other business related taxes; as none are known at this time. However, employer paid taxes, sales tax, and other taxes on airfare, hotels, consumables, et cetera are included in the budget as presented.

I. Legal

HoverLink has proposed a placeholder amount of \$10,000 for legal expenses incurred as part of Phase 2 startup. We are retaining legal assistance to create marine employment contracts for the crew, review insurance coverages to ensure no gaps, to prepare a form of contract between AEB and HoverLink, and to ensure any visa requirements are verified regarding use of Canadian consultant services in the United States.

J. Profit

HoverLink has established a profit margin of ten percent (10%) taken on all direct costs and fixed fees. *[[ALTERNATE DRAFT LANGUAGE follows: AEB and HoverLink agree that the profit margin will be fixed at ten percent (10%) taken on all direct costs and fixed fees for the Phase 2 planning and training efforts, and for the first six months of Phase 3 ferry service. Both parties further agree that after the first six months of Phase 3, revenue levels and prospects for the marine link we be assessed. At that time, and contingent on mutual agreement, the base profit margin of ten percent (10%) may be reduced concurrent with establishment of a percentage based revenue sharing agreement for new or increased revenues above an agreed upon base revenue number. During Phase 2 and all of Phase 3 ferry service, HoverLink will take the lead on identifying and securing new and/or increased revenue sources to the mutual benefit of all parties.*

VI. Implementation Schedule

Separate from this Plan, efforts to make the vessel ready for service are already underway by KMI. AEB has contracted KMI to accomplish the refit effort on SUNA-X that is required to put the craft back in to passenger service. The scope of this effort consists of normal maintenance and repair, capital improvements, top-end engine overhaul of all four engines, and provisioning of critical spare parts. Specific work items include complete major overhaul items such as repair of the engines and replacement of the propeller hubs, installation of anti-icing systems, preparation

for USCG inspection, and other needed repairs. KMI will have a crew on station in Cold Bay starting on or about April 30, 2012, and the repair effort is expected to take four to six weeks. The craft will be operational and available for training on or about June 11, 2012 pending any unforeseen circumstances. Any repair efforts that need to carry on past that date will be coordinated between KMI and HoverLink so as not to affect the training schedule.

If HoverLink personnel are available in advance of June 11, 2012, the operating crew could be sent to Cold Bay to assist KMI's mechanical crew, and potentially offset some of the labor required. Participating in the refit would allow the operating crew additional time on the craft and greatly accelerate their familiarization with the operation and repair of the craft systems.

The milestone schedules for Phase 2 and 3 are presented as follows:

A. Phase 2

- HoverLink and KMI begin all processes for Phase 2 – April 2
- HoverLink travel to ANC to meet with AEB, PenAir, USF&G – completed April 5-6
- This Plan approved by AEB, notice to proceed – April 10
- Finalize position descriptions – completed April 12
- HoverLink completes form of contract, sends to AEB for review – completed May 15
- Release advertisements for crew hiring – completed April 17
- Insurance issues resolved – ongoing, complete by June 1
- Site visit by GM to Akutan – completed April 21
- Marine employment contracts ready, visa issues for consultants resolved – completed visas on May 20, employment contracts ready May 29
- Amend budget and Plan as necessary – completed May 22
- AEB/HoverLink LLC contract finalized and executed – May 29 AEB Assembly Meeting
- Hiring interviews – ongoing, May 14 through June 2

- Negotiations with top 12 candidates – ongoing, May 14 through June 2
- Final crew selections, employment contracts signed – week of June 4
- Revise budget and Plan as necessary
- Pre-employment physicals and screening – ongoing, May 23 through June 6
- Crew employment to be effective – on or about June 6
- SUNA-X ready for training – on or about June 11
- Craft training for Crews of King Cove and Cold Bay – June 14 to July 30 (nominal)
- Final update Route Manual and SMS as necessary – July 15
- Reposition SUNA-X to Akutan – July 31
- Fish & Game demos and USCG COI efforts finalized – August 15
- Route specific training for Crews out of Akutan – August 1-28
- Finalize Route Manual, Service Matrix, and SMS as required – August 15
- Vessel and crew ready for service – August 29

B. Phase 3

HoverLink will have the vessel and the crews ready to begin ferry service on August 29, 2012 and will operate the service in accordance with the contract, this Plan, and its appendices.

END OF THE PLAN

U.S. Department of
Homeland Security

United States
Coast Guard



Officer in Charge Marine Inspection
United States Coast Guard
Western Alaska

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16711
October 22, 2010

Kvichak Marine Industries
Attn: Mr. Jim Towers
469 NW Bowdoin Place
Seattle, WA 98017

Dear Mr. Towers:

I have reviewed Mr. Horst's letter of April 26, 2010 requesting a reduction of manning on the SUNA X (O.N. 1190205). The request is approved. Navigation and Vessel Inspection Circular (NVIC) 5-01, Change 1 was used to evaluate risk on the SUNA X. During the annual exam, and with the assistance of certified hovercraft instructor Paul Tobin, the High Speed Vessel Challenge Assessment Tool (CAT) was completed. The results of the CAT were then put into the High Speed Vessel Manning Evaluation Matrix with a final evaluation rating of low. An overall rating of low allows the Officer in Charge Marine Inspection to consider manning on a scale equivalent to manning on a typical small passenger vessel. The Certificate of Inspection is enclosed and has been amended with the following endorsement:

One (1) Master, One (1) Senior Deckhand (High Speed) and One (1) Qualified Deckhand (High Speed) at all times. Deckhands shall be trained in accordance with NVIC's 5-01, CH 1 and 1-91, CH 1 respectively.

Sincerely,

A handwritten signature in blue ink, appearing to read "S. L. Johnson".

S. L. JOHNSON
Commander, U. S. Coast Guard
By Direction
Officer in Charge Marine Inspection,
Western Alaska

Enclosure
Copy: Aleutians East Borough
Vessel File



United States of America
Department of Homeland Security
United States Coast Guard

Certification Date: 14 Apr 2007
Expiration Date: 14 Apr 2012
IMO Number: 9095058

Certificate of Inspection

For ships on international voyages this certificate fulfills the requirements of SOLAS 74 as amended, regulation V/14, for a SAFE MANNING DOCUMENT.

Vessel Name SUNA X	Official Number 1190205	Call Sign WDD3905	Service Passenger (Inspected)
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Hailing Port KING COVE AK	Hull Material Aluminum	Horsepower 2400	Propulsion Diesel
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Place Built SEATTLE, WA UNITED STATES	Delivery Date 05Sep2006	Date Keel Laid 25May2005	Gross Tons R-92 I-109	Net Tons R-92 I-36	DWT 	Length R-88.6 I-88.6
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Owner ALEUTIANS EAST BOROUGH 3380 "C" STREET SUITE 205 ANCHORAGE, AK 99503-3952 UNITED STATES	Operator ALEUTIANS EAST BOROUGH 3380 "C" STREET SUITE 205 ANCHORAGE, AK 99503-3952 UNITED STATES
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This vessel must be manned with the following licensed and unlicensed personnel. Included in which there must be 0 certified lifeboatmen, 0 certified tankermen, 0 HSC type rating, and 0 GMDSS Operators.

1 Master	0 Master & 1st Class pilot	0 Radio Officer(s)	0 Chief Engineer	0 QMED/Rating
0 Chief Mate	0 Mate & 1st Class Pilot	0 Able Seamen/ROANW	0 1st Asst. Engr/2nd Engr.	0 Oilers
0 2nd Mate/OICNW	0 Lic. Mate/OICNW	0 Ordinary Seamen	0 2nd Asst. Engr/3rd Engr.	1 SENIOR DECKHAND
0 3rd Mate/OICNW	0 1st Class Pilot	0 Deckhands	0 3rd Asst. Engr.	1 QUALIFIED DECKHAND
			0 Lic. Engr.	

In addition, this vessel may carry 49 passengers, 0 other persons in crew, 0 persons in addition to crew, and no others. Total persons allowed: 53

Route Permitted and Conditions of Operation:

---Lakes, Bays, and Sounds---

COLD BAY, ALASKA.

THE SENIOR DECKHAND (HIGH SPEED) AND QUALIFIED DECKHAND (HIGH SPEED) SHALL BE DESIGNATED IN WRITING BY THE MASTER WITH A COPY RETAINED ON BOARD THE VESSEL. THE DECKHANDS SHOULD BE TRAINED AND QUALIFIED IN ACCORDANCE WITH THE GUIDANCE IN NAVIGATION AND VESSEL INSPECTION CIRCULAR NO. 5-01 CHANGE 1 AND 1-91 CHANGE 1 RESPECTIVELY.

IF THE VESSEL IS AWAY FROM THE DOCK, OR PASSENGERS ARE ON BOARD OR HAVE ACCESS TO THE VESSEL FOR A PERIOD EXCEEDING 12 HOURS IN A 24 HOUR PERIOD, AN ALTERNATE CREW SHALL BE PROVIDED.

SEE NEXT PAGE FOR ADDITIONAL CERTIFICATE INFORMATION

With this Inspection for Certification having been completed at Cold Bay, AK, the Officer in Charge, Marine Inspection, Western Alaska certified the vessel, in all respects, is in conformity with the applicable vessel inspection laws and the rules and regulations prescribed thereunder.

Annual/Periodic/Quarterly Reinspections				This Amended certificate issued by:
Date	Zone	A/P/Q	Signature	
11 Jul 2008	SEC Anchorage	A	Boucher, Samue	 S. L. Johnson, CDR, USCG, By direction Officer in Charge, Marine Inspection Western Alaska Inspection Zone
24 Sep 2009	SEC Anchorage	A	Williams, Kevi	
21 May 2010	SEC Anchorage	A	Williams, Kevi	
-	-	-	-	



Department of Homeland Security
United States Coast Guard

Certificate of Inspection

SUNA X

Certification Date:
14Apr2007

ONE CHILD'S LIFE PRESERVER SHALL BE CARRIED FOR EACH PERSON WEIGHING LESS THAN 90 POUNDS.

ALL VESSEL OPERATIONS MUST BE IN ACCORDANCE WITH THE ALEUTIANS EAST BOROUGH BHT 130 WD HOVERCRAFT TYPE OPERATING MANUAL APPROVED BY OCMI WESTERN ALASKA LETTER DTD MAY 15, 2007.

VESSEL MUST OPERATE WITHIN THE SPEED VERSUS SIGNIFICANT WAVE HEIGHT DATA CONTAINED IN MARINE SAFETY CENTER LETTER H1-061859 DATED JULY, 18, 2006 AS FOLLOWS:

SIGNIFICANT WAVE HEIGHT (FT)	MAXIMUM ALLOWABLE SPEED (KTS)	
	HEAD WINDS	BEAM WINDS
0.0	60.0	60.0
0.5	54.5	56.4
1.0	48.6	51.9
1.5	42.5	46.9
2.0	36.7	41.9
2.5	31.4	37.0
3.0	26.8	32.6
3.5	23.0	28.8
4.0	20.0	25.6
4.5	17.9	23.2
5.0	16.4	21.3
5.5	15.4	19.8
6.0	14.6	18.6
6.3	14.1	17.8
ABOVE 6.3 FEET	SEEK SHELTER AT SLOW SPEED	

VESSEL GRANTED SPECIAL CONSIDERATION BY OCMI PUGET SOUND LETTER DATED 31JAN06 FOR A FIRE MAIN SYSTEM W/ AN EQUIVALENT LEVEL OF SAFETY. THE FOLLOWING EQUIPMENT IS REQUIRED AT ALL TIMES: ONE (1) COAST GUARD APPROVED 33 GALLON DIRECT PRESSURE FFFP FOAM SYSTEM W/ 50 FOOT HOSE, ONE (1) COAST GUARD APPROVED 50 LB DRY CHEMICAL SYSTEM W/ 25 FOOT HOSE, & A COAST GUARD APPROVED AUTOMATIC FIRE SUPPRESSION SYSTEM IN ALL FOUR (4) ENGINE COMPARTMENTS.

VESSEL GRANTED SPECIAL CONSIDERATION BY OCMI PUGET SOUND LETTER DATED 31JAN06 FOR A BILGE SYSTEM W/ AN EQUIVALENT LEVEL OF SAFETY. THE FOLLOWING EQUIPMENT IS REQUIRED AT ALL TIMES: TWO (2) RULE 3500 GPH 24 DCV ELECTRIC PUMPS EACH FITTED W/ SUCTION HOSE WHICH CAN REACH BOTTOM OF ALL HULL VOIDS & DISCHARGE HOSE WHICH CAN REACH OVER THE SIDE FROM ALL POSITIONS ON THE CRAFT, TWO (2) 50 FOOT ELECTRIC CORDS, & TWO (2) ELECTRICAL RECEPTACLES SEPARATED TO ENABLE DEWATERING OF ANY FLOODED COMPARTMENT.

---Hull Exams---

Exam Type	Next Exam	Last Exam	Prior Exam
Drydock	31May2012	21May2010	11Jul2008
Internal Structure	31May2012	21May2010	11Jul2008

---Stability---

Letter Approval Date / 07Jun2007 Office/ Marine Safety Center

---Lifesaving Equipment---

	Number Persons		Required
Total Equipment for	53	Life Preservers (Adult)	53
Lifeboats (Total)	0	Life Preservers (Child)	6



Department of Homeland Security
United States Coast Guard

Certificate of Inspection

SUNAX

Certification Date:
14Apr2007

Lifeboats (Port) *	0	0	Ring Buoys (Total)	3
Lifeboats (Starbd) *	0	0	With Lights*	1
Motor Lifeboats*	0	0	With Line Attached*	1
Lifeboats W/Radio*	0	0	Other*	1
Rescue Boats/Platforms	0	0	Immersion Suits	0
Inflatable Rafts	3	56	Portable Lifeboat Radios	0
Life Floats/Buoyant App	0	0	Equipped with EPIRB?	Yes
Inflatable Bouyant App (IBA)	0	0	(* included in totals)	

---Fire Fighting Equipment---

Number of Fireman Outfits/ 0

Fixed Extinguishing Systems

Capacity	Agent	Space Protected
17	Halocarbon (Formerly: FM 200, FE241)	Port Lift Engine
17	Halocarbon (Formerly: FM 200, FE241)	Starboard Lift Engine
64	Halocarbon (Formerly: FM 200, FE241)	Port Engine Room
64	Halocarbon (Formerly: FM 200, FE241)	Starboard Engine Room

Fire Extinguishers - Hand portable and semi-portable

Qty	Class Type
1	A-II
1	B-I
5	B-II
1	B-IV
2	B-V

---Certificate Amendments---

Current Amendment

Port Amending/ Sector Anchorage Date Amended/ 21May2010

-Remarks-

COMPLETED CREDIT DRYDOCK AND INTERNAL STRUCTURAL EXAM. CHANGED MANNING.

1. Port Amending/ SEC Anchorage Date Amended/ 24Sep2009

-Remarks-

CORRECTED CONDITIONS OF OPERATION AND FIREFIGHTING DETAILS.

2. Port Amending/ SEC Anchorage Date Amended/ 11Jul2008

-Remarks-

Completed Credit Dry Dock Exam and Credit Internal Structural Exam.

END

Akutan - Akun Hovercraft Ferry Service
Proposed Budget

Item		Phase 2	Phase 3	Total	Comment
Labor		561,109	1,167,368	1,728,477	see Labor tab
Travel & Per Diem		180,832	458,550	639,382	see Travel & Per Diem tab
Maintenance & Repair	15%	19,182	219,082	238,265	estimated at 15% of the other direct costs
Consumables		7,848	39,241	47,090	see Consumables tab
Vendors		17,500	87,500	105,000	see Vendors tab
Legal		10,000	-	10,000	
Subtotal Direct Costs		796,472	1,971,742	2,768,214	
General & Administrative		60,000	144,000	204,000	fixed @ \$12,000 per month
B&O Tax	2.215%	18,971	46,864	65,835	WA State (1.8%) + City of Seattle (0.415%)
Subtotal with Fixed Fees & Taxes		875,442	2,162,606	3,038,048	
Profit @	10%	97,271	240,290	337,561	see Section V.J of the Ferry Service Plan
Grand Total		\$ 972,714	\$ 2,402,895	\$ 3,375,609	

Proposed Billing Model:

\$ 195,000	\$ 200,000
Phase 2 Pro-Forma	Phase 3 Pro-Forma
5 months: Apr-Aug'12	1 year: Sep'12 - Aug'13

Phase 2 - April 2012 thru August 2012					Phase 3 - September 2012 thru August 2013			
Item	Quantity	%	Unit Cost	Total	Item	Quantity	Unit Cost	Total
Direct Labor					Direct Labor			
Master	2	23%	99,750	45,719	Master	1	108,000	199,500
1st Officer/Pilot	2	23%	91,463	41,920	1st Officer/Pilot	1	96,000	182,925
Engineer	2	23%	82,350	37,744	Engineers			164,700
Deckhand	2	23%	52,613	24,114	Deckhand			105,225
General Manager	1	42%	132,000	55,000	General Manager	1	132,000	132,000
Total Direct Labor				204,497	Total Direct Labor			784,350
					Labor Contingency		7.5%	58,826
Indirect Labor					Indirect Labor			
Employee Benefits - Crew	8	23%	8,000	14,667	Employee Benefits	9	8,000	72,000
Employee Benefits - GM	1	42%	8,000	3,333	Employer Paid Taxes		12.28%	103,542
Employer Paid Taxes			12.28%	25,112				
Total Indirect Labor				43,112	Total Indirect Labor			175,542
Consultant Labor (estimated)					Consultant Labor (estimated)			
	<u>Days</u>		<u>Day Rate</u>			<u>Days</u>	<u>Day Rate</u>	
Seamasters	40		1,650	66,000	Seamasters	6	1,650	9,900
Hovertek	75		1,650	123,750	Hovertek	183	650	118,950
FORUS Consulting	75		1,650	123,750	FORUS Consulting	12	1,650	19,800
Total Consultant Labor	190			313,500	Total Consultant Labor	201		148,650
Total Labor - Phase 2				561,109	Total Labor - Phase 3			1,167,368

Item	Persons	Quantity	Unit Cost	Phase 2	Phase 3	Total	Comment
Airfares - Sea/Van to AEB							
Crew A - Training	4	3	2,000.00	24,000	-	24,000	three two week training sessions
Crew A - Operations	4	9	2,000.00	-	72,000	72,000	nine shifts for operating year
Crew B - Training	4	3	2,000.00	24,000	-	24,000	three two week training sessions
Crew B - Operations	4	9	2,000.00	-	72,000	72,000	nine shifts for operating year
General Manager - Phase 2	1	10	2,000.00	20,000	-	20,000	one trip per month
General Manager - Phase 3	1	18	2,000.00	-	36,000	36,000	one trip per month
Consultant Team - Phase 2	3	4	2,000.00	24,000	-	24,000	
Consultant Team - Phase 3	1	18	2,000.00	-	36,000	36,000	
Total Airfares				92,000	216,000	308,000	
Lodging/Accommodation							
Lodging in Cold Bay - Crew Training		2	2,750.00	5,500	-	5,500	June/July in Cold Bay, splitting \$4500 rent with Kvichak crew
General Manager - Phase 2	1	30	121.00	3,630	-	3,630	5 three day trips
Consultants - Phase 2	1	190	121.00	22,990	-	22,990	
Lodging in Akutan - Operations		13	4,500.00	-	58,500	58,500	estimate based on Cold Bay
General Manager - Phase 3	1	54	121.00	-	6,534	6,534	12 three day trips
Consultants - Phase 3	1	18	121.00	-	2,178	2,178	
Total Lodging				32,120	67,212	99,332	
Per Diem							
Crew A Per Diem - Training	4	42	102.00	17,136	-	17,136	six weeks training, four in Cold Bay, two in Akutan
Crew A Per Diem - Operations	4	183	102.00	-	74,664	74,664	
Crew B Per Diem - Training	4	42	102.00	17,136	-	17,136	six weeks training, four in Cold Bay, two in Akutan
Crew B Per Diem - Operations	4	183	102.00	-	74,664	74,664	
General Manager - Phase 2	1	30	102.00	3,060	-	3,060	
General Manager - Phase 3	1	54	102.00	-	5,508	5,508	
Consultants - Phase 2	1	190	102.00	19,380	-	19,380	
Consultants - Phase 3	1	201	102.00	-	20,502	20,502	
Total Per Diem				56,712	175,338	232,050	per diem rate of \$102 per GSA for Dutch Harbor
Total Travel & Per Diem				180,832	458,550	639,382	

Item	Quantity	Unit Cost	Phase 2	Phase 3	Total	Comment
Estimated Running Hours			200	1,000	1,200	
Fluids						
Engine Oil	12	850.00	1,700	8,500	10,200	
Engine Coolant	325	18.54	1,004	5,021	6,026	
Hydraulic Oil	5	67.35	56	281	337	
Other Lubricants	1	1,200.00	200	1,000	1,200	
Total Fluids			2,960	14,802	17,762	
Filters						
Engine Oil	48	25.00	200	1,000	1,200	
Engine Fuel	16	65.12	174	868	1,042	
Engine Induction	16	110.00	293	1,467	1,760	
Crankcase Breathers	32	172.05	918	4,588	5,506	
Total Filters			1,585	7,923	9,508	
Miscellaneous						
Gaskets	112	10.00	187	933	1,120	
Absorbents Pads & Shop Towels	20	130.00	433	2,167	2,600	
Drive Belts	8	262.50	350	1,750	2,100	
Hardware	32	125.00	667	3,333	4,000	
Shop Items	1	10,000.00	1,667	8,333	10,000	
Total Miscellaneous			3,303	16,517	19,820	
Total Consumables			7,848	39,241	47,090	
	Fuel	Hours	Rate	Gallons		
	CB/KC	120	77	9,240		
	Akutan - Phase 2	80	77	6,160		
	Akutan - Phase 3	1,000	77	77,000		
	Total Estimated Fuel Demand			92,000		Trident supplied, billed direct to AEB

Item	Quantity	Unit Cost	Phase 2	Phase 3	Total	Comment
Estimated Running Hours			200	1,000	1,200	
Pacific Power Products	80	200.00	2,667	13,333	16,000	placeholder for MTU engine support, 80 hours + travel
Spill Response Vendor	1	3,000.00	500	2,500	3,000	
Telecommunications	1	3,000.00	500	2,500	3,000	estimate @ \$250 per month, unless AEB can provide
Navigation & Electronics	1	10,000.00	1,667	8,333	10,000	emergent repair estimate
Hazardous & Oily Waste Disposal	1	12,000.00	2,000	10,000	12,000	
Shipping Costs	1	36,000.00	6,000	30,000	36,000	estimate
Tools	1	10,000.00	1,667	8,333	10,000	
Alaska Ship Supply	1	5,000.00	833	4,167	5,000	estimate of marine hardware & lifesaving equipment
Griffon Hoverworks	1	10,000.00	1,667	8,333	10,000	emergent repair estimate
	-	-	-	-	-	
Total Vendors			17,500	87,500	105,000	

Two Flights or more per Day

Crew B arrives on first flight on Wednesdays, travels back to village with Crew A operating the craft, Crew B observing as passengers. Between flights a complete craft turnover is conducted between the crews. Crew B takes charge for their three week shift and operates the craft back to Akun, with Crew A as passengers. Cycle repeats.

One Flight per Day – known in advance

On Wednesday, Crew A prepares the craft and operates the vessel to Akun, the First Officer and Deckhand of Crew A are all packed for departing by air. At Akun they meet the Captain and Engineer of Crew B. First Mate and Deckhand of Crew A disembark craft at Akun for flight home. On the return trip to the village:

- Crew A Master remains in charge,
- Crew B Master acts as First Officer,
- Crew A Engineer remains Engineer, and
- Crew B Engineer acts as Deckhand

This hybrid crew can then perform a complete turnover once the vessel has completed passenger service for the day, with the Captain and Engineer of each crew getting more than adequate time together. The following day, whether there is one flight per day or two, the balance of crew turnover takes place. The First Officers and Deckhands will only have time for a very short turnover on the second day of this exchange, but that seems reasonable given the lengthy turnover accorded between Masters and Engineers. Extra working days for any or all are accommodated by an “operational day rate” in employee contract.

One Flight per Day – little or no advance warning, crew enroute or in ANC

If all 8 can be accommodated in the village overnight ... In this case the crews will have to overlap in the village overnight, crew will accrue an additional operating day rate, and will depart the following day after turnover is complete.

If 6 can be accommodated in the village overnight ... Master and Engineer of Crew B fly to Akun, while First Officer and Deckhand stay in ANC. Turnover occurs as discussed above, with all of Crew A staying an extra night. The following day all of Crew A departs Akun by air as the balance of Crew B arrives.

If only 4 can be accommodated in the village overnight ... same as the preceding paragraph but the First Officer and Deckhand of Crew A depart craft at Akun bound for home via ANC, making room for living accommodation of arriving Crew B Master and Engineer. Departing Crew A may be able to do a turnover with First Officer and Deckhand of Crew B who are overnight in ANC. The following day the turnover completes as described above, with First Officer and Deckhand of Crew B arriving at Akun as the Captain and Engineer of Crew A depart for home.

No Flights

Everybody stays put and we pay the non-operating crew a “non-operational day rate” per the employee contract, while the operating crew gets the “operational day rate” as they are on-site and performing vessel maintenance, cleaning, training, et cetera, versus sitting in a hotel in SEA or ANC.

SUNA-X BHT 130

BLOCK: 4 CHECK: 1

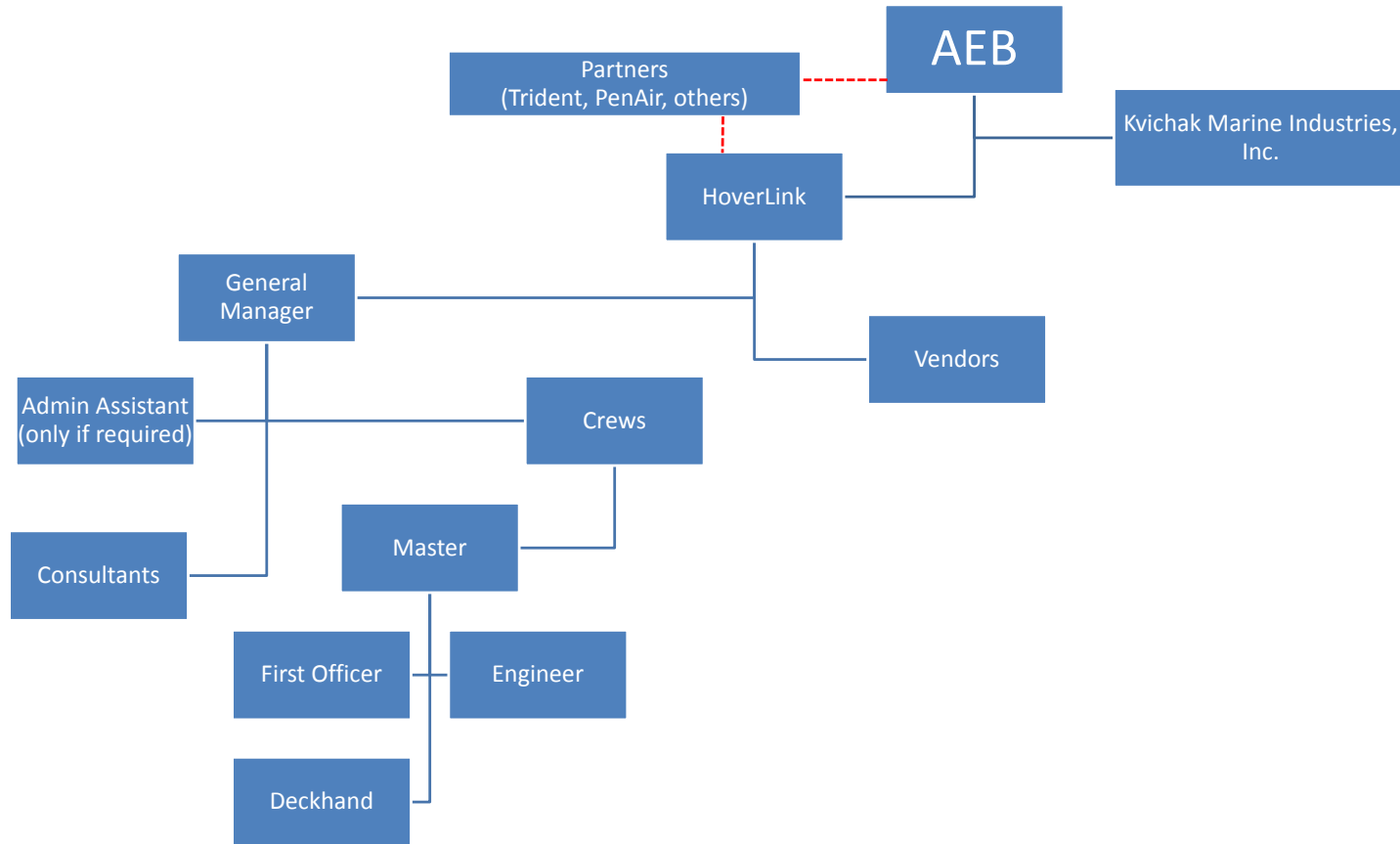
DATE:

CRAFT HOURS:

TASK #	INSPECTION TO PERFORM Fire System	CHECK DUE				ENGINEERS SIGNATURE
		1	2	3	4	
1	Grease all Bow Thruster Bearings EP2	*	*	*	*	
2	Remove all deck hatches & check for water/liquid.	*	*	*	*	
3	Check condition of fuel supply lines, fire system pipe work and signs of oil leaks.	*	*	*	*	
4	Check Drive Belt tension by spring balance & adjust as required	*	*	*	*	
5	Fire System , Check wiring and detectors in engine bays for security, corrosion and serviceability. Perform system test	*	*	*	*	
6	Check all fire bottles, clean secure and correct pressure.	*	*	*	*	
7	Check operation of cabin and electrical bay smoke detectors	*	*	*	*	
8	Check Halton Fire Dampers, condition and operation.	*	*	*	*	

Comments

Akutan - Akun Hovercraft Ferry Service Organizational Chart



Date & Location of Next Meeting

Adjournment