



U.S. Department
of Transportation
**Federal Aviation
Administration**

Flight Standards District Office

1050 Lee Wagener Blvd., Suite 201
Ft. Lauderdale, FL 33315

September 26, 2005

Captain Roger Nair, General Manager/Director of Operations
Chalk's International Airlines
704 S.W. 34th Street
Fort Lauderdale, FL 33315

Dear Captain Nair:

On August 4, 2005, this office notified Chalks that the Federal Aviation Administration planned to amend certain paragraphs of Chalk's International Airlines Operations Specifications to require the use of "actual "weights" in its Weight and Balance Program. The letter further stated that prior to the effective date, Chalk's International Airlines could petition for reconsideration of this change as provided by 14 CFR Part 119.51(d)(1) and (2).

On September 7, 2005, this office received a letter from Chalk's petitioning for reconsideration of the proposed amendment. This petition postpones the effective date of the amendment until the matter has been reviewed. Upon completion of that review, the FAA will formally notify Chalk's of its decision. You may consider the effective date of the proposed change postponed until that time.

If you have any questions, please contact me at the letterhead address.

Sincerely,


Ladd R. Lewis
Principal Operations Inspector

A096. Actual Weight Program For All Aircraft

HQ Control: 05/27/05
HQ Revision: 010

- a. The certificate holder is authorized to use only actual weights when determining the aircraft weight and balance.
- (1) This includes the passenger weights, carry-on bag weights, checked bag weights, plane-side loaded bag weights, and heavy bag weights, and/or
- (2) Actual weights of all passengers and bags or solicited ("asked") passenger weight plus 10 pounds and actual weight of bags.
- b. If this operations specification is issued, operations specifications A097, A098 and A099 must not be issued.
- c. Operations specification A011 must be issued if the certificate holder has a carry-on baggage program.
- d. The following aircraft must use actual weights:
- (1) All single-engine aircraft, with the exception of single engine turbine-powered EMS helicopters operations
- (2) All reciprocating-powered aircraft, and
- (3) All aircraft certificated with less than five (5) passenger seats, with the exception of single engine turbine-powered EMS helicopters operations
- e. Cargo-Only aircraft jumpseat and/or additional crewmembers.
- (1) For large and medium cabin aircraft used in cargo-only operations, jumpseat occupants and/or additional crewmembers must be accounted for using their actual weight, solicited ("asked")-weight plus ten pounds, or the standard average flight crewmember weight of 190 pounds (as revised by AC 120-27).
- (2) For small cabin aircraft used in cargo-only operations, jumpseat occupants and/or additional crewmembers must be accounted for using their actual weight, or solicited ("asked")-weight plus ten pounds.
- (3) Each bag carried aboard a cargo-only aircraft by a jumpseat occupant and/or additional crewmember will be accounted for as 30 pounds each (as revised by AC 120-27).
- (4) For cargo-only operated aircraft, standard flight crewmember average weights and flight crewmember average bag weights, as listed in AC 120-27 (as revised) may be included in the basic empty weight of the aircraft.
- f. The following loading schedules and instructions shall be used for routine operations:

Table 1 – Loading Schedules and Instructions for Routine Operations

Aircraft M/M/S	Type Loading Schedule	Loading Schedule Instructions	Weight and Balance Control Procedure
GA-73-73	Manual System	Manual System	Weight and Balance Form

1. Issued by the Federal Aviation Administration.
2. These Operations Specifications are approved by direction of the Administrator.

[REDACTED]
Lewis, Ladd K.

Principal Operations Inspector

SO29

3. Date Approval is effective: 9/12/05

Amendment Number: . 0

4. I hereby accept and receive the Operations Specifications in this paragraph.

[REDACTED]
~~Ramakrishnan "Roger" Nair~~

Dir. of Operations, Part 121

Date: 8/11/05



WEIGHT BALANCE MANIFEST

Date 12/19
 Flight 110
 Captain MARKS
 FO DESAUCCI
 Observer ~
 From X44 To NSK
 G-73T Reg. Number 2969
 Number of Passengers 15C+3
 Baggage 600

ITEM	WEIGHT	INDEX
Basic Operating Wt	9413	209.4
Passenger Quick Loads	2475	57.1
Row CR		
Row CL		
Row D		
Row E		
Row F		
Row G		
Row H		
Row I		
Baggage Forward	390	2.7
Baggage Aft	216	270 18.4
Zero Fuel Weight	12,488	277.6
Fuel Main Tanks	1139	25
Fuel Float Tanks	201	4.8
Total	13828	307.4
Adjustment		
Adjustment		
Adjusted Total		

MTOW 14,000
 Total Weight 13828
 CG Limits X44 % to NSK %
 CG 21.8 % MAC

Comments & Reports

This aircraft has been loaded according to the Captain's directions.

Completed by: NA PSD

Captain MM

United States of America
Department of Transportation — Federal Aviation Administration
Supplemental Type Certificate

Number SA4410SW

Project T4682SW-S
JLP-212

This certificate, issued to Frakes Aviation
Route 3, Box 229-B
Cleburne, Texas 76031

certifies that the change in the type design for the following product with the limitations and conditions therefor as specified hereon meets the airworthiness requirements of Part 4a of the Civil Air Regulations.

Original Product — Type Certificate Number: 783
Make: Gulfstream American
Model: G-73

Description of Type Design Change: Installation of 17 passenger configuration, seats, emergency exit, and floor modification according to Drawing List FA-5000-A, revised 5/11/81, or later FAA approved revision.

Limitations and Conditions:

1. STC SA2323WE must be incorporated with this STC.
2. Flight operation is limited to Day VFR only.
3. FAA Approved Airplane Flight Manual Supplement dated July 6, 1981, is required.
4. Compatibility of this modification with other previously approved modifications must be determined by the installer.

This certificate and the supporting data which is the basis for approval shall remain in effect until surrendered, suspended, revoked, or a termination date is otherwise established by the Administrator of the Federal Aviation Administration.

Date of application: October 2, 1979

Date issued:

Date of issuance: July 6, 1981

Date amended:



By direction of the Administrator

Don P. Watson
Chief, Engineering and Manufacturing Branch

(Signature)

(Title)

Any alteration of this certificate is punishable by a fine of not exceeding \$1,000, or imprisonment not exceeding 3 years, or both.

This certificate may be transferred in accordance with FAR 21.47.

OCEAN

AIRWAYS

July 29 2003

Ladd Lewis
Federal aviation administration
FSDO # 17
1050 lee Wagner blvd
Suite201
Ft. Lauderdale, FL 33315

Dear Mr. Lewis,

I have enclosed the dates that we have used walkers aviation services as sub service provider since October 01,2002. All the flights were conducted as per far119.53 (f) for stranded passenger.

Name of the certificate holder: Walker's Aviation Services Inc

Certificate No: WCAA527A

Type of service: Flag

Service provided under FAR 119.53 (f)

These dates were taken directly from the aircraft flight logs.

In the future I have instructed our flight dispatch to inform you in writing within 24 hrs of using any other airline for our stranded passenger's.

Yours truly


R. Rajan Nair
Dir of Ops

October 2002 - 6
07,10,11,13,31

November - 3
02,03,10,15,17,18,20,30,30.

December - 12
01,05,10,11,13,17,20,22,23,27,29,31.

January 2003
02,04,05,11,14,15,18,25,29,30,31.

February - 11
06,12,13,14,18,19,20,21,23,24,27.

March - 10
02,06,12,16,19,22,23,24,25,26.

April - 5
06,17,18,28,30.

May - 13
01,03,04,06,07,11,15,16,17,18,29,30.

June - 9
05,06,08,09,15,23,26,27,29.

July - 7
06,10,11,12,13,14,17,20,21.

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Atkinson, Trace

From: Ladd.Lewis [REDACTED]
Sent: Monday, March 01, 2004 5:49 PM
To: Atkinson, Trace
Subject: Flying Boat

Trace,

As we discussed, Flying Boat has made considerable use of contract services in support of their scheduled operation. Prior to July 21, 2003, the carrier had not been providing this office with notification of subservice. Upon my request, they provided a historical monthly tally of days subservice was used back to October 2002. After July 21, 2003, they have provided detailed documentation of each flight.

Based on information provided by the carrier, I have roughly computed the following:

- October 07, 2002 through July 21, 2003 - approximately 94 days (assuming at least a leg out & a leg back = 188 flights)
 - July 23, 2003 through today - 96 flights
- Total subservice contracted for the last 18 months is 284 flights.

This appears to be an enormous amount of subservice for such a small carrier. I have collated the records provided by the carrier of their subservice and will send it to you if you wish. Please provide me with your Fed Ex shipping address and I can get it off to you. In addition, please let me know how your audit of Flying Boat's other financial parameters are looking.

Ladd

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U.S. Department of
Transportation

Office of the Secretary
of Transportation

**COPY FOR YOUR
INFORMATION**

400 Seventh St. S.W.
Washington, D.C. 20590

April 14, 2004

Mr. William Jones
General Manager
Flying Boat, Inc.
d/b/a Chalk's International Airlines
704 Southwest 34th St.
Suite 100
Ft. Lauderdale, FL 33315

Dear Mr. Jones:

Thank you for the information that you recently submitted to the Department of Transportation as part of our informal continuing fitness review of Chalk's International Airlines. Based on the information you provided, Chalk's financial position is weak – the carrier reported a net loss of \$1,395,892 over the last two years, and its balance sheet as of December 31, 2003 shows negative working capital of \$3.4 million with negative retained earnings of \$2 million. However, in light of the information we have received concerning the proposed purchase of Chalk's by a third party, we have decided to defer any decision regarding Chalk's economic fitness for 90 days from the date of this letter or until such time as the acquisition takes place, whichever occurs first.

Additionally, in the course of our review, we learned from the FAA that on many occasions over the past few years, Chalk's has sub-serviced its scheduled flights to air taxi operators. While we understand that these sub-service arrangements may have been undertaken to prevent passenger strandings when Chalk's own aircraft were unavailable for service due to mechanical problems, and that the flights were reported to the FAA, we wish to advise you that these actions appear to have been in violation of both Title 49 of the U.S. Transportation Code ("the Transportation Code") and Part 298 of the Department's rules (14 C.F.R. Part 298).

Section 41738 of the Transportation Code and section 298.21(d) of our rules require that an air carrier that operates scheduled passenger service five times or more a week under a published schedule as a commuter-air carrier must first be found fit. The Department has consistently held that an on-demand air taxi operator may not operate part of a commuter carrier's published schedule under a sub-contract without itself first having been found fit. This is because a carrier operating on behalf of another carrier through a wet-lease must have the same underlying operating authority in its own right to conduct the particular service being provided.

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As you and I have discussed, there may have been some circumstances due to unexpected mechanical problems that forced Chalk's to arrange for last minute substitute transportation for some of its passengers in order to avoid strandings. You also explained that many of the flights that Chalk's sub-serviced in the past year were to a related company, Walker's Aviation, whose operations were managed by Chalk's and whose aircraft were covered by Chalk's insurance.

In view of these circumstances, and the fact that Chalk's was not aware of the Department's position on sub-service arrangements, I am not now proposing to recommend that enforcement action be taken against the carrier. However, in order to avoid possible enforcement action in the future, you may wish to consider doing the following when Chalk's needs to avail itself of emergency sub-service with a carrier that does not hold a DOT certificate or commuter authorization:

- 1) Purchase individual tickets for your passengers to travel on the on-demand air taxi as alternate transportation (at no additional cost to them), but
- 2) do so only after giving those passengers notice of the carrier to be used and its DOT and FAA authority, and
- 3) only upon offering a full refund to those passengers that do not wish to travel on the alternate carrier.

So that we can continue to monitor this situation, we ask that Chalk's provide the Department with a report within 30 days of the end of each calendar quarter, detailing the instances in which it has had to resort to the aforementioned procedures. As part of this quarterly report, please provide us with the tail number of Chalk's aircraft that was unable to complete the flight, the number of passengers for whom the alternate service was provided, the name of the alternate carrier used, the date(s) and flight number(s) at issue, and the number of passengers who refused the alternative transportation, if any.

Finally, I wish to remind you that Chalk's continued fitness to operate its commuter operations depends on a variety of factors including, but not limited to, its financial position, FAA compliance, and its adherence to relevant DOT regulations. In this regard, I understand that Chalk's has been delinquent on a number of occasions in submitting its periodic traffic and/or financial reports. In order to avoid enforcement action or even negative action against its commuter authority, Chalk's should take whatever steps necessary to ensure that its reports are filed on a more timely and consistent basis.

Should you have any questions regarding this matter, please feel free to contact Mr. Trace Atkinson of my staff at [REDACTED]

Sincerely,

[REDACTED]

Patricia L. Thomas
Chief, Air Carrier Fitness Division
Office of Aviation Analysis

cc: Ladd Lewis
POI Flying Boat, Inc.
Ft. Lauderdale FSDO
1050 Lee Wagener Blvd.
Suite 201
Ft. Lauderdale, FL 33315

CONTINUING FITNESS REVIEW OF FLYING BOAT, INC., d/b/a CHALK'S INTERNATIONAL AIRWAYS, d/b/a CHALK'S OCEAN AIRWAYS

Background

Flying Boat was found fit and issued commuter authority in November 1990 (Order 90-11-40).¹ At that time, Flying Boat was wholly-owned by Resorts International and was a sister company to Chalk's International Airlines (Chalk's), an already operating commuter air carrier that provided operations with two distinct aircraft types: amphibious Grumman Mallard aircraft (seaplanes) and Dash 7 aircraft (turbo-props).² Upon Flying Boat's receipt of effective commuter authority, it took over Chalk's seaplane operations and, shortly thereafter, adopted the trade name "Chalk's International Airlines."³ Flying Boat conducted scheduled passenger operations continuously under its commuter authority until February 1999 when it ceased operations and its commuter authority was suspended.⁴ Flying Boat's February 1999 cessation of operations was due to the fact that its creditors had forced it into Chapter 7. However, the company was able to convert this Chapter 7 bankruptcy to Chapter 11 on February 22, 1999, and, on February 23, 1999, we authorized its resumption of commuter operations. Flying Boat was successfully reorganized later that year and, as a result, in November 1999 we completed a continuing fitness review of the company, finding that it remained fit to conduct scheduled passenger operations as a commuter air carrier. Until now, no further fitness review has been conducted.

Operations

Chalk's holds Part 121 authority from the FAA and currently flies from Southern Florida to the Caribbean on a scheduled and charter basis. The carrier's scheduled destinations are Bimini and Paradise Island in the Bahamas. Currently, the carrier flies approximately 14 roundtrips per week between Fort Lauderdale and Bimini, and approximately 38 roundtrips per week between Fort Lauderdale and Paradise Island. These operations are conducted under the trades names "Chalk's International Airlines" and "Chalk's Ocean Airways."⁵

Chalk's currently operates three 17-seat G73T Turbine Mallards manufactured by Grumman. The carrier also has two other Turbine Mallards which are currently undergoing heavy overhauls. Chalk's has no plans to lease or purchase additional aircraft, return more Mallards to service, nor engage in any other significant changes to the airline's operations although it has advised us that it is negotiating a change in ownership. In this regard, Ned Holmfeld, one of the founders of Spirit Airlines, may

¹ This authority became effective on December 14, 1990. (See Notice of Effective Authority dated December 14, 1990.)

² Chalk's Dash 7 operations were provided under the trade name "Paradise Island Airlines."

³ In January 1991, Chalk's changed its name to Paradise Island Airlines and Flying Boat adopted the "Chalk's International Airlines" trade name. This coincided with Resorts International's sale of Flying Boat to new owners.

⁴ During this period of operations, Flying Boat's ownership changed at least twice and the company also operated under the trade name "Pan Am Air Bridge" for a portion of this period.

⁵ The company no longer uses the "Pan Am Air Bridge" trade name for any of its operations.

purchase some of the assets of the carrier including its DOT and FAA operating authority.

Ownership

Flying Boat, hereinafter "Chalk's", is 100% owned by Mr. James Confalone, who purchased the carrier in 1999 as part of its Chapter 11 reorganization. Mr. Confalone is a U.S. citizen who flew for Eastern Airlines for approximately 20 years before leaving to become an investor in various business ventures. He has an A&P mechanic's license and holds an ATP pilot's certificate.

Management

Mr. William Jones is Chalk's General Manager and has served the carrier in this capacity since August 1999. He joined the carrier's predecessor in 1983 as a Station Manager and also served as its Director of Stations & Project Manager. He was named Chalk's Vice President of Operations in 1990 and Executive Vice President of Flying Boat in 1996.

Mr. Rajan Nair has been Chalk's Director of Operations since 1999. He served as Chief Pilot of Chalk's and its predecessor from 1981 through 1992 when he left to assume the position of Senior Vice President for Branson Airlines. In 1994, he opened his own aviation consulting firm, specializing in assisting companies to set up their flight operations departments, reservations centers, and charter divisions. Mr. Nair is a citizen of India, has an FAA-issued ATP certificate, a type rating on the Grumman G-73T and G-111, and has logged over 16,500 hours of flight time.

Mr. Luis Carrillo has been Chalk's Director of Quality Control since December 2002. He joined the carrier in 1991 as Lead Mechanic and Inspector and was promoted to Director of Maintenance in November 2001.

Mr. Tracy C. Perkins is Chalk's Director of Maintenance, a position he has held with Chalk's and its predecessor since 1985.

Mr. Carlos Guzman is Flying Boat's Chief Pilot, a position he has held since November 2000. He is an Airline Transport Pilot with over 14,000 total flight hours. He began his career in aviation in 1978 as a pilot of a Fokker F-27 for AeroPeru Airlines. From 1984 until 1989, Mr. Guzman captained a G73T Turboprop seaplane for Chalk's predecessor before becoming a DHC-7 pilot for Paradise Island Airlines. For a brief period in 1999 and 2000, he served as First Officer for Hop-A-Jet flying Lear Jet's 35/35 Series before returning to Chalk's in November 2000.

Mr. Dimitri Iturria is Chalk's Director of Safety and Chief Dispatcher, a position he has held with the carrier since 2003. From 1999 until 2003, he served as Chalk's Chief Dispatcher and Station Manager and was employed as an Aircraft Dispatcher with Miami International Airport from 1998 through 1999. He began his career in aviation in 1986 as a Dispatcher for Suncoast Airlines and was employed by Paradise Island Airlines as Dispatcher from 1988 through 1998. He is an FAA licensed pilot (ASEL) and holds an FAA Aircraft Dispatcher Certificate.

Financial Position

Overall, Chalk's financial condition appears weak. Chalk's has provided us with balance sheets and income statements for 2002 and 2003. Its December 31, 2003, balance sheet shows current assets of \$3.36 million and current liabilities of \$6.8 million resulting negative working capital of approximately \$3.44 million and a current assets to liabilities ratio of .49 to 1. In addition, for calendar year 2003, Chalk's reported total revenues of \$5.43 million and total expenses of \$6.13 million for a net loss of approximately \$700,000. Furthermore, Chalk's reports a net loss from operations of \$846,000 for 2001 and a net loss from operations of \$689,000 for 2002 which, combined with previous losses from 2000, left the carrier with negative retained earnings of \$2.48 million as of January 1, 2003. Year 2003 saw the addition of \$200,000 of paid in capital, yet the carrier still ended the year with \$2 million in negative retained earnings.⁶

Compliance Disposition

On February 24, 2004, I spoke with Mr. Ladd Lewis, Chalk's POI, in the Ft. Lauderdale FSDO. He informed me that his overall impression of the carrier's operations was that it seems to be run more like a Part 135 air taxi operation rather than the Part 121 operator it is. To elaborate, he explained that Chalk's station manuals have not been revised in five years and the management is slow to respond to manual corrections and shortfalls. Additionally, Mr. Lewis stated that, in his opinion, there is insufficient administrative oversight over the carrier in that the operations managers are often piloting the carrier's planes rather than being on site to monitor operations. He is concerned that the management team may be too busy with their flight duties to effectively attend to their administrative and oversight duties on the ground. Mr. Lewis did qualify his statements by indicating that the carrier's management does seem eager to comply and that they have recently hired a new pilot he believes will be spending more time in the office overseeing the carrier's compliance and management.

A search of Westlaw reveals no outstanding judgments or pending lawsuits against Chalk's or its management team. Chalk's is however, inconsistent in its timeliness in filing its reports with BTS.⁷ A review of the FAA ISIS database lists no accidents but does list two open enforcement actions, one involving hazardous materials and another for maintenance violations. The recommended fines for these violations are \$1000 and \$10,000 respectively but the enforcement violations have yet to be adjudicated.

Conclusion

According to the materials submitted by Chalk's and other information received from the FAA, it appears that Chalk's fitness bears close monitoring. The carrier is in deep

⁶ Chalk's December 31, 2003 balance sheet indicates that of \$6.8 million in current liabilities, \$2.7 million is owed on a note payable to Ocean Bank and \$490,000 is owed on a Small Business Administration loan. The carrier does not currently have any additional source of funds other than those it receives in return for its flight services.

⁷ According to the report provided by BTS, Chalk's is late in submitting its December 1, 2003, and January 1, 2004 form 41T. Since November 2002, Chalk's has been late eight out of fourteen times in filing with BTS. While Chalk's tardiness in filing is not extreme in comparison with other commuter carriers, this, along with the carrier's other operational failings may indicate a more systemic problem.

financial distress and has lost approximately \$700,000 per year over the past three years. The Grumman Mallards that Chalk's flies and the ocean environment in which the craft are operated combine to impose a heavy and expensive maintenance burden on the carrier which will continue to have a negative impact on Chalk's ability to remain liquid. Furthermore, based on communications with the FAA, it appears that Chalk's management team is having difficulty in administering its operations within the confines of relevant FAA and DOT regulations. As Chalk's POI explained, the carrier's station manuals are out of date and the carrier's management is slow to respond to the FAA's requests for corrections. Additionally, Chalk's sub-servicing of their scheduled commuter operations to air taxi operators indicates a lack of understanding of DOT's regulations.

On the positive side, Chalk's has been negotiating with Ned Holmfeld for the sale of the carrier or at least some of its aviation assets, which could provide needed funds and management resources to the carrier. The attached letter would defer action for 90 days or until the proposed sale occurs.

Prepared by:
Trace Atkinson
Transportation Industry Analyst
Air Carrier Fitness Division

April 14, 2004

CHALK'S

OCEAN AIRWAYS

FACSIMILE TRANSMITTAL SHEET

TO: Trace Atkinson FROM: Bill Jones
 COMPANY: _____ DATE: _____
 FAX NUMBER: 802 366 7638 TOTAL NO. OF PAGES INCLUDING COVER: 6
 PHONE NUMBER: _____ SENDER'S REFERENCE NUMBER: _____
 RE: _____ YOUR REFERENCE NUMBER: _____

URGENT FOR REVIEW PLEASE COMMENT PLEASE REPLY PLEASE RECYCLE

TT Ladd 1/3/05



- No other way to reliably get to Bahamas
- Could run into unforeseen event
- no

⊗ LADD sees no long-range plan

69345

1346

ELECTRONIC
COPY TO
DOCKET

Dockets
FIR office

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- 2 -

Chalk's is a unique airline flying amphibious aircraft; our vintage airplanes are retrofitted with turbine engines and modern avionics. However, because the aircraft operates in a salt-water environment, they require substantially more preventative maintenance and have a somewhat higher frequency of nonscheduled maintenance events. As an example, an avionics issue in August 2004 required more than a week to resolve. Our own maintenance team called in outside consultants, who subsequently assisted with the resolution to the problem. These situations are infrequent but when they do take place they can cause passenger inconvenience.

We look forward to working with you to answer all your questions. Please do not hesitate to contact us should you require any further information or clarification.

Sincerely,



Bill Jones
General Manager

CC: Ladd Lewis
POI Flying Boat, Inc
Ft. Lauderdale FISDO
1050 Lee Wagner BLVD
Suite 201
Ft. Lauderdale, FL 33315

CHALK'S

OCEAN AIRWAYS

COPY

Department of Transportation
Air Carrier Fitness Division
Office of the Secretary of Transportation
Attention: Trace Atkinson X-56
NASSIF Building
Washington DC 20590

November 4, 2004

Dear Mr. Atkinson,

Once again, I wish to apologize for my confusion and failure to comply with your previous request for information regarding sub service by Flying Boat Inc. d/b/a Chalk's Ocean Airways. Please find enclosed a chart, which delineates the flights that were sub serviced for stranded passengers between April 1st and September 30th, 2004. They were 2311 flights during this period, Chalks flew 118 sub service flights, and this represents 5% of the total.

As you know, Chalk's Ocean Airways flies Grumman Mallards to seaplane bases in the Bahamas from the Fort Lauderdale International Airport. Our two scheduled destinations are on the islands of North Bimini and Paradise Island. Neither island has a land airport. The runway facility on the nearby South Bimini, which can be reached by water taxi, does not have scheduled air service. However, Paradise Island is connected by a bridge to New Providence Island, where the Nassau International Airport is located approximately an hour away, and is serviced by scheduled air carriers.


The sub service for stranded passengers listed was performed due to maintenance requirements. The chart delineates those maintenance events as well as the sub service operators. Our first option when we experience a schedule interruption is to attempt to reroute passengers to scheduled airlines. We have an agreement with Gulfstream Airlines, a Continental Connection, providing for the acceptance of our tickets for travel, and we work with American Airlines and Bahamas Air.

Unfortunately, during our busy periods, we frequently find ourselves in a position of finding few if any available seats on scheduled carriers. We therefore offer our passengers the option of utilizing nonscheduled carriers under the stranded passenger provision: FAR119.53 paragraph F. The vast majority of passengers request that we provide the alternative transportation on these chartered aircraft. A few will request refunds and such refunds are provided.

Chalk's is a unique airline flying amphibious aircraft; our vintage airplanes are retrofitted with turbine engines and modern avionics. However, because the aircraft operates in a salt-water environment, they require substantially more preventative maintenance and have a somewhat higher frequency of nonscheduled maintenance events. As an example, an avionics issue in August 2004 required more than a week to resolve. Our own maintenance team called in outside consultants, who subsequently assisted with the resolution to the problem. These situations are infrequent but when they do take place they can cause passenger inconvenience.

We look forward to working with you to answer all your questions. Please do not hesitate to contact us should you require any further information or clarification.

Sincerely,


Bill Jones
General Manager

CC: Ladd Lewis
POI Flying Boat, Inc
Ft. Lauderdale FISDO
1050 Lee Wagner BLVD
Suite 201
Ft. Lauderdale, FL 33315

DATE	FLIGHT	AIRCRAFT	CHARTER COMPANY	FLIGHT INTERRUPTION EVENT		
4/14/2004	8403	C402	BIMINI ISLAND AIR	N2969 UNSCHEDULE MAITENANCE ENGINE		
	8404	GRM	BIMINI ISLAND AIR	N2969 UNSCHEDULE MAITENANCE ENGINE		
4/15/2004	8401	C402	BIMINI ISLAND AIR	N2969 UNSCHEDULE MAITENANCE ENGINE		
	8402	C402	BIMINI ISLAND AIR	N2969 UNSCHEDULE MAITENANCE ENGINE		
4/19/2004	8401	C402	BIMINI ISLAND AIR	N2969 HOT SECTION INSPECTION UNSCHEDULE		
	8402	C402	BIMINI ISLAND AIR	N2969 HOT SECTION INSPECTION UNSCHEDULE		
	8403	C402	BIMINI ISLAND AIR	N2969 HOT SECTION INSPECTION UNSCHEDULE		
	8404	C402	BIMINI ISLAND AIR	N2969 HOT SECTION INSPECTION UNSCHEDULE		
	8503	GRM	BIMINI ISLAND AIR	N2969 HOT SECTION INSPECTION UNSCHEDULE		
	8504	C402	BIMINI ISLAND AIR	N2969 HOT SECTION INSPECTION UNSCHEDULE		
	8505	GRM	BIMINI ISLAND AIR	N2969 HOT SECTION INSPECTION UNSCHEDULE		
	8508	C402	BIMINI ISLAND AIR	N2969 HOT SECTION INSPECTION UNSCHEDULE		
	8509	C402	BIMINI ISLAND AIR	N2969 HOT SECTION INSPECTION UNSCHEDULE		
5/8/2004	401	C402	BIMINI ISLAND AIR	N130FB ELEVATOR TRIM		
5/11/2004	8401	C402	FLORIDA COASTAL	ENGINE CHANGE N142PA		
	8402	C402	FLORIDA COASTAL	ENGINE CHANGE N142PA		
	8403	C402	FLORIDA COASTAL	ENGINE CHANGE N142PA		
	8404	C402	FLORIDA COASTAL	ENGINE CHANGE N142PA		
5/28/2004	7409	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	7410	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	7511	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	7512	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	7513	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	7514	EMB	LAKELAND AIR	C6 INSPECTION N2969		
5/30/2004	7517	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	7518	EMB	LAKELAND AIR	C6 INSPECTION N2969		
5/31/2004	7405	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	7406	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	7511	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	7512	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	7513	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	7514	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	7515	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	7516	EMB	LAKELAND AIR	C6 INSPECTION N2969		
6/1/2004	7407	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	7408	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	7521	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	7522	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	8403	C402	BIMINI ISLAND AIR	C6 INSPECTION N2969		
	8404	C402	FLORIDA COASTAL	C6 INSPECTION N2969		
6/2/2004	8401	METRO	BIMINI ISLAND AIR	C6 INSPECTION N2969		
6/3/2004	8405	BCH1900	GULFSTREAM	C6 INSPECTION N2969		
	8406	BCH1900	GULFSTREAM	C6 INSPECTION N2969		

	8402	METRO	BIMINI ISLAND AIR	C6 INSPECTION N2969		
6/4/2004	8409	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	8410	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	8527	EMB	LAKELAND AIR	C6 INSPECTION N2969		
	8528	EMB	LAKELAND AIR	C6 INSPECTION N2969		
6/5/2004	7527	EMB	LAKELAND AIR	C6 INSPECTION N2969		
6/10/2004	8403	C402	BIMINI ISLAND AIR	N142PA UNSCHEDULE ELEVATOR REPAIR		
	8404	METRO	LYNX	N142PA UNSCHEDULE ELEVATOR REPAIR		
6/11/2004	7507	EMB	LAKELAND AIR	N142PA UNSCHEDULE OIL LINE LEAK		
	7508	EMB	LAKELAND AIR	N142PA UNSCHEDULE OIL LINE LEAK		
6/17/2004	7514	EMB	LAKELAND AIR	N142PA UNSCHEDULE OIL LINE LEAK		
	7516	EMB	LAKELAND AIR	N142PA UNSCHEDULE OIL LINE LEAK		
	7513	EMB	LAKELAND AIR	N142PA UNSCHEDULE OIL LINE LEAK		
	7515	EMB	LAKELAND AIR	N142PA UNSCHEDULE OIL LINE LEAK		
6/19/2004	7411	EMB	LAKELAND AIR	N2969 UNSCHEDULED TRIM ELEVATOR		
	7412	EMB	LAKELAND AIR	N2969 UNSCHEDULED TRIM ELEVATOR		
6/24/2004	8519	C402	BIMINI ISLAND AIR	N2969 UNSCHEDULED TRIM ELEVATOR		
6/26/2004	7527	EMB	LAKELAND AIR	N142PA ENGINE CHANGE		
	7528	EMB	LAKELAND AIR	N142PA ENGINE CHANGE		
6/27/2004	7514	EMB	LAKELAND AIR	N142PA ENGINE CHANGE		
	7513	EMB	LAKELAND AIR	N142PA ENGINE CHANGE		
7/2/2004	402	C402	BIMINI ISLAND AIR	N2969 LOOSE SEAT		
7/3/2004	7529	EMB	LAKELAND AIR	N142PA NOSEGEAR UNSCHEDULE		
	7530	EMB	LAKELAND AIR	N142PA NOSEGEAR UNSCHEDULE		
7/9/2004	7407	EMB	LAKELAND AIR	N142PA TRIM TAB SPOOL UNSCHEDULE		
	7408	EMB	LAKELAND AIR	N142PA TRIM TAB SPOOL UNSCHEDULE		
	8405	C402	FLORIDA COASTAL	N142PA TRIM TAB SPOOL UNSCHEDULE		
	8406	C402	FLORIDA COASTAL	N142PA TRIM TAB SPOOL UNSCHEDULE		
7/16/2004	411	C402	FLORIDA COASTAL	N2969 ELEVATOR REPLACED		
7/20/2004	8403	C402	FLORIDA COASTAL	N142PA C CHECK		
	8404	C402	FLORIDA COASTAL	N142PA C CHECK		
	8407	C402	FLORIDA COASTAL	N142PA C CHECK		
	8408	C402	FLORIDA COASTAL	N142PA C CHECK		
7/21/2004	8403	C402	FLORIDA COASTAL	N142PA C CHECK		
	8404	C402	FLORIDA COASTAL	N142PA C CHECK		
	8407	C402	FLORIDA COASTAL	N142PA C CHECK		
	8408	C402	FLORIDA COASTAL	N142PA C CHECK		
7/22/2004	8404	C402	FLORIDA COASTAL	N142PA C CHECK		
	8405	EMB	LAKELAND AIR	N142PA C CHECK		
	8406	EMB	LAKELAND AIR	N142PA C CHECK		
	8518	EMB	LAKELAND AIR	N142PA C CHECK		
7/23/2004	8410	C402	FLORIDA COASTAL	N142PA C CHECK		
7/24/2004	8411	C402	FLORIDA COASTAL	N130FB ANTENA TCAS UNSCHEDULE		
7/26/2004	8403	C402	FLORIDA COASTAL	N2969 TRANSPONDER ANTENNA UNSCHEDULE		
	8404	C402	FLORIDA COASTAL	N2969 TRANSPONDER ANTENNA UNSCHEDULE		
8/3/2004	8407	EMB	PLAYERS AIR	N2969 HYDRAULIC PUMP FAILURE UNSCHEDULE		
	8408	EMB	PLAYERS AIR	N2969 HYDRAULIC PUMP FAILURE UNSCHEDULE		
8/4/2004	8501	EMB	PLAYERS AIR	N2969 HYDRAULIC PUMP FAILURE UNSCHEDULE		
	8502	EMB	PLAYERS AIR	N2969 HYDRAULIC PUMP FAILURE UNSCHEDULE		
	8503	EMB	PLAYERS AIR	N2969 HYDRAULIC PUMP FAILURE UNSCHEDULE		

	8504	EMB	PLAYERS AIR	N2969 HYDRAULIC PUMP FAILURE UNSCHEDULE		
	8505	EMB	PLAYERS AIR	N2969 HYDRAULIC PUMP FAILURE UNSCHEDULE		
	8506	EMB	PLAYERS AIR	N2969 HYDRAULIC PUMP FAILURE UNSCHEDULE		
8/7/2004	8507	EMB	PLAYERS AIR	N130FB HSI UNSCHEDULE		
	8508	EMB	PLAYERS AIR	N130FB HSI UNSCHEDULE		
8/8/2004	8402	C402	FLORIDA COASTAL	N130FB HSI UNSCHEDULE		
	8403	C402	FLORIDA COASTAL	N130FB HSI UNSCHEDULE		
	8404	C402	FLORIDA COASTAL	N130FB HSI UNSCHEDULE		
	8406	C402	FLORIDA COASTAL	N130FB HSI UNSCHEDULE		
8/9/2004	8401	C402	FLORIDA COASTAL	N130FB HSI UNSCHEDULE		
	8402	C402	FLORIDA COASTAL	N130FB HSI UNSCHEDULE		
	8403	C402	FLORIDA COASTAL	N130FB HSI UNSCHEDULE		
	8404	C402	FLORIDA COASTAL	N130FB HSI UNSCHEDULE		
	8407	C402	FLORIDA COASTAL	N130FB HSI UNSCHEDULE		
	8408	C402	FLORIDA COASTAL	N130FB HSI UNSCHEDULE		
	8409	C402	FLORIDA COASTAL	N130FB HSI UNSCHEDULE		
	8410	C402	FLORIDA COASTAL	N130FB HSI UNSCHEDULE		
	8508	EMB	PLAYERS AIR	N130FB HSI UNSCHEDULE		
8/10/2004	8505	EMB	PLAYERS AIR	N130FB HSI UNSCHEDULE		
	8506	EMB	PLAYERS AIR	N130FB HSI UNSCHEDULE		
8/11/2004	8520	C402	FLORIDA COASTAL	N130FB HSI UNSCHEDULE		
	8522	C402	FLORIDA COASTAL	N130FB HSI UNSCHEDULE		
8/18/2004	8403	C402	FLORIDA COASTAL	N2969 C CHECK		
	8404	C402	FLORIDA COASTAL	N2969 C CHECK		
9/16/2004	8403	C402	AIR FLIGHT	N142PA LEFT LANDING GEAR UNSCHEDULE		
	8404	C402	AIRFLIGHT	N142PA LEFT LANDING GEAR UNSCHEDULE		

Lawyer, James

From: Ladd.Lewis [REDACTED]
Sent: Wednesday, August 11, 2004 9:52 AM
To: Lawyer, James
tom.inglima [REDACTED] thomas.laird [REDACTED] john.a.diaz [REDACTED]
Cc: randolph.b.moran [REDACTED]
Subject: RE: Flying Boat Inc

Jim,
I do not, but let me include the other PIs in this email to make sure they do not as well.
Ladd

"Lawyer, James"
[REDACTED]

To: Ladd Lewis/ASO/FAA@FAA
cc: Tom Inglima/ASO/FAA@FAA
Subject: RE: Flying Boat Inc

08/11/2004 09:44
AM

Aside from the subservice issue do you have any concerns with the carrier's operations and/or management?

-----Original Message-----

From: Ladd.Lewis [REDACTED] [mailto:Ladd.Lewis [REDACTED]]
Sent: Wednesday, August 11, 2004 9:31 AM
To: Lawyer, James
Cc: tom.inglima [REDACTED]
Subject: Re: Flying Boat Inc

Jim,
We have seen no activity relative to the acquisition after the initial notification in a letter dated May 7 from GM, Bill Jones. The subservice issue continues to be of concern since Chalks is using 135 air taxi operators to supplement their scheduled flights at the rate of two or so a week. I have been directed by my southern region folks to formally notify Chalks of the issue and require corrective action. Please let me know how you all intend to proceed. I will send you copies of our correspondence to Chalks dealing with this subservice issue. Ladd [REDACTED]

"Lawyer, James"
[REDACTED]

To: Ladd

114

Lewis/ASO/FAA@FAA

.dot.gov>

cc:

Subject: Flying Boat Inc

08/10/2004 02:26

PM

LADD,

As you may recall, on April 14 we sent a letter to Flying Boat (Chalk) which expressed our concerns over the carrier's financial postures. At that time, we had information that there was a potential buyer. We stated that we would defer any decision on Chalk's economic fitness for 90 days or until the acquisition took place. We also raised the issue of subservice. Further, Chalks was required to file a report at the end of each quarter detailing sub-service arrangements. I have checked the FAA ISIS and found that there are not open enforcement cases and three incidents.

We would appreciate your input as to whether the carrier has shown any improvement since the April letter. Does the FAA have any concerns with Chalk's operations and/or management?

Thanks for you assistance.

JIM



**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

400 Seventh St., S.W.
Washington, D.C. 20590

January 5, 2005

Mr. William Jones
General Manager
Flying Boat, Inc.
d/b/a Chalk's International Airlines
704 Southwest 34th St.
Suite 100
Ft. Lauderdale, FL 33315

Dear Mr. Jones:

Last year, the Department undertook a preliminary continuing fitness review of Flying Boat, Inc. d/b/a Chalk's International Airlines ("Chalk's") pursuant to our responsibility under 49 U.S.C. 41110(e) to periodically assess changes in ownership, management, financial condition, and operations that may affect a carrier's continuing fitness since its initial DOT authorization or last fitness review. In April 2004, after receiving fitness data from the carrier, the Department decided to defer any decision regarding Chalk's economic fitness, based in part, on the possibility that Chalk's would be acquired by a third party.

While we thank you for providing the information on Chalk's sub-servicing arrangements received November 11, 2004, we remain concerned about the implications of such arrangements. As we advised you in April, the sub-service arrangements apparently entered into by Chalk's, appear to have been, and perhaps continue to be, in violation of both Title 49 of the U.S. Transportation Code ("the Transportation Code") and Part 298 of the Department's rules (14 C.F.R. Part 298).¹

Chalk's continued fitness to operate its commuter operations depends on a variety of factors including, but not limited to, its financial position, FAA compliance, and its adherence to relevant DOT regulations. The information you provided in November 2004 indicates that Chalk's continues to suffer from unanticipated maintenance difficulties which force it to enter into sub-service arrangements. The number of sub-

¹ Section 41738 of the Transportation Code and section 298.21(d) of our rules require that an air carrier that operates scheduled passenger service five times or more a week under a published schedule as a commuter air carrier must first be found fit. The Department has consistently held that an on-demand air taxi operator may not operate part of a commuter carrier's published schedule under a sub-contract without itself first having been found fit. This is because a carrier operating on behalf of another carrier through a wet-lease must have the same underlying operating authority in its own right to conduct the particular service being provided.

service flights, together with Chalk's weak financial position raises concerns over the company's continued economic viability.

Thus, to enable the Department to continue to monitor Chalk's economic fitness and overall regulatory compliance disposition, we ask that you provide us with the following information within 21 days of the date of this letter:

1. A list of all persons (individuals or organizations) that own or control at least 10 percent of the company's voting stock, including the number of shares held and the corresponding percentage of the total voting shares outstanding that are held by each, along with the address, citizenship, and principal business of each.
2. A copy of each carrier's balance sheets as of December 31, 2004, together with monthly income statements for calendar year 2004.
3. A list of all current key management personnel.² For each person, please provide their citizenship and a brief summary of their background, as well as the compliance information required by sections 204.3 (l), (m), (o), (p), and (q) of our rules (copy attached).
4. A brief description of the company's current operations to include (1) the number and type of aircraft operated, (2) markets served, (3) average number of flights per week, and (4) a description of any operational changes the carrier foresees making during the next 12 months.
5. The compliance information required by sections 204.3 (l), (m), (o), (p), and (q) of our rules for the company and its owners.
6. A report detailing the instances in which Chalk's has had to resort to sub-service procedures from September 16, through December 14, 2004. As part of this report, please provide us with the tail number of Chalk's aircraft that was unable to complete the flight, the number of passengers for whom the alternate service was provided, the name of the alternate carrier used, the date(s) and flight number(s) at issue, and the number of passengers who refused the alternative transportation, if any.

Please include a statement signed by a representative of the carrier [who shall be a principal owner, senior officer, or internal counsel of the carrier] indicating that, pursuant to Title 18 United States Code Section 1001, the information provided in response to this letter is true and correct and that the aforementioned individual has not knowingly and

² "Key personnel" refers to the President, Chief Executive Officer, Chief Operating Officer, General Manager, Chief Financial Officer, Vice President(s), the Director of Operations, the Director of Maintenance, the Chief Pilot, the Director of Safety, and the Chief Inspector, as well as the Chairman and members of the Board or other key officials who may not be involved with the day-to-day operation of the carrier but who are primary stockholders and/or whose influence on the actions or policies of the company is, or potentially could be, substantial.

willfully falsified, concealed or failed to disclose any material fact or made any false, fictitious, or fraudulent statement in connection with the preparation or filing of the material submitted.

Thank you for your cooperation in this matter. If you have any questions regarding this matter, please feel free to contact Mr. Trace Atkinson of my staff at [REDACTED]

Sincerely,

[REDACTED]
William Bertram
Chief, Air Carrier Fitness Division
Office of Aviation Analysis

cc: Ladd Lewis
POI Flying Boat, Inc.
Ft. Lauderdale FSDO
1050 Lee Wagener Blvd.
Suite 201
Ft. Lauderdale, FL 33315

OMB No. 2120-0003

Return To Main Menu

Return To Adhoc Query

1. Submitter Information

(a) Unique Control #	FVY2004F00000
(b) Difficulty Date	11/29/2004
(c) Registration Number	142PA
(d) Submitter Type	CARRIER PART 121 (A)

Service Difficulty Report

SDR

For Air Carrier and General Aviation Operational and Structural Difficulty Reporting



U.S. Department of Transportation
Federal Aviation Administration

2. Codes

(a) JASC Code	2730
(b) When Discovered	NOT REPORTED (NR)
(d) Nature of Condition	OTHER (O)
(e) Precautionary Procedure	OTHER (O)
(f) FAA Region	SO

3. Major Equipment Identity

(a) Operator Designator	FVYA	Operator Type	Air Carrier (A)				
(b) Aircraft	GULSTM	Model	G73	Serial Number	J42	Total Time	Total Cycles
(c) Engine	PWA	PT6A60A					
(d) Propeller							

4. Problem Description

PILOT REPORTS THAT ELEVATOR CONTROL WAS UNAVAILABLE IN FLIGHT AND UNABLE TO ACHIEVE NOSE DOWN POSITION WITHOUT TRIM. MAINTENANCE INSPECTED ELEVATOR CABLES, REMOVED AND REPLACED ELEVATOR DOWN CABLE FROM TORQUE TUBE TO AFT. BAGGAGE COMPONENT TENSION AND RIGGED ELEVATOR CABLES IAW MM. (SO17200504411)

5. Specific Part Or Structure Causing Difficulty

(a) Part Name	(b) Manufacturer	(c) Part Number	(d) Serial Number
CONTROL CABLE		1094082	
(e) Part Condition	(f) Part /Defect Location	(g) Total Time	(h) Total Cycles
FAILED	ELEVATOR		

(i) Time Since: Overhaul Repair Inspection

6. Component / Assembly That Includes Defective Part

(a) Component Name	(b) Manufacturer	(c) Part Number	(d) Serial Number	(e) Model Number
(f) Location	(g) Total Time	(h) Total Cycles	(i) Time Since	<input type="radio"/> Overhaul <input type="radio"/> Repair <input type="radio"/> Inspection

7. Structure Causing Difficulty

(a) Body or Fuselage Station	Waterline	(b) Crack Length (inches)	Number Of Cracks
From /At: To:	From /At: To:		
From /At Stringer Left Right	To Stringer Left Right	From /At ButtLine Left Right	To ButtLine Left Right
<input type="radio"/> <input type="radio"/>	<input type="radio"/> <input type="radio"/>	<input type="radio"/> <input type="radio"/>	<input type="radio"/> <input type="radio"/>
From /At WingStation Left Right	To WingStation Left Right	Structural Other	(c) Corrosion Level 2 3
<input type="radio"/> <input type="radio"/>	<input type="radio"/> <input type="radio"/>		<input type="radio"/> <input type="radio"/>

Paperwork Reduction Act Statement:

The information collected is used to evaluate certification standards, maintenance programs, regulatory requirements. The information is required to ensure safety in air transportation. We estimate that it will take 9 minutes to complete. Use of this form is mandatory. Please note that an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. The OMB control number associated with this collection is 2120-0003.