

Celebrating our past.
Owning our future.

CAPE AIR
25
YEARS





Dedication



.....
This book is dedicated with love and appreciation to Grant M. Wilson (1931 - 2012) for his innovative spirit, guidance and generosity. His contribution to this airline will never be forgotten, and he will live on in the hearts of his Cape Air family.
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Cape Air Founders Dan Wolf, Craig Stewart and Grant Wilson

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An Airline Takes Flight



It's been 100 years since the birth of commercial aviation. Less than a decade before that, Orville and Wilbur Wright managed to stay aloft for a then impressive fifty-nine seconds. In that context, Cape Air's longevity seems like it should be measured in something more akin to dog years, particularly when considering the advances in technology and changes to the global landscape over the last quarter century.

Cape Air's first flight between Provincetown and Boston in October of 1989 marked the launch of what would become one of the largest independent regional airlines in the United States, carrying 800,000 passengers annually to destinations around the world including New England, New York, the Caribbean, the Midwest, Montana and Micronesia. In that respect, twenty-five years doesn't seem like a long time at all. They say the sun never sets over the Cape Air "Empire" and, indeed, that's true as Cape Air employees are arriving at work on any given morning while those on the other side of the world are tucking into their beds. From a one-plane operation to a \$120-million employee-owned global organization, what a ride it's been.

The big little airline.

Cape Air's early years were informed by a passion for aviation, and an entrepreneurial spirit that challenged earlier airline models. Pleasing passengers and having a



Don Wolf, of Cape Air, with a Cessna 402 that will make daily Vineyard flights.

Cape Air takes island run Will launch Hyannis-Vineyard flights Oct. 1

**By GREGORY BRYANT
STAFF WRITER**
HYANNIS — Cape Air will expand its commuter service operation Oct. 1 when it takes over Hyannis to Martha's Vineyard flights from Edgartown Air Inc.
The Hyannis-based Cape Air, a division of Hyannis Air Service Inc., has flown scheduled daily flights between Provincetown and Boston for nearly all of the last year.
The airline will initially operate four daily departures from Hyannis to the island, Monday through Friday, said Lisa Price, director of marketing.
As does Edgartown Air, Cape Air will cater to the commuter market. Cape Air will fly 9-passenger Cessna 402 twin-engine airplanes.
"This was a good opportunity that popped up and we were prepared to do it," Ms. Price said of the expanded service. Cape Air's Provincetown-Boston route has also been very successful, she said.
Edgartown Air gave up the Hyannis-Martha's Vineyard route because it wants to concentrate on its New Bedford service to the Vineyard and Nantucket, said Nikki Medeiros, company owner with her husband, Michael.
In New Bedford, Nantucket state has triple the business of its Hyannis-Vineyard run, she said.
Ms. Price said that Cape Air ticket fares between Hyannis and the Vineyard will remain unchanged from Edgartown Air's at \$31 one way. A round trip costs \$62. A commuter book of 10 tickets costs \$280 or \$24 a ticket.
Cape Air may expand its Martha's Vineyard flights into the weekend this spring, she said.
Hyannis Air Service, Cape Air's parent, operates an on-demand air charter out of the Barnstable and Provincetown municipal airports.
In addition to Cape Air, Continental Express also runs two trips a day from Hyannis to the Vineyard every day but Sunday, said Paul Ryan, general manager in Hyannis. Most one-way flights cost \$24, he said.

good time doing it was what drove Dan Wolf, his business partners, Craig Stewart and Grant Wilson, and the rest of the inaugural team. Together, they set out with a

never-say-no attitude and commitment to service, as well as a desire to give back to the community. As the little airline grew larger, keeping things simple would become more difficult. This would be an ongoing challenge for Cape Air - finding that optimal balance between staying true to who they are while exploring new ways to spread their wings.

Early on, Cape Air made a commitment to do things right. In hindsight, it's easy to see how some of these early decisions hastened the company's success.

For example, management quickly recognized the importance of distribution, and finding creative ways to get Cape Air flights into otherwise cost-prohibitive distribution channels. They also saw the benefits in facilitating connections with big carriers through code share and streamlined baggage and ticketing, or

“interline,” agreements. These were smart moves that differentiated Cape Air from other small carriers. It was early relationships with Pan Am in New York and Continental Airlines on Martha’s Vineyard that forged the course for expansion. To this day, Cape Air values and appreciates each of its airline partners.

Doing things right also means giving back, in its purest sense, turning employees into company stakeholders. In 1996, the airline launched its Employee Stock Ownership Plan (ESOP), transforming Cape Air into an employee-owned organization. It’s a move that has served both business and employees well, allowing workers to gain financially as the airline grows, while also feeling vested in their careers, and in nurturing the organization and each other. With another ESOP on the horizon, Cape Air is committed to being an airline of the people.

No sooner off the ground than the spirit of giving back kicked in at Cape Air. The airline has always taken a leadership role in the communities it serves promoting environmental sustainability where possible, and making contributions through time, ticket and monetary

donations. The company also looks for ways to make it easier for members of the Cape Air family to care for one another. While the world watches as the legality of

Early on, Cape Air made a commitment to do things right. In hindsight, it’s easy to see how some of these early decisions hastened the company’s success.

same sex marriage sweeps the nation, let’s not forget it was back in 1998 that Cape Air extended benefits to same sex partners. And it was with the same spirit that Linda Markham most recently implemented paid maternity leave for airline employees.

Doing things right can catapult you into the national political forum as was the case when Dan found himself before legislators in Boston and Washington D.C., voicing opposition to a 500% increase in peak-hour landing fees at Logan and a proposed ticket tax. Much was at stake given the disproportionate economic impact such levies would have on a short-distance carrier like Cape Air.

In the end, the airline’s proactive stance paid off.

Meanwhile, empty seats in the off-season lead to expansion to Florida and the Florida Keys, and later to the Caribbean. Growth and success through the mid-nineties continued as a merger with Nantucket Airlines widened the airline’s operational base in the Northeast. By the turn of the century, Cape Air had achieved its vision of becoming the premiere carrier for the Cape and Islands. A strong balance sheet and financial position after eight consecutive profitable years capped an exciting first decade. Choices about expansion and service were being weighed, though many would be taken out of the airlines’ hands in the months and years ahead.

The new normal.

As with people around the nation, Cape Air employees were ripped from their ordinary lives on September 11, 2001. At the start of that day, some were working at Terminal A at Logan Airport. Others were sitting on a Nantucket runway awaiting departure. Some had just landed at JFK, only to see the see smoke billowing from lower

Manhattan. One employee was on a plane to Ft. Myers that had taken off between the two flights that crashed into the Twin Towers. Ironically, Dan was in his office with a consultant discussing the future of the Cape Air and the airline industry.

“In 2001, we were approaching the final quarter of our best year ever. As we discussed future options for our company, a face from Operations appeared at my door. I knew from his expression that something was seriously wrong,” Dan says. “What I did not know then but have come to appreciate since is what it was going to take for all of us to recover from this incalculable tragedy.”

The years that followed were a period of recalibration for the industry and for Cape Air. In 2002, business at the airline was down 33%. People simply weren’t flying

As an employee-owned company, the airline continues to celebrate its beloved mantra, MOCHA HAGoTDI.

unless absolutely necessary. With too much capacity and not enough passengers, the airline was faced with reducing expenses. What seemed like the worst of times was also a test of spirit. Cape Air employees were willing to do what was necessary to get through, devising creative solutions



as is demonstrated with the expansion of the business model halfway around the world to Micronesia. The airline and its people worked hard and hung in, and soon they would be rewarded.

Preparing for take-off.

By the late 2000s, Cape Air once again began to see good things on the horizon. New management was brought in to help take the airline to the next level. New systems and task forces were put in place, and campaigns were launched to help the airline step out onto a larger

stage. A dedicated planner was hired to grow new markets. An exciting relationship with JetBlue was initiated, one of its intentions being to “bring humanity back to the airline industry.”

One of the more innovated projects was the Gateway program, an initiative designed to help the airline attract and maintain high-quality pilots. Cape Air worked with JetBlue, the University of North Dakota and both campuses of Embry-Riddle Aeronautical University to define a clear path for aviators that would reduce turnover and produce well-rounded, highly qualified professionals.

While change can be good and even invigorating, it can also be difficult. As Cape Air began expansion into new territories in the Midwest, the Caribbean and the Northeast, as to be expected, there were growing pains. The airline was once again faced with the challenge of reevaluating and re-charting its course. The effort and contributions made by former president Dave Bushy will always be appreciated as they paved the way for long-time employee Linda Markham to assume her new leadership role. By 2013, "one of their own" would be back in charge as President of Cape Air.

Owning the future.

Terrorist attacks, war, politics, hurricanes, volcanic ash, iguanas on the runway, even wild horses couldn't keep the big little airline from becoming what it is today.

Through all of the ups and downs over the last twenty-five years, Cape Air's commitment to the communities it serves has never wavered. As an employee-owned company, the airline continues to cultivate talent within, and celebrate their beloved mantra "Make Our Customers Happy and Have a Good Time Doing It," or MOCHA HAGoTDI. It's a corporate culture that drives people to make the right choices on a daily basis and feel fully supported in doing so. It encourages celebrating each other and understanding that it's the littlest of things that makes a difference in all aspects of life and work.

Safety will continue to be paramount as the airline continues to look for exciting new opportunities for expansion around the globe. An initiative to replace the workhorse Cessna 402 is nearing fruition, and the gradual

process of fleet replacement will begin.

Through technology, Cape Air will continue to find new ways to exceed the service expectations of passengers through innovative reservation systems and other opportunities for convenience and interaction. It's an exciting time for people who not only love aviation, but also have their own precious stake in the future of it.

No sooner off the ground than the spirit of giving back kicked in at Cape Air. The airline takes a leadership role in the communities it serves, promoting environmental sustainability and philanthropy.





- Hyannis Air Service launched by Dan Wolf, Craig Stewart and Grant Wilson.



- Cape Air forges interline baggage and ticketing agreements with major carriers.
- Inflight *Sky Report* is launched.
- Dollars donated to the AIDS Support Group are matched.
- "Up, up and away! 7 flights a day" with new service to HYA.

1988

1989

1990

1991

1992

1993

1994

1995



- Inaugural Cape Air flight "N1376G" from PVC to BOS.
- First flight piloted by Dan Wolf and first officer Craig Stewart.
- Congressman Gerry Studds and four passengers make the trip.
- Service begins with 3 flights a day.



- Cape Air takes MVY-BOS from Continental.
- Logan threatens a 500% increase in landing fees.
- Cape Air flies 120 passengers a day.
- Reservation system is upgraded, hours expanded.
- Ticket and baggage agreements with PanAm, Delta, US Air, Continental, United and Midwest.



- 275 employees, 12 planes and too many unsold winter seats.
- "Key West Express" is launched.
- Cape Air automates reservations and ticketing.
- Nonstop service between BOS and ACK.

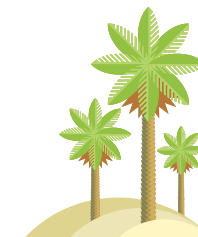


- Employees offered a 401K program.
- Cape Air celebrates its 5,000th flight.
- Employees attend "Super Host," a service training academy.
- Sky Report* goes glossy.

- Cape Air merges with Edgartown Airlines.
- Jackie Kennedy, James Taylor, Sen. John Kerry and Mike Wallace buy commuter books.
- New EWB-ACK service begins.
- The fleet consists of 9 Cessna 402s and 4 BN-2s Islanders.



- Cape Air merges with Nantucket Airlines.
- Maintenance recognized for "Outstanding Performance" in RASIP inspection.
- 120 flights a day with over 200K passengers.
- New interline agreements with Virgin Atlantic, Frontier and Continental Micronesia.



MOCHA HAGoTDI

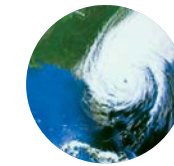
- Dan testifies before the House Subcommittee against ticket tax.
- "MOCHA HAGoTDI" comes to Dan in a dream sequence.
 - Service between ACK and PVD begins.
 - 300 employees serving 375K customers.



- Cape Air celebrates its 10th year.
 - Caribbean service expands to STX and EIS.
 - CNN Financial News highlights Cape Air.
- Books distributed to Friday night customers at Logan.
- 47 planes operating 95K flights.
 - Reservations wears pajamas to work.



- Cape Air has 48 aircraft.
- Hurricanes interrupt service in FL and Caribbean.
 - Dan starts "129 Messages."
 - Cape Air continues to battle peak-hour pricing and other increases.
- The airline reevaluates priorities post-9/11.



- Boston Concierge Service helps with security woes.
 - First ATR-42 is leased.
- With belt tightening, the airline manages to break even.

1996

1997

1998

1999

2000

2001

2002

2003

- Cape Air becomes employee-owned through ESOP.
- Hourly service between BOS and ACK.
- *Our World Magazine* features Cape Air.
- Florida APF-RSW service added.

ESOP
EMPLOYEE
STOCK
OWNERSHIP
PLAN



- Caribbean service launched between SJU and STT.
- FAA award for 100K hours of Accident-Free Flying.
- Benefits extended to same-sex partners.
- PVD service expanded to MVY.
- The *Bird's Eye View* goes color.



Y2K

- Cape Air survives Y2K.
- Employees head to Montana to battle wild fires.
- Caribbean service expands to PSE.
- 500 employees serving 500K passengers.



- Business is down 33%.
- Cape Air launches official HR department.
- Cape Air Class is born.
- Cape Air moves to Terminal C at Logan.





- Cape Air is a \$45M company by year fifteen.
- Caribbean service expands to MAZ and VQS.
- HPN to BOS service begins.
- Service begins in Micronesia as 121 certificate is granted.



- Flight following desk becomes System Operational Control (SOC).
- Flight followers become licensed dispatchers.
- Pilot union is voted in.
- Cape Air has a new COO.



- New service in ME, NH and upstate NY.
- GPS navigation installed in planes.
- Cape Air has strongest year in over a decade.
- Dan is interviewed on PBS "The Takeaway."



- Dan elected to Massachusetts Senate.
- AUG service added in ME.
- Caribbean service expanded to AXA.
- Maintenance and Repair Overhaul (MRO) facility opens.
- The largest solar roof in Southeastern MA switched on.

2004

2005

2006

2007

2008

2009

2010

2011

- Cape Air expands Continental Connection service in FL.
- 2 AM flight in Micronesia is "America's First Flight."
 - Volcanic ash cancels flights in Micronesia.
- Iguanas on the runway cause flight delays.



- A relationship with JetBlue takes off.
 - Service to RUT begins.
- Putting people before profits, operation is shut down after defective engine part discovery.
- Profits shared with employees after first profitable year since 2001.
- Gateway "pilot pipeline program" instituted.



- New Midwest routes serve STL and surrounding communities.
- Facilities are refurbished.
 - HPN service begins.
- Cape Air Sustainability Initiative is born.



- MA Governor Duval Patrick visits Cape Air.
- "It's the Little Things" program is launched.
- Service begins in NEV, OWB.
- Cape Air Care Fund is started.



- Passenger Service System from ITA by Google is launched.
- BHB service begins.
- HPN-PVC takes flight.
 - Cape Air wins EPA Environmental Merit Award.



2012

- Cape Air celebrates its 25th anniversary.
- Caribbean service expands to CPX and VIJ.
 - New PVD-BID service launched.
- ITA by Google successor Amadeus goes live.

25
Years

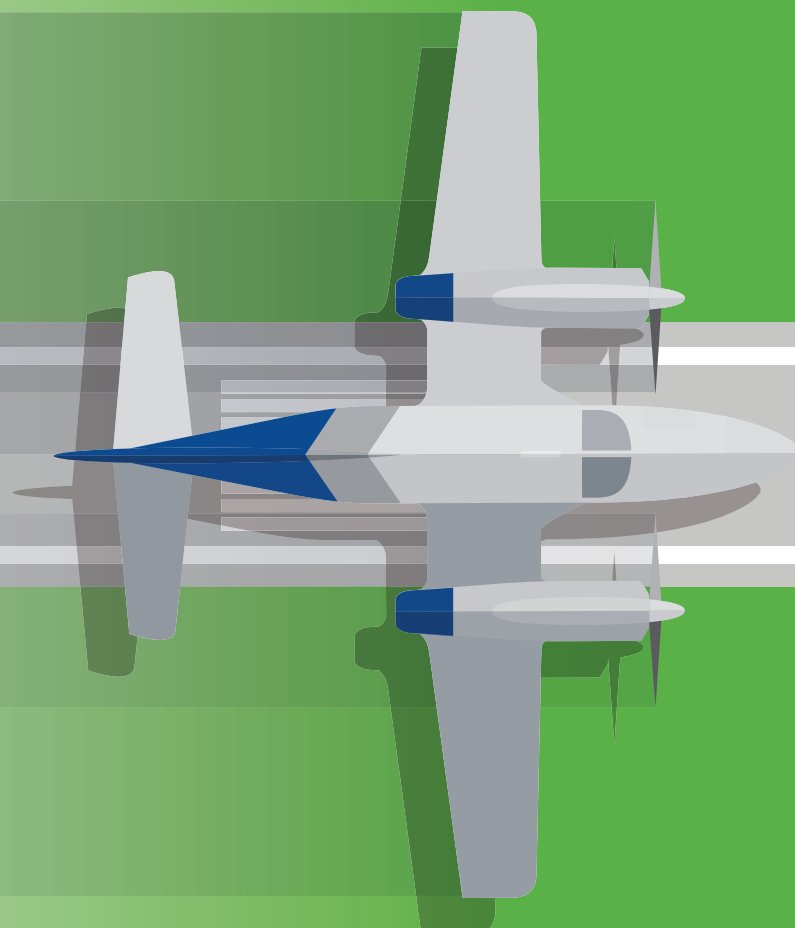
2013



- Linda Markham named Cape Air President.
- Cape Air provides paid maternity leave to employees.
- Wild horses interrupt service in Mayaguez.
- Cape Air (re)acquires Islander aircraft.
- Service begins in Montana.



2014



How precious seats are saved.

In the beginning, there was pencil and paper, handwritten tickets and a glut of Cape Air phone numbers. Eventually, as computer technology became essential to the traveling masses, we jumped to the forefront, partnering with pioneers like Google and, now, Amadeus for new ways to add value and convenience for travelers. Yet through it all, one could always just pick up the phone and talk to a person.

Now, call to book a Cape Air flight and you might assume you're talking to someone in Hyannis headquarters while, in fact, that reservationist could be sitting in an office in Owensboro, KY. Or Rutland, VT. Or Mayaguez, Puerto Rico. That's because City Ticket Offices are also reservation call centers for customers all over the country.

"We're looking into things like mobile technology, so you can book and manage reservations on your phone. If you were coming in late from somewhere, you could just get on your phone and change your flight."

**-Peter Kokoszka
Director of
Distribution Technology**

"Our ongoing challenge, how do you get a reservations agent in Hyannis to relate to the needs of an oil worker out in Sidney, Montana?"

**-Linda Fitzgerald
Director of
Call Center Support**

How people book flights.

- 50% online
- 25% phone (Hyannis)
- 25% phone (City Ticket Offices)

800 CAPE AIR



amadeus

Big Sky adventure for a little guy.

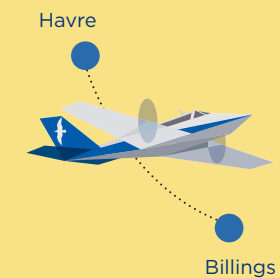


Brian Dibble
Havre Station Manager
Havre, MT

When Cape Air customers arrive at the ticket counter, they're asked to give their weight. In the case of one of Brian's favorite passengers, we're talking sixty pounds, not counting his book-filled backpack. Once or twice a month, the polite nine-year-old shows up at the station with his dad, who sends him off on a flight to Billings to meet his mom. At first, the boy was a little quiet. Soon, though, he warmed up to the staff and pilots who pay him special attention. Now it's clear



he looks forward to his trips. That's pretty gratifying for a Cape Air station crew who knows this probably isn't the easiest of times for this family. Then again, sitting in a car for five hours each way would be a heck of a lot worse than soaring through the air like Buzz Lightyear.



Up, Up and Away: the Cape Air Business Model



Differentiation is what gives a company its competitive advantage. Apple creates user-friendly, streamlined software and technology products. Etsy connects shoppers with one-of-a-kind merchandise. Priceline lets travelers set their own prices. Each company has a strategy that sets it apart from the competition. But differentiation gets challenging as a company grows and becomes more complex. How does an airline that started as a one-plane operation continue to perform as it evolves into an over ninety-plane operation? The answer to that question has to do with the answer to this one:

“So, when are you going to start flying big planes?”

Back in 1989, when the carrier that provided service between Provincetown and Boston could no longer keep up operations, Dan Wolf, Craig Stewart and Grant Wilson saw opportunity. They seized on a business model that was already in place at that airline, so elegant and graceful in its simplicity.

When it came time to think about their next route, then Cape Air President and now CEO Dan Wolf said this, “Let’s go into markets where there’s demand, but where there are also barriers. Then let’s overcome those barriers.”

Maybe the runway was small, the business was seasonal or the routes were short – all challenges for big-plane operators but not for

Cape Air and its trusted nine-seat Cessna 402.

“When Cape Air could get their arms around a barrier, it meant that another carrier might not be able to,” says Andrew Bonney, Senior Vice President of Planning.

When you’re a 100-seat jet and you still have 40% of your seats empty a week before the flight, you have to find some way to fill them. When you’re Cape Air, you can just move those seats elsewhere. The flexibility inherent in having a large fleet of smaller aircraft made Cape Air a nimble, cost-effective competitor for even the largest airlines, then and now.

“We’re not afraid to try new markets,” says Cape Air Chief Financial Officer Mike Migliore. “It’s a difficult decision to make

when a market’s not working for us, but we’re able to redeploy assets in other ways. We’re able to move those aircraft into other regions where we’re growing.”

From Cape Air’s roots to fifty-two routes.

Today, in fact, the airline hasn’t just one business model, but three, all characteristically “Cape Air” in providing solutions to overcoming barriers, each in a different way. A business model is merely how a company operates to provide value. How does a company sustain itself financially and culturally? Cape Air has a strong sense of the value it provides to passengers, and an innovative spirit that has allowed it to identify

and seize on lucrative new opportunities around the globe.

“The biggest thing we’ve done is learn how to evolve,” Mike says.

The “Legacy Model” is where Cape Air has its roots. Hop on a plane in Boston and be in Nantucket in forty-five minutes. But since those early days, service to vacation destinations has expanded significantly. Now, jump in a limo in Midtown Manhattan and be whisked to Westchester County Airport where a plane bound for Provincetown awaits. Fly JetBlue from Boston to San Juan, then take a Cape Air flight to St. Thomas, Tortola, Nevis or any of the other Caribbean island destinations, all on a single itinerary with your baggage there to greet you at the end of the final leg.

“These are typically high-end leisure markets where the Cape



Andrew Bonney
Senior Vice President of Planning

“Let’s go into markets where there’s demand, but where there are also barriers. Then let’s overcome those barriers,” said Cape Air CEO Dan Wolf.

Air model of high frequency, low-density service provides great connectivity to the national transportation system,” says Andrew. However, these markets must succeed on ticket sales alone.

Another way the airline does business is through the Essential Air Service (EAS) Program or “public service flying” where small, transportation-challenged communities across the country are connected to the national transportation system, allowing opportunities for commerce, connectivity and a better quality of life for residents and visitors. As part of a government program, about 100 communities in the Continental U.S. are eligible for federally-supported air service. Airlines wishing to participate enter into a competitive bidding process where they present their capabilities, and demonstrate

their track records, reliability and commitment to the region. The attractiveness of this model for Cape Air is that some of the initial risk is mitigated.

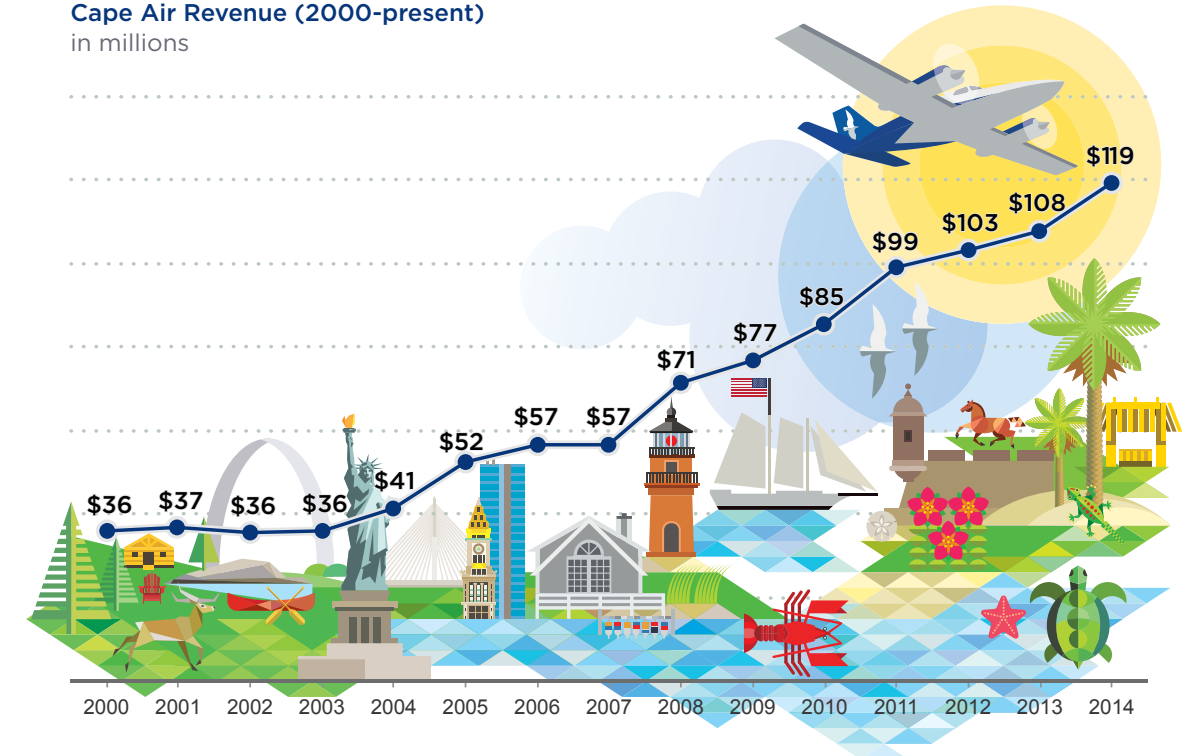
“The Department of Transportation (DOT) is a great partner with Cape Air and the communities we serve,” says Andrew, who plays a key role in identifying, bidding and winning EAS contracts.

Cape Air’s approach to this model is unique. The airline makes a sustained commitment to grow each market and, as a result, ridership at most communities has increased markedly with Cape Air as the carrier of choice. Employing the Cessna 402 to offer more frequent flights and working with the communities to achieve and celebrate milestones all contribute to a win-win situation for everyone.



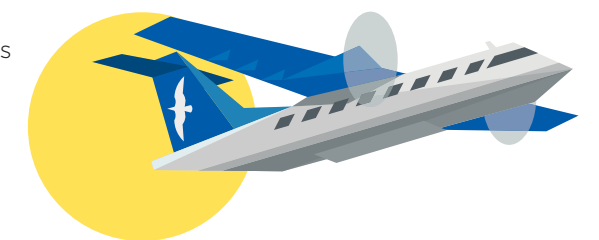
Mike Miglore
Chief Financial Officer

Cape Air Revenue (2000-present)
in millions



“We’ve done a good job of balancing the two,” Mike says, referring to the nearly matched revenue gains from Legacy and EAS markets.

The third model, which accounts for about 12% percent of the airline’s revenue is the “Express Affiliate Model,” where Cape Air provides service in Micronesia between Guam and the islands of Rota and Saipan for airline partner United Airlines. In this region, halfway around the world from its corporate headquarters, Cape Air flies local passengers in the 46-seat ATR-42 to Guam for shopping, doctor and professional appointments, and visits with family and friends, as well as serving the tourist industry and a growing presence of the United States military. The planes are different as is the distribution model, where seats are marketed as United Express and sold by United Airlines. But what remains the same in Guam and on all Cape Air routes is the company’s presence in the region, its commitment to providing outstanding service to its customers, and to making a positive contribution to the community and in the lives of its airline employees.



“We want to be us.”

One of the reasons it took two and a half years to negotiate a “carve-out” contract with United Airlines to operate as United Express in Guam is because Cape Air is vigilant about maintaining control over what they do and how they do it. The airline looks for unique business relationships that will allow them to apply their strengths and grow their brand.

“Placing our own identity on our service is very important to us,” says Lisa Kiele Shivdasani, Senior Vice President of Business Development and Distribution, who has been with the company since its early days. “We want to be vested in both the reward and risk of the business, which includes not only how it’s operated but also how we distribute our product and

serve our customers. It makes us better. It incentivizes us to focus on every aspect of the business, not just how it’s operated but how we are treating people.”

Take Cape Air’s now longstanding partnership with JetBlue, the first relationship in the industry between a non-legacy airline and a regional carrier. In forging the partnership, Cape Air’s focus was not on how things had been done in the past, but on asking, “What do our existing customers want?” After all, who Cape Air is and how they serve their customers is one of the airline’s greatest strengths. They were not going to become a smaller clone of JetBlue. Up to this point, capacity purchase agreements had been the way regional airlines did business with big carriers. Cape Air’s approach was something new.



Lisa Kiele Shivdasani
Senior Vice President of Business
Development and Distribution

For the partnership to succeed, Cape Air knew transparency would be key. “If you’re going to take a JetBlue jet, land in Boston and then take a carrier called Cape Air,

“Placing our own identity on our service is very important to us,” says Lisa Kiele Shivdasani, SVP of Business Development.

whose forte is flying small aircraft, know you’re going to get beautiful views and this really cool, personalized flying experience. What you’re not going to get is a seatback TV,” says Lisa. “It’s about managing expectations and, most important, adding value.”

Cape Air looks to partner with companies that are a good cultural fit. It’s at the top of the list in weighing business relationships. Potentially lucrative deals have fallen apart because of Cape Air’s concerns that the corporate cultures were not complementary.

“We’ll walk away from a deal rather than work with a company that’s not a good fit for us, and by ‘us’ I mean our employees, our customers, our shareholders – all of our stakeholders,” Lisa adds.

What you can't control, and what you can.

Over the twenty-five years since "N1376G" took off from Provincetown Airport carrying Pilot Dan Wolf, Congressman Gerry Studs and four other passengers, the world has changed. Catastrophic events like the terrorist attacks of September 11, 2001, forced irrevocable changes in the industry. Advances in technology have also had a dramatic effect on how airlines do business.

Better plane technology has allowed Cape Air to navigate weather conditions with greater efficiency. It's also helped the airline conserve precious fuel. At the same time, better technology has allowed some competitors' big planes to fly into airports that used to be prohibitive. Like any other successful company, Cape Air has to remain one step



ahead of competition and set industry trends.

Technology has also had a tremendous impact on how people book their travel. From its fledgling days, Cape Air has exerted impressive creative muscle in developing cost-effective "work-arounds" to expand and secure Cape Air's distribution channels.

"As far back as 1991, you could buy a ticket from San Francisco to Provincetown from your travel agency in California," Andrew says. "This is major. It's like having our product on the supermarket shelves of every country."

Now, most Cape Air flights can be booked not only through its call center or the company website, but through partner airlines, online travel agents like Travelocity and Expedia, metasearch engines like Kayak, and traditional "brick and mortar" travel agencies.

"This is a big investment that Cape Air made that a lot of small airlines did not make," Andrew adds. "It's a distinguishing factor."

Still, distribution channels continue to change. "The barriers to distribution are different now so we're looking for our next edge," says Lisa.

Sometimes, the more things change, the more they stay the same, which is why Cape Air invests in City Ticket Offices (CTOs) on Main Street, USA, in markets where that kind of demonstrated commitment goes a long way toward building trust and loyalty. For these small communities, having a physical presence in the center of town is like putting up a billboard saying



Cape Air City Ticket Office, Mayaguez

we care enough to provide a place for you to walk in and talk to a real person. In a clever twist, Cape Air found a way to mitigate costs by having CTO employees handle up to 50% of all phone reservations for the company - over 350,000 calls a year - saving the Hyannis

"As far back as 1991, you could buy a ticket from San Francisco to Provincetown from your travel agency in California...It's like having our product on the supermarket shelves of every country," says Andrew Bonney, SVP of Planning.

reservations call center from having to bring in a large seasonal staff each year. It's that kind of innovative spirit and creative problem solving that keeps the company strong and ready to meet whatever challenges arise.

There's more to flexibility than bending over backwards.

Think back to that high school science lesson on evolution, how certain organisms are remarkably equipped to adapt to new environments because of the flexibility built into their DNA. Somehow, they're able to develop traits on the fly. Along those lines,

Cape Air is the evolutionary darling of the aviation world, using the flexibility in its DNA to continually find ways to thrive and to delight customers.

We defined the business model as a way to provide a needed service, and have established that having a large fleet of small aircraft allows Cape Air the flexibility to move seats and planes around, even at the last minute.

For the customer, that may mean a way to get where you're going even when your flight has sold out. It might mean being offered two or three or ten different departure times on any given day because frequency of flights is something the Cape Air business model can accommodate. It also might mean knowing the person behind that Cape Air counter is going to do whatever he or she can to get you what you need. It's that value that differentiates Cape Air from other carriers, which has less to do with price and getting passengers from point A to point B, than it

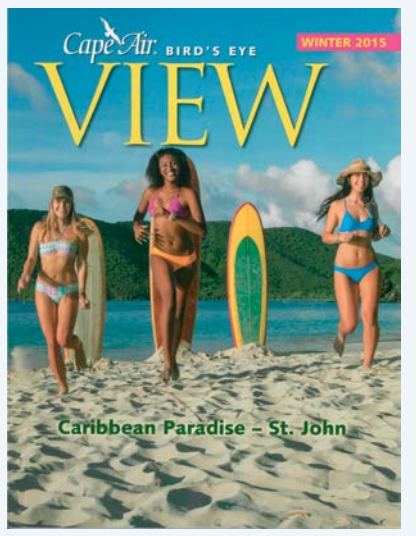
An inflight magazine takes off.

Oh, poor airplane seatback pocket! How your burden has grown over twenty-five years from carrying that slender 4-page newsletter to what is now a 120-page full color publication chock full of dreamy photographs, intriguing articles and revenue generating ads. Your only solace must be that passengers now love them so much that they swipe them all the time.

With one person responsible for the publication's growth into what it has become today, the Bird's Eye View serves as a means for the airline to share information about its routes and communities with a captive audience of customers who, at 5,000 feet, have little escape. Nor would they want any.

"It all happens in my head. One morning I'll wake up and have an idea for next Christmas. It's an ongoing process. And I keep lots of files."
**-Michelle Haynes
longtime Editor of the
Bird's Eye View**

The "most swiped issue" featured the executive producer for 60 Minutes' wife's recipe for "the best blueberry cake in the world." It must have been.



does with service, culture, and the continuous effort that's made to keep customers happy. These are the things people care about in a complicated world. Flexibility has great value.

As an airline grows, so do the barriers to flexibility. There may be restrictions or impasses to the old ways of doing things. How does an airline continue to offer significant value to its customers? It's a question management asks itself every day as they work to find new ways to give customers the flexibility they identify as part of the Cape Air brand. It might mean pioneering a partnership with Google to develop a reservation tool that's never been seen before. Or it might mean empowering employees on the front line to make decisions knowing that they'll be supported if they have a good reason for straying from protocol.

"Whenever a door is closed on some type of flexibility, the challenge is to find another door to open," says Lisa.

"So when are you going to fly big planes?"

Ask a company's CFO what contributes to his company's success and you'll get a lesson on the merits on having the discipline to grow without incurring considerable debt.

"Dan was really smart about funding growth through operating cash flow," Mike says. "I think that's the core of why we've been so successful. We have a great balance sheet."

Now, as the company looks to find a replacement for a mature fleet of Cessna 402s, being a \$120 million dollar company in good standing gives Cape Air the buying power it needs.

"Because of our continued growth, performance and very strong balance sheet, we are able

"We're not afraid to try new markets," says CFO Mike Migliore. "The biggest thing we've done is learn how to evolve."

to attract and have discussions with companies that can finance a new fleet," Mike says.

So, here in its twenty-fifth year of operation, now that the company has the financial means, maybe it's time for Cape Air to start flying bigger planes?

(This is a test. Have you been paying attention?)

"I remember in 1991, when we were growing, all of our industry contacts would say 'What's your next airplane?'" Lisa recalls. "I'd say it's another Cessna 402. People still ask 'When are you getting bigger planes?' and I tell them 'When we need them. Not before.'"

So far, Cape Air is sticking to the formula that has allowed it to grow 100% over the last six years. Big fleet. Small planes. And a corporate heart that has always been in the right place.



Airline of the People: Owning it through ESOP

When passengers ask who owns the airline, long-time Hyannis Station Manager Barbara “Babs” Melanson likes to tell them she does. Having contributed to Cape Air’s success for over twenty-five years is enough to warrant that feeling of proprietorship in anyone. But for Babs and the other 250 employees who were around for the first distribution of company shares back in 1996, there’s plenty of truth to that claim.

At this writing, approximately 20% of the company is owned by employees. In the days ahead, that number will grow as Cape Air once again distributes company shares to all employees averaging more than twenty hours a week through the Employee Stock Ownership Plan.

Employee ownership is born from the simple notion that people who create value in an organization should also share in the value they create. This has always been CEO Dan Wolf’s philosophy, and one that is wholly supported by the Cape Air management and Board of Directors.

In the mid-1970s, state and federal governments recognized the inherent value of employee ownership and rewarded companies by providing tax incentives through the Employee Stock Ownership Plan (ESOP). An ESOP is a type

of employee benefit plan, a form of profit-sharing, whereby employers share in ownership with their workforce through the distribution of company shares. In order to participate, employees must remain with the company for a period of time before they have access to their shares, a process known as vesting. At some point in the future, often upon retirement, vested employees have the opportunity to sell their shares back to the company at fair market value. Of course, the value of the stock at that time is dependent upon how well the company has

performed, allowing the ESOP to serve both as incentive and reward for the employee’s participation the company’s success.



Cape Air believes the people who create value in an organization should also share in the value they create.

“The ESOP really reflects our core values,” says Dan. “Through ownership, we all share in the benefits of the hard work we’ve done and continue to do.”

With shares moving out and coming in throughout the life of the program, the ESOP is a dynamic benefit plan which is regulated under the Employee Retirement Income Security Act (ERISA), a federal law that sets standards for investment plans in private companies. The administration of any ESOP is subject to strict rules and oversight. Like other retirement plans operating under its guidelines, the ESOP works like an Individual Retirement Account (IRA) or a 401K, where contributions are tax-deferred until distributions are received, which is often when the employee retires and finds him- or herself in a lower tax bracket.

For the organization, employee ownership through the ESOP truly aligns the interest of all stakeholders, eliminating the tension that often exists between company shareholders and employees. As employees become shareholders and shareholders become employees, potentially problematic distinctions are blurred.

At Cape Air, the belief is that shared ownership leads to a

shared sense of responsibility, and a higher level of care, engagement and upkeep on the part of employees. It can be likened to how a homeowner looks after his or her property more diligently than someone who merely rents. In fact, many studies suggest that employee ownership not only increases productivity, but also empowers and engages employees in day-to-day work decisions.



Cape Air Captain Edward Braz

Let the good times roll (out).

Ed Braz was hired by Cape Air out of college in 1994 as a customer service agent. Over the years, he received his training to become a pilot. Now, as captain, he’s charged with training others out of airline headquarters in Hyannis. Ed was only twenty-four years old when the first ESOP rolled out in 1996, giving employees 30% ownership in the airline. Shares were distributed over a period of five years and the total full-time staff of approximately 250 benefitted. Ed didn’t fully understand the magnitude of the company’s gesture at the time.

“With a little more wisdom as I’ve gotten older, I’ve come to understand how important the ESOP is in that it really gives the employees a vested interest in the organization,” Ed says. “It speaks to the company philosophy that those who are here on a day-to-day basis making the company work have a shared financial interest in the company too.”

All this is great for the employees who were fortunate enough to be with the company during that first offering. But what of those hired after the initial distribution ended in 2001? Cape Air President Linda Markham was one of those people.

“When I came to the company, I felt the pride of ownership in the people I worked side-by-side with at all levels of the organization,” Linda says. “I could really feel they cared about making the right decisions, not only on behalf of themselves but for the entire company. You want to do well for

them, and you want to do well for the organization because so many people are benefitting.”

She continues. “I get asked by other company owners and entrepreneurs about employee ownership. I tell them the reason it works well at Cape Air is because, even before the ESOP, we embodied the core values and beliefs that make an ESOP work. It’s a natural expression of how we have already defined ourselves, as valuing teamwork, being thoughtful, caring, compassionate, and treating each other with respect.”

“Through ownership, we all share in the benefits of the hard work we’ve done and continue to do,” says CEO Dan Wolf.



Tightening a great divide.

The nature of an airline is that its people are spread far and wide. Keeping employees engaged and focused on the big picture can be a challenge.

“Our ESOP helps pull people together as a team, all working toward a common goal for one another and for the customers,” Dan says. “As an airline, we’re a company that’s very decentralized. We’ve got corporate headquarters and then operations at all our airports. We believe the people doing the work day-in and day-out on our front lines should share in the rewards. That brings us closer.”

“As the company has gotten



larger, we’re scattered to the four winds,” Ed adds. “We’ve got small operations in a lot of different places. When you go to some of these smaller cities, you still have the same pioneer feeling as when



Cape Air started. I think employee ownership really helps in bringing people together. They really want the organization to be successful because it’s their livelihoods, and it gives them an opportunity to be part of something bigger than just what they see locally.”

Motivating employees to achieve ultimately has an effect on how customers are treated. In order for that pride of ownership to really take hold so that each employee



on the front lines truly feels he or she has a stake in the success of the business, the ESOP has to be more than a stack of paperwork tucked away in the employee’s file cabinet. Employee ownership has to be top of mind and part of the culture.

“At town meetings, when we’re presenting finances, during new hire orientations and the interview process, we really make sure employee ownership is part of the dialogue. It’s not just a retirement plan for Cape Air. It really fits our way of life and our internal community,” Linda says.



Barbara “Babs” Melanson
Hyannis Station Manager

The future is ours.

Babs Melanson has worked at the Hyannis station for twenty-five years. Over that time, she’s taken hundreds of new hires under her wing. For her, the ESOP is a tool to help motivate her staff.

“In working to build a strong team,” she says. “I tell them to act like they own the company.”

In the coming days, Babs will no longer have to tell them to “act” because they too will have “a piece of the rock,” as she calls it. But it’s not always such an easy sell with the younger staff, who aren’t thinking about their retirement years.

“Some kids are too young to even think about it,” Babs says. “We have veterans here who mentor the young ones, and help them understand how important this is. The kids look to me for advice. I tell them how they should be saving for their futures. If young people saved, they’d be a lot better off.”

It’s precisely that kind of concern, mentoring and pride in the job you do on the front lines that demonstrates the Cape Air culture, and poses a “chicken or the egg” type dilemma. Which came first? Employee ownership or the Cape Air culture?

Linda weighs in. “Not to say we didn’t already have a strong culture that was caring and compassionate, but having the ESOP is truly an extension of that philosophy.”

“At Cape Air, we already have the core values and beliefs that make an ESOP work,” says President Linda Markham.

Congratulations to the Cape Air family for the values and principals that have allowed you to become successful while doing things that benefit everyone, not just an elite few. And congratulations, too, to that station agent in Massena, New York, and the ramp agent in Vieques, Puerto Rico, who one morning soon will wake up an employee and go to bed that night an airline owner. In fact, in the coming days, there will be 1,000 new airline owners spread out from the tip of Cape Cod to the far reaches of Micronesia. What could be more exciting?



Amen for grateful passengers.



John Ibarra
White Plains Station Manager
White Plains, NY

Having extra time to spend with your kids is a gift. For most people, that gift is harder to appreciate when the reason is a delayed flight. One of John's favorite customers is a rabbi, a commuter book holder who travels regularly between White Plains and Lebanon. Before she heads off to the airport, she always calls ahead to make sure her flight is on schedule. The staff has gotten to know her so well that sometimes, when there's a delay, they beat her to the call. They know what would



be an inconvenience to most customers is a welcome opportunity for her to have breakfast with her kids and drive them to school. The way John and his team see it, her grace and acceptance is as good a lesson as any sermon she could give.



How planes are prepped.

When you look at all the checks and inspections that go on prior to each Cape Air flight, it's a wonder the planes ever get off the ground. It starts with Maintenance and System Operations in Hyannis, who make sure the aircraft is ready to fly. Once the Maintenance Status Board confirms the plane is ready for dispatch, the pilot takes over, arriving on the scene an hour before flight time to inspect the maintenance log, then run through a painstaking four-page interior and

exterior checklist, walk-around inspection and security check. The pilot's pre-flight preparation includes studying the day's forecasted weather from a certified online source and checking for "NOTAMs" (short for Notice to Airmen) the FAA puts out about airport conditions, runway closures - anything that could affect the flight. It's a process that that ends with the pilot formally accepting the plane, confident that it's ready to go.

"We spend a lot of time in training not only learning how to fly the airplane, but also how to prepare for the flight."
-Steve Phillips
Director of Operations



Above and Beyond: Our Safety Story



It's bad form for an airline to boast about its safety record. You won't see Southwest or United Airlines advertising how safe they are, even if it's the truth. While contributors to this piece were eager to talk about the wealth of programs Cape Air has in place to keep passengers, crew and airport workers safe, call it good old-fashioned superstition – no one was willing to make proclamations about Cape Air being safer than any other carrier. The beauty is, you now get to read everything the team had to say. And then you get to draw your own conclusions.

For an airline, safety is paramount. Even for an airline that prides itself on customer attention, safety takes precedence. The title of this article, "Above and Beyond," implies that Cape Air somehow goes to even greater lengths than what is required by the industry and governing powers to ensure safe operation. This is truly the case. For example, the Federal Aviation Administration (FAA) sets minimum requirements for pilot training. Cape Air's flight training programs far exceed those requirements. To be a pilot for Cape Air means you have flown more hours and graduated a more rigorous program than what the law requires. In fact, experienced commercial pilots for big carriers have been turned down by the

airline because they didn't have sufficient training.

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[Get a more in-depth look at the planes and maintenance in "The Things that Carry Us" on page 84.](#)
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In recent years, the FAA has implemented strict pilot "rest" requirements, meaning a pilot can only fly so many hours during any given time period. When Cape Air builds its flight schedules, they build in even more rest time, exceeding those minimums to ensure pilots are refreshed and ready to meet their shifts.

In addition, the airline has programs that are not mandated by the FAA, for example, a safety reporting system that had been in place for years before this type of

program became standard fare for the industry.

"We operate at the highest level of safety," says Steve Philips, Director of Operations. "That means it goes beyond just meeting the minimum requirements. The culture has always been ingrained in our employees, not just pilots and flight ops, but all of our people have been trained that safety is the number one priority over everything else."

The airline industry is heavily regulated by the FAA. For every aspect of airline operation, from flight operations to dispatch, the aviation regulatory branch of the federal government has staff members located near Cape Air headquarters and in the field who

go out on a regular basis, inspecting stations and planes, attending airline meetings and generally overseeing processes.

“There’s never a day there’s not some interaction with the FAA people,” says Jim Goddard, Senior Vice President of Maintenance Operations. “There has to be a good relationship.”

“Our job is to ensure that procedures and policies are not only compliant with FAA minimum standards,” Steve adds, “but that they exceed those standards.”

Safety behind the scenes.

You arrive at the airport and receive a friendly greeting from Cape Air station agents. Soon, your section is called and you’re guided out onto the tarmac to

climb aboard the awaiting Cessna 402. Because you live in the region and have flown Cape Air for years, you assume the airline has a good safety record. You

assume it’s compliant with federal standards. You assume the pilots know what they’re doing, and that they’ve been amply trained. You assume someone thoroughly checked out the plane that day, and knows what weather to expect during the flight. In short, you make a lot of assumptions.

“We operate at the highest level of safety. It goes beyond just meeting the minimum requirements,” says Steve Phillips, Director of Ops.

You’re putting a lot of trust in this company. There are many important reasons why you should.

Let’s take a look at some of the philosophies, programs and initiatives that have contributed to Cape Air’s safety over its twenty-five years of operation.

Aviation Safety and Action Program (ASAP)

In partnership with the FAA, ASAP is a non-disciplinary voluntary reporting system available to pilots and maintenance workers that promotes the open sharing of information with the goal to make not only the airline, but the entire industry safer. Individuals who believe they’ve deviated from standard protocol for whatever reason can come forward and file a confidential report. It’s a way for the airline to get information it normally would not.

Once the report is officially accepted by the Event Review Committee, the airline has the opportunity to identify and talk with the pilot or mechanic, and explore what happened and why. Was it an error by a pilot who deviated in altitude by a few hundred feet that can be remedied through additional training? Was there something distracting the pilot? A potential failure in the system?

Cape Air has incorporated GPS into its aircraft, providing a much stronger, more reliable signal.

“And if that’s the case, how do we fix it?” says Tammie Irwin, Director of Safety for Cape Air. “It’s basically a tool that we use to see how we’re doing in the company and help us change or institute new processes to make the system better.”

Implemented over the last three years, the ASAP system “has been dramatic in giving us insider info into what our day-to-day operation looks like, and has given us tools to correct things that we probably would never know about,” says Bob Shore, System Chief Pilot.

Reports are tracked on a monthly, quarterly and yearly basis to see if patterns or trends are emerging so that they can be rectified. Reports are also sent out quarterly to pilots (with names redacted, of course), so they can look at other people’s mistakes and question what they might have done in the same situation.



“It’s an enormous tool for getting people to think about what they’re doing and for going to school on other people’s mistakes,” says Bob.

Global Positioning System (GPS) Data Collection Project

In 2009, Cape Air was one of five airlines approached by the FAA and invited to participate in a study to learn how they could better enhance and spread GPS approaches to airports around the world. GPS equipment provides a much stronger, more reliable signal than traditional instrumentation that can be affected by radio, weather and other outside interference. It’s a better navigation tool.

“As the signal bounces off multiple satellites, you have redundancy in the program, and the guidance to bring the pilot on a safe approach right to the airport,” says Tammie, who headed up the Data Collection project.

Cape Air had already made the organizational decision to incorporate

GPS into its aircraft. The Data Collection project conveniently helped fund some of that initiative. Data was collected in designated regions before and after the GPS equipment was installed. The results of the study demonstrated time savings, fuel savings, and an increase in the reliability to get into airports with more accurate guidance, down to within a foot of the runway.

Through Cape Air's report, the FAA was able to lobby for better, more swift installation of GPS approaches at airports that didn't have it before.

"We serve some areas where it was very important for us to make sure we have accurate, reliable navigational data, and this really helped push that. We're really proud of that," Tammie says.



When we think of airline safety, our first thought jumps to the safety of those in the air. But an airline has to take very seriously the safety of those on the ground.

ATR Flight Operations Quality Assurance Program

Still in its infancy stages, this program uses the data from the computer built into the ATR-42 that monitors trends and systems to look at how the plane is being operated and tweak processes that will ensure safety. The hope is that the program will be fully operational in the coming year.

Connecting on safety.

Getting together face-to-face, listening, sharing, these are things that make an airline better. Every year, System Chief Pilot Bob

We want to inspire workers to follow procedures on their own.



Shore and members of the Safety Department and the Union Safety Committee go out to the airline's major bases and sit down with the crew as part of an Annual Safety Review program. They take a look at any basic issues or incidents that arose over the past year and discuss what they could be doing differently to ensure those things don't happen again.

The airline also has its own company Safety Committee where representatives from each department get the chance to share safety concerns from the unique perspectives of their particular vocations. It's workers on the front line, pilots, maintenance people, ramp agents, all getting together to better understand their respective roles and issues as they relate to safety. Each year, members are changed up and fresh faces are brought in to have the opportunity to interact and contribute.



“Safety needs to be your first thought.”

When we think of airline safety, our first thought jumps to the safety of those in the air. But an airline has to take very seriously the safety of those on the ground, the airport workers, who are out on the tarmacs waving in planes, chocking wheels and transporting luggage.

T.C. Cowan, Vice President of Airport Services, knows first hand the tragedy that can strike at any moment when one or two people let down their guard for even a split second. At his previous job for another airline, a good friend of his was killed on the ramp.

“He was walking with his head down and was struck by a vehicle,” T.C. recounts. “The timing was such that the person who grabbed the vehicle and put it in drive was looking at the gear shifter before he looked up. He didn’t see the person standing directly in front of him and started driving.”

“It wasn’t because someone was being purposely neglectful. It was because they weren’t paying attention on both sides, in a very dangerous area where you don’t think about making a move until you think about safety aspects.”

When you do the same thing over and over and you’re successful

at that task over and over, it’s natural for complacency to set in. The question is, how do you prevent that complacency?

“We try to teach people why we do it that way,” T.C. says. “Because sometimes what we’re doing seems silly. It seems like there’s a quicker way to do it. But sometimes the quick way isn’t the safe way. The best way to get people to not shortcut the procedure is to make them understand that the most mundane task has consequences if you don’t do it right.”

You want to inspire workers to follow procedures on their own but another way to prevent complacency is to go out in the field and take a look at how people are doing things. Members of the Department of Safety Internal Evaluation Program (IEP) build a series of checklists based on all the manuals, regulations and training programs, then go out to the stations to observe how well



each is following procedure.

Are employees doing things consistently, the way they were taught to do them? The IEP is a tool the airline can use to be proactive. If deviations are found, the station is given a time period in which to correct those issues.

“Make the tough call in the name of safety and we’ll support you.”

If you talk to any member of the Cape Air team long enough, be it a Senior Vice President or a Ticket Agent, you’re bound to eventually hear these words escape his or her lips.

“What it means for any member of the Cape Air organization is that if something doesn’t look quite right, if something doesn’t feel quite right, then we want you to stop what you’re doing and make that call to a supervisor,” says Craig Bentley, Senior Vice President of Operations. “If it means we delay a flight for a few minutes or an hour to ensure that we’re doing the right thing, then we all feel good about that.”

It’s this philosophy of empowerment and support that creates a culture where safety comes ahead of timetables and scheduling, ahead of concerns for the bottom line, ahead of anything else.

Safety in the big picture.

When you look at an airline’s safety performance, you expect a discussion on all the programs and people power that are put toward that effort. What you don’t expect is a conversation about cookouts. But when you have the opportunity to talk to enough people at Cape Air, you realize there’s a “big picture” element at play, where concern for each employee, the quality of his or her work life, health and even home life are all part of the ability for an individual to be present and focused in one’s job, and to make the right decisions.

Ed Zeglen has worn many hats within the Cape Air maintenance department since he started with the company after the merger with Nantucket Airlines in 1994. He regularly travels out to the stations and sees how things are going, building relationships with people who work there. He won’t think twice about working weekends to fill in for someone who needs to take time off for personal reasons, or giving his cell phone number to a young mechanic with instructions

to call him anytime day or night with questions when there’s no one else around who can help. Another thing Ed does is run summer cookouts in the hanger where everyone at headquarters is invited to come down at lunchtime and grab a bite with the maintenance crew and whomever else is around. It seems like a really nice thing to do. Maybe, too, it’s a really smart thing.



“It just opens up the relationships. The Director of Safety comes downstairs and has a hamburger with us. When in another company would you meet the VPs or the executive staff? But they come down and interact,” Ed says. “It seems silly but it’s important that people make the time.”

When you’re important enough that management will take time

out of their day to grab a bite with you, and important enough to be encouraged to follow your gut and be supported when something doesn’t feel right, maybe you feel a little more engaged and connected. Maybe you’re a little happier than most with your work situation, a little more deliberate and thoughtful in your tasks, and a little more invested in the entire enterprise. Maybe you feel part of something bigger. And something good.

“It’s a vibrant safety program,” says Bob Shore, talking now not about hamburgers but about safety being a way of life at Cape Air, something employees live and breathe. By definition, vibrant means “having or showing great life.” Working at Cape Air and having a great life is a big part of safety, too.

What factors into fares. It's complicated.

You're a big airline with a 100-seat jet that has to get filled. A week from the flight, you only have sixty seats booked. You've got to find a way to sell those remaining forty seats or your perishable commodity is gone. If you're Cape Air and have thirty-six seats between BOS and PVC that are underselling, you can just move nine of them somewhere else. Flexible capacity is the major difference between Cape Air and other

airlines when it comes to setting fares. There's a tight relationship between planning and pricing. Every day, choices need to be made. Are we going to reduce the fare or are we going to move the metal? Of course, there's a long-term pricing strategy in place for every market. Fares need to be competitive, yet if we price below what we can afford, it's not going to help the community because it's not sustainable.

frontline feedback marketing
 distribution channel mix
 forecasted demand **COST** travel patterns
 additional section capacity
What determines fares?
 booking pace budget scheduled capacity trends
 projected average fares external factors
 overbookings availability overall market strategy
 revenue integrity queues advance bookings
 waitlist budget recent load factors competition

\$52*
from each way including all taxes and fees

\$49*
from each way including all taxes and fees

\$79*
from each way including all taxes and fees

"Flexibility is one of our core values. Instead of penalizing customers with things like cancellation fees, we'd rather reward them for their purchasing decisions."

-Lisa Kiele Shivdasani
Senior Vice President of
Business Development
and Distribution

The way to a station manager's heart.

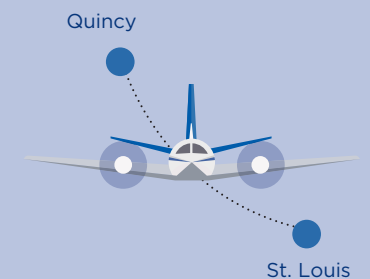


Penny Landers
Quincy Station Manager
Quincy, IL

In two words: cinnamon buns. One of Penny's favorite customers is a businessman who lives in Quincy, and flies to St. Louis each week for work. He'll leave on a Monday or Tuesday and come home Thursday or Friday. His wife and four kids (all under six) are usually there to send him off. Each week, the young family brings in orange juice and fresh baked treats for the staff. It may not seem like much, but here is a father who has to



leave his family for much of the week, and a wife who is left behind with a house full of young kids. And yet, they're focused on doing something nice for others. Now, if only Penny and her co-workers could find a way not to fight over those cinnamon buns...



The Flavor of MOCHA



In April of 2014, a young Cape Air employee from St. Thomas stood at the Manager's Meeting and proceeded to put a smile on every face in the room.

"When I came here and I heard about MOCHA - MOCHA this and MOCHA that - all I could think about was chocolate," he said. "And then I started working for the company and I got it. Now I say [to customers], 'I'm going to take care of you and I'm going to make you happy.'"

It was a moment that stood out in Cape Air President Linda Markham's mind of how, even after twenty-five years, the company mantra, MOCHA HAGoTDI, is alive and well, and being passed on to a new generation of airline employees.

You know your company mantra has had an impact on even popular culture when it makes it into the online Urban Dictionary:

MOCHA HAGoTDI: *An acronym meaning "Make Our Customers Happy and Have a Good Time Doing It," a company slogan used by Massachusetts air carrier Cape Air. It has also gained popularity as a phrase used by many airline pilots and air traffic controllers... (urbandictionary.com)*

MOCHA HAGoTDI was introduced to employees in a speech by Dan Wolf in 1997. At that time, the industry was in the throes of deregulation. The flying public was disenchanted. Cape Air was closing in on its first decade and experiencing fatigue. Dan knew he

MOCHA HAGoTDI

needed to reinvigorate Cape Air's brand of service, which had been the cornerstone of the airline's success. That evening, in costume and character as a Rabbi, Tribesman, Pope and Yogi, Dan used MOCHA HAGoTDI as a way to express how,

despite their differences, people could do business together coming from a place of humor and generosity of spirit.

While the secret to whether MOCHA HAGoTDI (hereafter called MOCHA for short) truly came to Dan in a series of dreams remains

locked away in a blue file folder labeled "Fun Committee" in the CEO's desk, what really matters is the dream-like

outpouring of acceptance and love for the mantra that has pervaded nearly every aspect of company life since.

"Who are we and why are we here? How do you embody

customer service but also the internal aspect of what we want to be for each other and our employees?" For Dan, these were the questions that drove MOCHA into being.

Each employee interviewed for this book was asked, "How does MOCHA HAGoTDI touch your role in the company? What does it mean to you?" Responses came in a flurry of anecdotes about lost and found wedding gowns, stuffed animals and movie reels, about door-to-door baggage and passenger deliveries, and pilots flying "milk runs," escorting passengers through Customs and making extra flights on holidays so that travelers wouldn't be left stranded. It came through the sharing of company programs and policies, and the everyday acts of kindness Cape Air employees perform on customers and co-workers alike.

Many thanks to all who contributed. If this were a 10,000-page book, we might have been able to share all your inspirational stories. Instead, we'll focus on the meaning behind the words and offer up a few Hall of Famers.

'We're a customer service company. That's our business. We just happen to fly airplanes,' said CEO Dan Wolf.

"There's a real spirit of nurturing and caring for one another. You feel that when you hear about people working really hard to take care of our customers," says Cape Air President Linda Markham, with the airline for thirteen years.

MOCHA HAGoTDI is a moving target.

There's no question that MOCHA is about Cape Air's dedication to the positive experience of its customers. Vice President of Human Resources Susie Silva, who's been with the company for eighteen years, recalls, "When I was manager at Logan Airport, Dan said something that has stuck with me all these years. He said, 'We're a customer service company. That's our business. We just happen to fly airplanes.' That really drove it home for me."

A New York minute of MOCHA.

(2000) An apartment buzzer rings in Manhattan. A woman opens the door to find the ticket agent she had been talking to on Nantucket the day before now standing in the doorway holding the woman's suitcase. The bag had failed



to make it to the island before she had to continue on home. At the time, the ticket agent had assured her customer she would "do everything in her power" to reunite the passenger with her belongings. In this case, that included flying to the Big Apple on her day off to hand-deliver the bag. We hope that dedicated employee at least treated herself to a fresh bagel before she headed back to Nantucket.

"I would say it's about doing the right thing, and doing exactly what I would want somebody to do if it were my property and if I were in that situation," says Dawn Machado, Manager of Central Baggage and Customer Relations, who joined the company in 1999.

Vice President of Airline and Corporate Affairs Chuck Ferrara, who has been with the company since 1992, says, "I think the thing we always tried to do was turn the perception of an airline around. Flying can be stressful. Dan always said put yourself in the position of the customer and treat people how you want to be treated."

MOCHA is also about managing expectations. T.C. Cowan, Vice President of Airport Services, has only been with the company since 2008, which is a fair number of years by most airline's standards,



yet not for Cape Air, which still retains much of its original staff. T.C. sees the customer part of MOCHA this way: "For the customer, it's important that it's a personal experience and not just 'next' in line. Every single person's expectation is different, and we really don't know what that is. When people walk up to the counter and they're veteran fliers on a different type of airline, they have expectations of what kind of service they'll get. For those same people, when they show up at Cape Air, everything's different."

Community Relations Manager Kim Corkran, who has been with the company since the merger with Nantucket Airlines in 1994, sums MOCHA up this way: "It's the spirit of looking past your nose and being empowered to make decisions that help."

As Kim says, empowerment is a pretty big deal at Cape Air. Employees are continually encouraged to do what feels right when working with their customers, even if what they want to do doesn't always align with standard procedures.

"The basic message is, if there's something you want to do that

makes you or the customer feel good and you think there's a policy that doesn't allow it, let's talk," says Jim Wolf, Cape Air Sustainability Director since 2009. "It's better to be doing good when it comes from your own initiative, because something reaches into your heart."

It's the stuff that breeds happiness. "So much of what we do is



based on the faith and belief in the goodness of people. This is something that's very strong in this company and I'm very happy to be able to work in such a place," says Director of Communications Michelle Haynes, seventeen years with the company, and counting.

"There's a real spirit of nurturing and caring for one another," says Cape Air President Linda Markham.

Piecing together a mystery.



(1999) A company envelope landed on Dan's desk. Inside was a sandwich bag filled with bits of crumpled paper and a note that said, "You always told me to trust our customers." The sender was the Interim Station Manager from Martha's Vineyard who, upon asking a passenger and his wife for their tickets, had been presented with the same baggie. "Would you like me to throw these away for you?" she asked. "No, these are our tickets. They went through the wash," the customer explained. The agent considered the dilemma, then handed the man and his wife a couple of boarding passes. The next day, the agent sent the baggie to Dan as a souvenir. Is there a shred of evidence that MOCHA HAGoTDI is for real? In fact, there's a whole bag of them.

Employees on the outside. Customers on the inside.

Many of the departments at Cape Air cater to the "internal customer," which is how they refer to the fellow employees they serve within the system. The choice of words reveals much about the value and attention paid to the needs of airline staff.

Everyone hired to work for the airline goes through training under the supervision of Nancy Shane (with the airline since 2007), Vice President of Training and Employee Development. "It's so important for us to understand the concept of making the internal customer happy, really giving everybody the tools, resources, understanding, and knowledge to be successful in their jobs. If we haven't done that, we haven't fulfilled that promise of MOCHA. So my team works a lot with knowing that sometimes they're the first faces a new employee is going to meet from the company." "We're a big little airline," Nancy continues. "It's not just a corporate office

Over and over again, you hear of people being "MOCHA-ed," or of someone who does something "MOCHA."



that you walk into. Everyone knows one another, is friendly with one another. We can ask questions: 'How's your dog? How's your daughter?' It's about bringing the warmth and the shared idea of where we're going and what we're doing."

In the realm of persons, places and things, MOCHA HAGoTDI is clearly a noun. Yet it's also a verb and an adjective. Over and over again, you hear of people being "MOCHA-ed," or of someone who does something "MOCHA," a description of the kind of act that was demonstrated.

"In training, MOCHA won't just be a single item on the PowerPoint and then we move on. It becomes a part of the conversation, part of the vocabulary. We really try to infuse that with new hires, and use it in our vocabulary with current employees every day," Nancy says.

"MOCHA is what we strive for and it is who we really genuinely want to be," Susie reiterates.

Ask people about MOCHA and flexibility comes up often, especially with regards to policy in working with employees.

"I would attribute MOCHA HAGoTDI to the flexibility and culture of the company as it relates to personal growth and personal needs," says Jeff Schaffer, Director of Maintenance Repair and Overhaul, and a member of the Cape Air family for seven years. He cites examples of how the company often works with employee families when it becomes necessary for them to relocate for personal reasons.

Senior Vice President of Business Development and Distribution Lisa Kiele Shivdasani (with Cape Air since 1989) looks at corporate culture from a managerial perspective. "A lot of people want to know how we drive our culture. Ultimately, it has to do with how we treat our own people. That's really at the core. For example, I approve a colleague's request for flexible hours. As a result, when her reservation agent needs to take a day off, she is more flexible with her agent. Then, when that reservation agent talks to the customer, isn't that agent going to be more flexible, too? The gesture reverberates throughout the team. Our company doesn't drive our culture. Our culture drives our culture."

Happy HAGoTDI to you!

(2003) Then company President Dan Wolf was flying the line as he normally did between Provincetown and Boston on Saturdays. Only this day was a little different. It was his birthday. As he taxied into the gate, the sun in his eyes, he thought he saw something strange on the ramp agent's head. It was a birthday hat. In the recorded employee message that went out through the system



that week, Dan said, "To those wearing birthday hats on Saturday, it was funny, thoughtful, unexpected, appreciated and humbling." Sometimes it's the little things employees do for each other that mean the most.

“It’s the little things that move you.”

Service recognition has always been a priority at Cape Air, and employee MOCHA programs have emerged organically over the years. “MOCHA Money” was set aside for every employee caught in an act of MOCHA. R.A.T., the airline’s “Recognize and Thank Program,” which encouraged employees to anonymously “rat” on one another for generous acts of MOCHA spirit. Dan dedicated time at his famous Town Meetings for MOCHA Y.E.S., or “Your Exceptional Service” Awards.

In recent years, a clever slogan emerged for an overhaul of the Y.E.S. program. “It’s the Little Things That Move You” came out of an initiative spearheaded by Linda Markham including other department heads, and was quickly embraced as a beloved part of company culture. Through the program, employees are encouraged to nominate colleagues to be acknowledged for “above-and-beyond service and

exceptional MOCHA spirit” both internally and externally. Nominees can be recognized for their greening efforts, community service and “other great things they do.” Customer compliments also feed into the Little Things



database. It’s really a catch-all of support for any sort of good deed done by a Cape Air employee with the understanding that it’s

the small acts committed on a daily basis that add up to building the kind of corporate culture that makes the airline shine.

“It’s the little things that happen every day that matter most,” Lisa says. She recalls a story from Nantucket in the mid-90s. “The station wanted to have fun so instead of boarding passes, they handed out fruit. Oranges for one section. Apples for another. Bananas for another. The customers had a ball with it. The only problem was that the fruit was all eaten while the customers were waiting. What we got back were orange and banana peels, apple cores.” She laughs.

Director of Operations Steve Philips has been with the company nineteen years.

When he was asked about MOCHA, he was actually in the process of shooting off a thank you note to a crew out in Guam who had stayed late to wait for passengers



coming in on a connecting flight. They extended their workday by an hour and forty minutes. Still, they never complained and put their customers’ needs first. “It’s just part of the culture that’s created from the top leadership on down,” Steve says. “We’re in business to take care of customers and to make them a priority. But we like to have fun at our jobs and the HAGoTDI part is really getting along with co-workers and enjoying each others’ company working together as a team.”

As the company looks to spread its wings, the mantra seems a serendipitous fit for a group that also prides itself on celebrating the rich diversity of its employees.



Butterflies, we’re your wings.

(1998) A couple says their “I dos.” They kiss. At that instant, hundreds of Monarch butterflies are released into the sky. There’s nothing more romantic, right? Except when the butterflies are sent to Providence to be transported to Martha’s Vineyard on a new Cape Air route that hasn’t yet been launched. No local cab driver was willing to make the trek to Hyannis with cargo so fragile. In the end, one sentimental Samaritan, the Cape Air reservation agent who had been working with the wedding party, picked up the butterflies and drove them to Hyannis, where they were put on a flight in time for the nuptials. Everyone lived happily ever after. (Especially the butterflies, who got to make a new home on the Vineyard.)



The HAGoTDI part.

An employee who’s been through some personal challenges returns to work after the holidays to find that her desk and everything on it has been meticulously gift wrapped – her stapler, the tape dispenser, each and every one of her pens and pencils. The warm, if not slightly crazy, gesture puts a smile on her face, as do the jellybeans the reservation department sends out to its remote work force from time to time. Or the hamburgers the maintenance crew makes for everyone at corporate headquarters each summer.

“It’s a lead-by-example kind of thing. Having and encouraging fun,” says Linda Fitzgerald, Director of Call Center Support and Customer Relations, and member of the Cape Air team since 1998.

“MOCHA is the perfect work/life balance. Some of us are at work more than we’re home. Were your experience not a good one, if you were not having fun, it would be a pretty miserable existence,” Susie says. She reflects. “I don’t know another person in my personal life who feels this way about her job.”



Dan and Sylvia in Billings, MT

Some Big Sky nice guys.

(2013) Over forty employees were in town for the launch of service in Montana. When an unexpected flight cancellation left one passenger stranded in Havre, a ticket agent gave up her seat so that the customer could fly on the company plane with Dan Wolf, Linda Markham, Andrew Bonney and others who were there for the inaugural celebration and now headed back to Billings. But the story didn’t end there. In the middle of a snowstorm, Dan and Andrew decided to personally deliver “Sylvia” to her daughter’s home, negotiating unplowed roads and unfamiliar territory in their rental car and, ultimately, sparing her daughter the snowy trek to the airport. At one point, the woman called her daughter and said, “The founder and CEO of the new airline is giving me a ride!” And from what we hear, that CEO and everyone else who had the pleasure of spending time with Sylvia were over the moon with having a good time doing it.

Getting ahead of our multicultural selves.

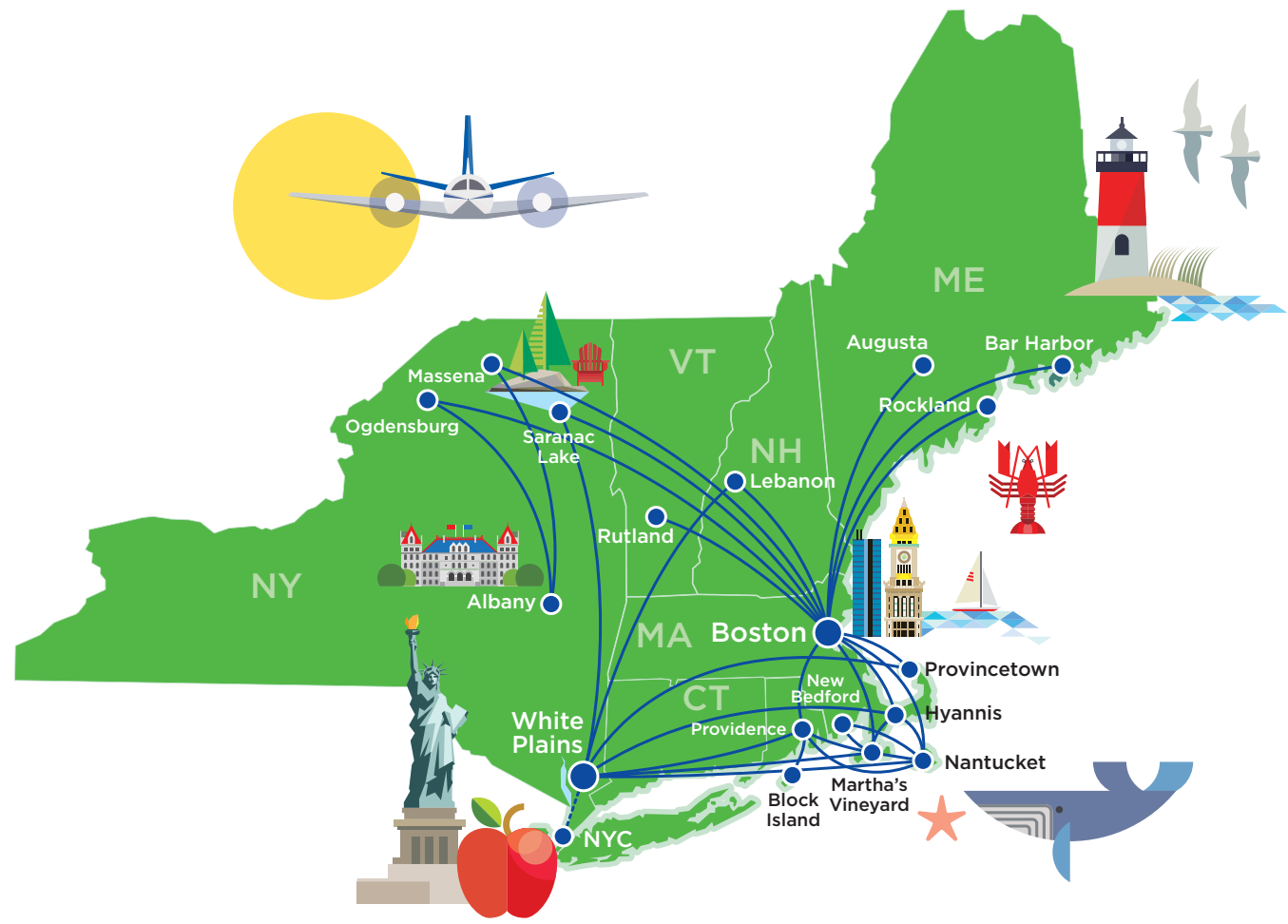
When the acronym, MOCHA HAGoTDI, became part of the company vernacular, no one could have anticipated how well Cape Air would grow into its multicultural-sounding mantra. Remarkably, an airline started by a group of New Englanders now finds itself having expanded not just to other parts of the United States, but also into the Caribbean and Micronesia, places where the phrase rolls off the tongue with a delightfully authentic cadence. As the company looks to spread its wings, the mantra seems a serendipitous fit for a group that also prides itself on celebrating the rich diversity of its employees. Serendipitous? Or karmic? Because if one truly believes in the power of intentions, nowhere are those intentions more transparent than in the daily machinations of the caring and dedicated individuals who comprise Cape Air, from the front lines around the world to the front office at Fleet Center Headquarters. MOCHA HAGoTDI has found its home.



Where We Fly



There is some beautiful randomness at work when, in the same breath, an airline can say it serves the island of Rota in the Marianas Archipelago, and also Owensboro, Kentucky, Wolf Point, Montana, and Rutland, Vermont. Yes, Cape Air flies passengers between Boston and Bar Harbor, and also between Anguilla and San Juan. The spirit of the airline embraces such adventurous geographic and cultural diversity. While its roots are firmly planted in New England, Cape Air's routes span the globe, each destination cherished and celebrated for its uniqueness, and for the critical role each plays as part of the worldwide Cape Air community.



Northeast

The Northeast conjures different things for different people, home to mountains, country, coastline and some of the world's greatest cities.

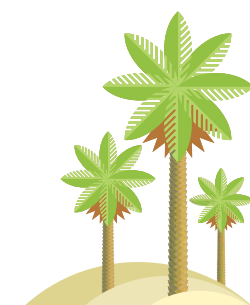
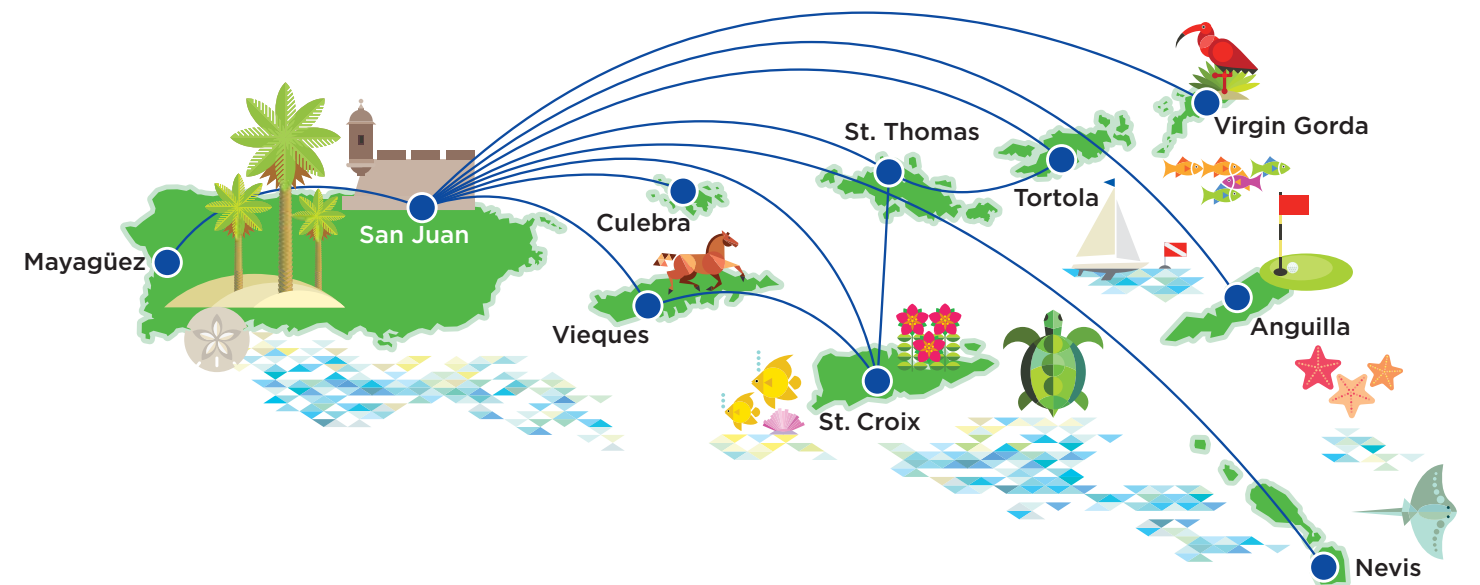
While it's the birthplace of America, it's also the birthplace of an airline that began with a humble journey from Provincetown to Boston back in 1989.

Today, the Northeast is Cape Air's sprawling flagship region with service between Boston, Cape Cod, Martha's Vineyard and Nantucket, reaching upwards to Maine and the Canadian border in New York State, as far south as New York City, and most recently includes Block Island, a summer playground off Rhode Island's coast. With up to 285 departures throughout the Northeast on any given day during peak season, the chances that one might look up and see a Cape Air plane in flight increases with each passing year.



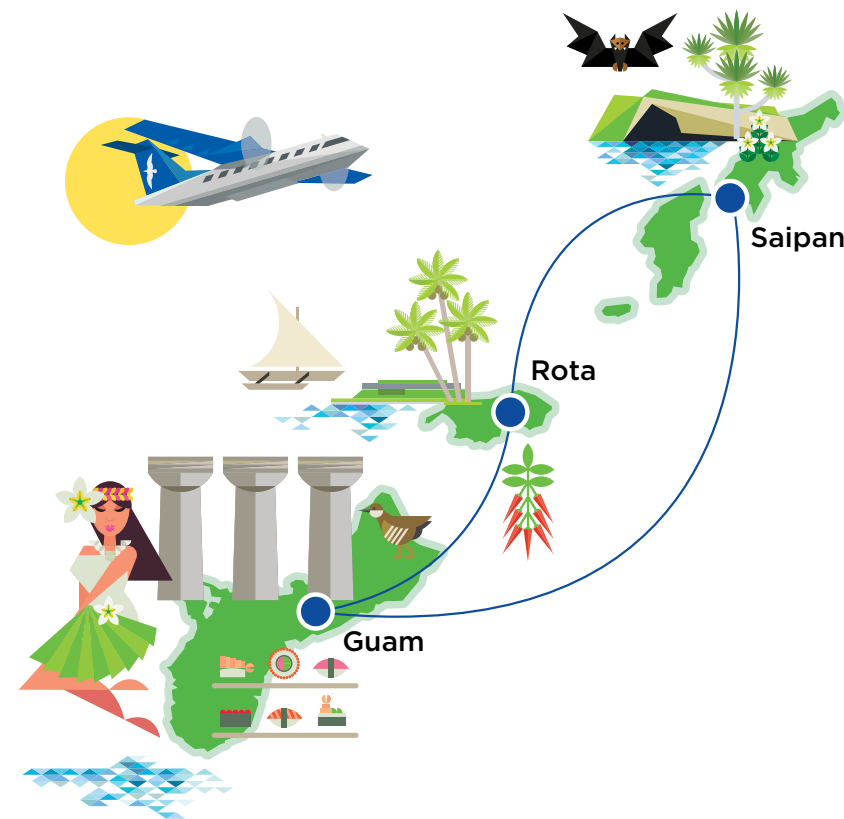
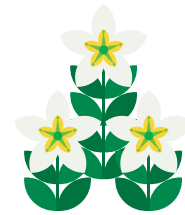
Caribbean

Endless turquoise waters and sun-drenched sands, palms bent by gentle breezes, these are the images that spring to the minds of those with a Caribbean vacation in store. But such iconic images give way to individual character with a deeper look at the unique cultures and attractions of each of Cape Air's island destinations, from the wild horses on Vieques to duty-free shopping on St. Thomas to the Spanish Colonial magic of old San Juan. Over the last sixteen years, Cape Air has become a part of the colorful fabric of each Caribbean community it serves.



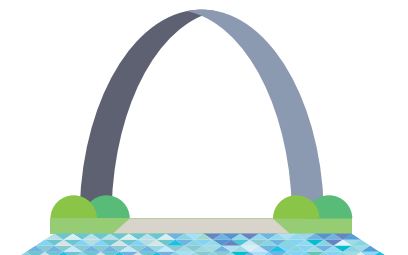
Micronesia

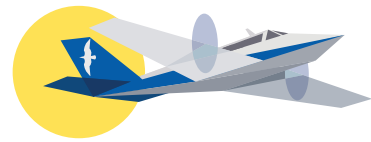
America's day begins in the middle of the Pacific Ocean and Cape Air's does too. While U.S. and military influence is widespread in the unincorporated territory of Guam, its welcoming Chamorro culture runs deep. The area's rich history, Saipan's dramatic coastline and Rota's laid-back charm make the islands playground to an annual flock of Japanese tourists. While 8,000 miles away, Cape Air's Micronesia family is an integral part of the Cape Air team. Hafa Adai!



Midwest

In a part of the country where niceness is the norm, Cape Air's philosophy of treating people well has been amply embraced. One-of-a-kind St. Louis is the local hub, with its iconic Gateway Arch and Mississippi-fed culture rich in food, music and sports. In this region, the airline provides a handy alternative to car travel for those heading to and from the city, or connecting to destinations beyond. It's also a convenient way for American military personnel to travel from their base in Ft. Leonard Wood. And an especially speedy way for soldiers to return home.





Montana

What better place to look up and see a Cape Air plane than in Montana's sparkling Big Sky? The most recent and fitting addition to the airline's growing list of regions served, the state of Montana is a breathtaking expanse made up of individuals celebrated for their adventurous and pioneering spirits. Connecting passengers between oil-rich and industrial northeastern Montana with the state's largest city, Billings, Cape Air cuts hours of time for locals and business travelers who've had their fill of the lonesome highway.



Cities that fell off our map.

A tip of the hat to some of the communities we served with pride but are with us no longer.

Caribbean

Ponce

Florida

Daytona Beach
Ft. Lauderdale
Ft. Myers
Key West
Marathon
Naples
Miami
Sarasota
Tampa

Indiana

Indianapolis
Evansville
South Bend

Mid-Atlantic

Baltimore, MD
Hagerstown, MD
Lancaster, PA

New York

Plattsburgh
Watertown

North Carolina

Manteo

Virginia

Norfolk



Scheduling: On your mark. Get set. Fly.



Scheduling is a tag team effort that begins with high-level number crunching and goal-setting. A year out, you start to look at the performance of last year's schedule. You see what the competition is doing. You consider timing of connections with other carriers, the number of planes and pilots we have and how many hours they're

able to fly. All that information goes into producing a schedule that's then vetted by operations to see if it's workable.

Once the schedule is released, the job's not over. In the weeks and months before service, we look at booking trends, what's booking, what events are going on in the world, and economic trends. Is the president coming to Martha's Vineyard? Is a new hotel opening in one of our destinations? What can we do to move sections around, add and subtract flights, and rearrange pilot lines to maximize capacity? It's a marathon to the finish that begins anew each day.



2015 Hyannis-Nantucket Schedule*

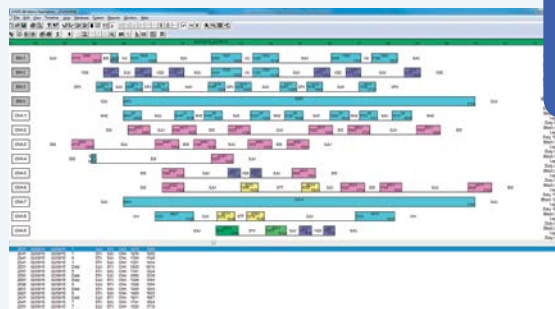
Save a boatload of time. Hop on a fast flight and enjoy the ride. For Cape Air flights to and from Providence¹ Boston, Martha's Vineyard, New Bedford and White Plains/NYC² (with ground transport included), call or visit us online.

FLIGHT	DEPART HYA	ARRIVE ACK	FREQUENCY
751	6:00 am	6:22 am	Daily
753	6:20 am	6:42 am	Mon-Sat
755	7:00 am	7:22 am	Daily
757	8:40 am	9:02 am	Daily
759	9:40 am	10:02 am	Daily
761	11:00 am	11:22 am	Daily
763	12:20 pm	12:42 pm	Daily
765	1:30 pm	1:52 pm	Daily
767	2:20 pm	2:42 pm	Daily
771	4:20 pm	4:50 pm	Daily
773	4:42 pm	5:04 pm	Sun-Fri
775	5:10 pm	5:30 pm	Daily
777	7:00 pm	7:22 pm	Daily

FLIGHT	DEPART ACK	ARRIVE HYA	FREQUENCY
751	6:00 am	6:22 am	Daily
753	6:20 am	6:42 am	Mon-Sat
755	7:00 am	7:22 am	Daily
757	8:40 am	9:02 am	Daily
759	9:40 am	10:02 am	Daily
761	11:00 am	11:22 am	Daily
763	12:20 pm	12:42 pm	Daily
765	1:30 pm	1:52 pm	Daily
767	2:20 pm	2:42 pm	Daily
771	4:20 pm	4:50 pm	Daily
773	4:42 pm	5:04 pm	Sun-Fri
775	5:10 pm	5:30 pm	Daily
777	7:00 pm	7:22 pm	Daily

capeair.com 800-CAPE-AIR

*Flights schedule subject to change. **Providence, White Plains/NYC service seasonal.



“It’s like seafood. If you buy too much and don’t sell it, you’ve lost money. If we put too many sections out there and don’t sell them, we’re flying at a loss. We have to keep the right number of people on each flight.”

**-David Simundson
Manager of Planning**

“Scheduling is extremely collaborative, and like working on a jigsaw puzzle, but one with many moving pieces. We work with all our operational groups to review each new schedule day by day, flight by flight, line by line. Everyone helps to make it better.”

**-Jim Hanson
Director of Schedules**



Nothing But Green Skies.



Arctic ice is melting, coral reefs are bleaching, hundred-year storms are now raging on a five-year cycle, not even the most ardent deniers can deny that the earth's temperature has climbed 1.4° F since 1880, most of that in recent decades. What can one airline do to mitigate its impact on global warming?

How about lead by example? Ask Jim Wolf about his passion for sustainability, and prepare for a journey into the world of green initiatives. In 2009, he joined the company to launch a multifaceted program that would catapult Cape Air into a leadership role, inspiring those inside and outside the company to take an important step toward sustainability and protecting the environment.

GOPA HAGoTDI is born.

Soon after he started with Cape Air, Jim found himself sitting in the office he shared with six employees. Some kids from the accounting department were working around him as Jim mused aloud that there ought to be a slogan to represent the vision

behind the airline's new initiative. One of the kids came up with tasty twist on the company mantra: Green Our Planet And Have A Good Time Doing It. GOPA HAGoTDI. It stuck.



“This company has always had people who care about doing the right things, and the Sustainability Initiative over the last five years is a simple outgrowth of Cape Air's caring identity, established over the first twenty years.” Jim says.

He adds, “We didn't want to be *greenwashing*, I mean you can put some recycling bins around, announce that you're sustainable and brush off your hands and say 'There, did that. Now let's market the heck out of how green we are.' We truly wanted to be on top of some serious carbon equivalent reductions, and let that speak for itself.”

The airline wanted to lead by example as it has in so many of the other aspects that marry social consciousness with the day-to-day movements of corporate life.

“It was unusual then for an airline to be prioritizing sustainability,” Jim says. “Now, it's become an industry standard.”

One of the first tasks for Jim, then CFO Bob Doane and

consultants Carol and Scott Ridley was to define the goals of a realistic sustainability program that would transition Cape Air from a carbon gobbler to a streamlined energy consumer. They identified six areas of critical concern: developing renewable energy projects; implementing energy efficiency measures at Cape Air facilities; reducing, re-using, recycling and sourcing sustainable products; using new technologies and procedures to increase fuel efficiency of the fleet; helping employees save money and “go green” at home; and partnering with airports and communities on local initiatives.

“So we had a plan and we had a purpose – to mitigate as much as we could this airline’s negative impact on the environment,” Cape Air CEO Dan Wolf says of the program’s launch in 2009.

“It was unusual for an airline to be prioritizing sustainability,” Jim says. “Now, it’s become an industry standard.”

Saving our planet starts with a “solar” system.

The folks at Cape Air Fleet Center Headquarters know a thing or two about footprints. There are the footprints you make on a stroll along the Cape Cod shore, impressions that are magically erased with the incoming tide. And then there are carbon footprints, the kinds that are not so easily



washed away. A carbon footprint is defined as the total amount of carbon emissions caused by the consumption of fossil fuels by an organization, an event, a product or a person. For anyone in the business of saving the planet, net zero is the goal.

With that in mind, the solar array at Cape Air Headquarters was to be the airline’s keystone project.

Yet solar installations don’t come cheap. Jim and his team applied for and were awarded funding by both the USDA Rural Energy for America Program and the Massachusetts Clean Energy Center.

Cape Air’s vision for a meaningful launch of the Sustainability Initiative came to life in August, 2010, with the switching on the 258-kilowatt solar photovoltaic panels installed

on top of the Fleet Center Headquarters. The flipping of the switch was an action both symbolic and significant for the region’s ecosystem, and inspiring for an industry which had long been perceived as a global warming contributor. The media took notice. Coverage of the project ranged from the local press

to industry trade publications like *GreenSky Magazine*, which summed up the initiative this way: “Cape Air is not a large company, but it has a large heart and sends an important signal to other airlines that the environmental

In August, 2010, the 258-kilowatt solar photovoltaic panels installed on top of the Cape Air Fleet Center were switched on.

and corporate social responsibility are not necessarily negative.”

At the time, it was the largest renewable energy solar project of its kind in Southern Massachusetts. “It was funny. The press kept asking, ‘Are you the biggest?’” Jim muses. “We didn’t want to talk about it that way because we were hoping that we’d be the smallest in a couple of years.”

In the team’s hopes of providing inspiration to others, the Fleet’s solar system was a resounding success. Now, when he goes onto the roof of the Fleet Center, Jim knows there are much bigger systems within a proverbial stone’s

throw. In fact, in 2014, Barnstable Airport would install solar panels alongside the runways. Airport Manager Roland “Bud” Beault says, “We never would have done this if it weren’t for Cape Air showing the way.”

In 2012, Cape Air completed its second solar project, a 98-kilowatt system atop the Employee Development Building. The airline now produces almost 95% of the electricity used in both buildings. That’s a projected 450,000 kilowatts every year for the next twenty-five years.

“We had these huge roofs facing south, just begging for solar,” Jim says. “Now we’ve proven that our purpose is not just filling airplane seats – people see that we’re happy because we’re doing the right thing. That’s GOPA HAGoTDI!”

Gliding into efficiency.

While solar panel construction was underway, other strategic components of the greening effort were falling into place. How could the airline staff be more energy efficient at their facilities and with aircraft operation? These were and continue to be the challenges faced by a burgeoning

environmental program.

Hangars, offices, restrooms and even storage spaces were outfitted with lighting relay panels, occupancy sensors, photocells and override switches. New insulation and energy efficient windows followed. The results: the energy used to light, heat and cool the Hyannis Cape Air facility was cut by 20-30%. A new recycling program instituted at the home base has reduced trash by more than 50%. Many of the operation centers are having similar successes with recycling, thanks to the commitment of managers and



front line employees. In addition, managers are choosing to order and use more sustainable products in the supply chain. For example, the *Bird’s Eye View* seatback

magazine is now printed using soy inks on recycled paper.

Look at the Cape Air logo and you'll see a seagull in flight. If you've ever truly watched one glide along the maritime air currents, you

Cape Air gave 23-watt compact fluorescent bulbs to employees to help them save energy at home.

understand how the bird is the model of flight efficiency. Similarly, Cape Air is continually seeking out technology and flight procedures that will increase efficiency in the fleet aircraft. Even before the Sustainability Initiative was born, the fuel use reduction program was underway. By 2011, all of the Cape Air Cessna 402s had been retrofitted with digital fuel flow technologies. Pilot procedures were implemented and the combination reduced the airline's fuel use in the fleet by 4% per flight hour. This program demonstrates how technology and the human factor go hand in hand to achieve efficiency results.

Since the 1970s, cars have been

able to run on unleaded fuel. Cape Air is now fast at work exploring ways to "get the lead out" which would allow airplanes to run on cleaner, more environmentally friendly unleaded fuel. The airline is looking at engine design and other means to bring that goal to life in the near future.

Perhaps most promising for fleet efficiency is Cape Air's involvement in a study of a new navigation system. In 2009, Cape Air was one of five airlines invited to participate in a data collection study on the GPS WAAS, or Wide Area Augmentation System, which is part of the FAA's "Next Gen." Cape Air planes would gather information that would help support the spread of GPS technology. When the study was completed and the numbers were crunched, it was apparent that aside from its positive safety implications, the availability of accurate, reliable, navigational GPS guidance made a big difference in route times and fuel savings as well. Now, with a fleet that is 98% GPS-equipped, Cape Air is focused on working with the FAA to promote the system nationwide.

"What can we do here in the

shop to make the planes better? How can we train pilots to fly more efficiently? Also, how can we work with the federal government to adopt this system that's going to cut fuel use by 20% across the U.S. fleet?" Jim asks. "There's no good reason that Europe should be beating us to the punch. We're playing catch-up in the United States, at great fuel use cost and carbon emissions impact on the environment."

Energy conservation begins at home.

A light bulb over someone's head is universally recognized as the symbol for an idea. So what happen when that idea is a light bulb? Or more like 3,000 of them?

As part of the celebration that launched the solar panel project,



Cape Air distributed energy efficient light bulbs to each employee. It was more than just a celebratory gesture. The solar project was slated to produce 300,000 kilowatt hours annually. The math behind the light bulb giveaway supported that if each person switched out three 100-watt traditional incandescent light bulbs for three 23-watt compact fluorescent bulbs, the Cape Air family would collectively save as many kilowatt hours as the solar panels were able to produce in a year.

in 2012, Cape Air received an Environmental Merit Award from the EPA praising the airline for its multi-faceted sustainability initiative.

"We called it 'doubling down,'" Jim says, "The net effect - 600,000 kilowatt hours in carbon equivalent savings." Not to mention employees would save, on average, \$50 a year on their electric bills. By late 2010, Hyannis-based employees had become excited

by the energy efficiency projects they were seeing at work. Cape Air invited the same energy efficiency agency that audited the workplace buildings to talk to employees at in-service seminars. Many attendees have now tightened up their homes with similar efficiency measures and are reducing their carbon footprints and saving money on their utility bills. Cape Air remains committed to doing everything it can to support employees who want to be more energy efficient and "go green" at home.

Cars, cows, crops and communities.

Cape Air embeds itself into its communities, not only by supporting local economies but also in looking for ways to help improve their quality of life. It makes sense then that one giant arm of the Sustainability Initiative at Cape Air is devoted to teaming up with communities to help them achieve their identified sustainability goals. People think electric cars are something new, but the first ones actually came into being in the mid-to-late 19th Century, just as Nantucket's whaling industry was winding down. Shortly thereafter,

internal combustion engine technology took over and it would be more than another century before Nantucketers started to explore the positive impact electric cars could have island pollution.

Cape Air caught wind of Nantucket's electric car study and pioneered a project to bring



Jim Wolf Sustainability Program Director

the first electric car to the island, partnering with island officials and the State of Massachusetts to see charging stations installed at the airport and at other locations. The airline's electric car is used to deliver baggage and run company errands. Its net-zero footprint is a welcome alternative to island taxis that get fifteen miles to the gallon. The Cape Air car is a daily reminder

and symbol to the community of the airline’s commitment to Nantucket, demonstrating a mutual concern for the tenuous island ecosystem, and putting smiles on the faces of natives and tourists alike who see Cape Air setting the pace for zero emissions vehicles.

These days, the airline is knee-deep in community-based greening



projects, including supporting renewable “cow power “ in Rutland, Vermont, which is no exaggeration when you consider that a single cow produces over thirty gallons of manure a day. Cow power is a form of renewable energy that captures the methane in manure to create electricity.

Cape Air was looking for ways to help the Rutland Airport become more energy efficient. After identifying a state energy efficiency program and funding sources, Cape Air met with airport

management and suggested that they participate in the program. To further incentivize the airport to get the program up and running, the airline offered to pay a little more for renewable cow-powered electricity at the terminal. As the airport begins to realize long-term electricity savings from the efficiency measures, Cape Air’s subsidy for cow power is being reduced. Now cows in the meadows are helping to mitigate the carbon output of planes in the air. Sometimes a little willingness to look around and see what you have to work with is all it takes for unusual partnerships to blossom.

Cape Air also supports local agriculture by helping to seed and sponsor “farm-to-school” and “farm-to-table” programs that educate and encourage people to grow and buy organic, locally grown food. These programs are springing up everywhere and represent a win for everyone.

Cape Air embeds itself into its communities, not only by supporting local economies but also in looking for ways to improve quality of life.

The real prize: improving our world.

What Jim Wolf doesn’t tell you right off the bat (though perhaps he should) is that in 2012, he and his brother, Dan, made the trip up to Boston’s Faneuil Hall to collect an Environmental Merit Award from the U.S. Environmental Protection Agency. The award was to recognize “outstanding environmental advocates who have made significant contributions toward preserving or protecting



natural resources.” The EPA praised Cape Air for its multi-faceted Sustainability Initiative as part of its long-term business strategy and for its creative partnerships and replicable programs.

“It’s good business,” Dan said. “We benefit twice – once on our bottom line, and again in protecting resources. I hope this award will encourage other businesses to

fully explore the steps they can take to save energy and reduce greenhouse gas emissions.”

Cape Air’s Sustainability Initiative has a great impact on recruiting and retaining the best people. Now, when Cape Air looks to hire, prospects are asked how they feel about coming to work for a company that cares about environmental sustainability. “We want the people joining us to know that when they make each business decision, Cape Air encourages

them to take into account the environmental impact of their decision. That is part of being a Cape Air person,” Jim says.

From the moment Dan was struck with the idea that the airline needed to take steps toward sustainability, he knew his brother was the right person for the job. Jim’s experience with renewable energy as a builder and the creativity, passion and energy he brings to whatever he does makes for a natural fit. Of course, Jim likes to play all that down.

“We hadn’t played together since Dan’s junior year on the baseball team at Germantown Friends,” he says of the Quaker private school they attended as kids. “We wanted another shot to do that together. I think we’ve hit a few home runs.”

The Sustainability Initiative at Cape Air continues to score wins for its employees, the airline, an industry and for the world we share.

In addition to the EPA Environmental Merit Award (2012), Cape Air’s Sustainability Initiative has achieved recognition by the Northeast Energy Efficiency Partnership (NEEP) as a Business Leader for Energy Efficiency (2011), the Association of Energy Engineers New England Chapter Award for Best Customer-Driven Energy Project for Small Commercial and Industrial, and the 2010 Mass Savers Award for energy efficiency and renewable energy improvements.

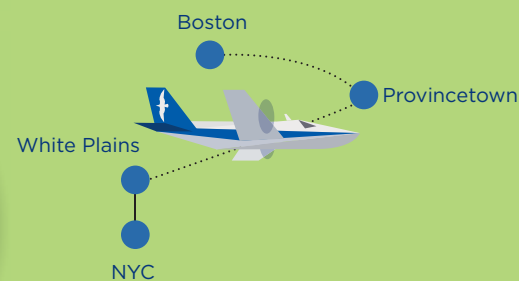
Nice guys finish first.

People who are pleasant, easygoing and understanding when need be – those are Joady’s favorite passengers. There’s man who frequently travels to Boston to connect to LaGuardia, or sometimes jumps on a Cape Air flight to White Plains. He dresses casually and travels light, and is always nice to the staff. Joady only knew he owned a shop in Provincetown until the day she was flipping through a magazine and learned a good deal more. As it turns out, this favorite customer is



Joady Brown
Provincetown Station Manager
Provincetown, MA

a well-known artist who produces a unique line of plates, bowls, coasters, note cards and other pieces sold in gift shops around the world. He even creates a product line for Target. Who knew? As far as Joady is concerned, success couldn't have found a nicer guy.



How it Works

Getting a handle on baggage.

People who fly Cape Air like to bring a lot with them, including golf clubs, sporting gear, heavy suitcases, large musical instruments and, yes, even farm animals. That poses a problem for an airplane with nine seats. To say that baggage has been a challenge is an understatement. Still, somehow we manage to get passengers

.....
The majority of passengers at Fort Leonard Wood, MI, are soldiers who travel with giant duffle bags. On busy routes, Cape Air flies a second "bird."
One for passengers.
One for bags.



from point A to point B with the things they need. (At least, we try like heck.) When a lost bag goes unclaimed, it ends up at Central Baggage in New Bedford where Dawn Machado works behind the scenes as a real-life Nancy Drew, piecing together evidence and clues to match bag and owner. It might be a phone bill, a library book, a prescription bottle, or even a cell phone that can be

Most bizarre bag.

"We did have an entire suitcase of two-liter bottles filled with dried kidney beans, lentils and all kinds of spices. That was the strangest. We never did find the owner."

-Dawn Machado
Manager of
Central Baggage and
Customer Relations

recharged. Rest assured, if there's something that can bring suitcase and owner together, Dawn will find it.

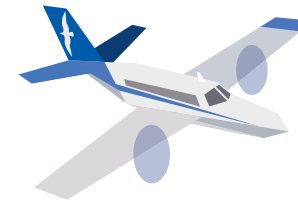
Weirdest cargo story.

"Once Cape Air transported a live lamb from EWB to ACK for a nativity set. That day, Captain Floyd called in that he had six people on board, 500 pounds of bags and 'a lamb in a diaper on the back shelf.'"

-Chuck Ferrara
Vice President of Airline
and Corporate Affairs



The People's President



If you see her in the hall, you're greeted with a warm hug. She asks about the spouse and kids by name, maybe a few questions about the family pooch. You chat for a while. You feel like she really knows you and you're right, she does. You were probably hired through the Human Resources department she established. And in the time she's known you, she's made a conscious effort to really learn who you are. She knows where you shine and where you could use a little guidance. She also sees something in you – call it aptitude or raw talent – and she's going to help you develop it. With uncanny precision, she's going to pinpoint the role that will allow you to flourish and make the greatest contribution to the organization. This is her favorite thing to do.

On March 22, 2013, Linda Markham was named President and Chief Administrative Officer at Cape Air and Nantucket Airlines, becoming the only woman airline president in North America. In the thirteen

.....
In 2014, Linda was elected new Board Chair for the Regional Airline Association (RAA), the first woman chair in the association's 40-year history.

.....
years since she joined the company, the airline has grown from 300 employees to over 1,000, and from serving seventeen cities to forty-six. In addition, the company now has a full service Human Resources department that covers benefits, payroll, employee

relations, labor relations, recruiting and employee travel, and is run according to Linda's philosophy whereby every employee who walks through the door is treated as a customer. Because, the way she sees it, this is an enterprise about people.

A different flight path to the top.

Airline presidents typically hail from their backgrounds as pilots or mechanics, people who as little kids had big dreams of flying and later found a way to parlay those aspirations into successful careers in aviation. Linda's trajectory has been markedly different.

She grew up the youngest of six children in Westfield, a Pioneer Valley town near Springfield, MA. Its rural outskirts are comprised of a patchwork of tobacco fields where at age thirteen, Linda started her work life alongside her siblings in the hot summer sun, picking the wide leaves that would later be dried in long barns that dot the landscape. She earned her degree in business and retail management at Holyoke Community College, eventually leaving the area to serve in various recruitment and human resource roles, including a seven-year tour in HR for the Visiting Nurses



Association in South Dennis.

"I had a passion for people, working with people and helping people, and not just pushing paper. I really wanted to get to know them," Linda says of her early days at the VNA.

A serendipitous call from a colleague lured Linda from her short stint as a full-time stay-at-home mom after the birth of her third child to a part-time role with the airline that would unwittingly give way to her steady ascent to the top of Cape Air management.

From her hard work, compassion, intelligence, negotiation skills, and an astute ability to understand how to motivate people, Linda grew to not only manage the administrative branch of the company but also drive strategic planning which is now such a big part of the company's focus.

When asked the secret to her success, with a wry smile, she offers this. "I've worked my butt off." Then she adds, "How did a non-pilot non-mechanic become president of an airline? If you look at the organization, we're employee owned. Now you have the person who is in charge of people leading the company. It made a lot of

sense for Dan and the board to look at somebody with those skills. To me, and to the employee group, that speaks volumes as to what's important to the company."

A balance of zeal and Zen.

Part of the American dream is the celebration of ambition, the thing that catapults people to success. There's ambition for one's

"I love identifying raw talent and coaching it along. I have seen so many people grow through this organization. That to me is more rewarding than anything, even more than a title," Linda says.

career and then there's ambition that's focused on the success of the organization. One is based on ego, the other about taking measurable steps toward cultivating the talent and opportunities the company will need to reach its potential. It's ambition for the greater good, a more selfless, nurturing path that, interestingly enough, takes you to the same place. Some have to scratch and

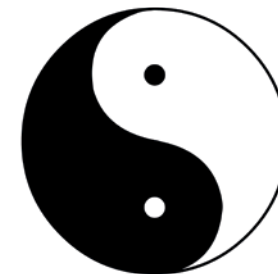
claw their way to the top. Others seem to rise with the richness of cream, naturally, organically, as if the laws of the universe had something to do with it.

"I'm not in competition with anybody," says Linda. "I was not in competition with [former Cape Air President] Dave Bushy. I'm not in competition with Dan. I don't care what position you put me in or what title you give me. I want to be sure you put me in the position where I can affect the most positive change to the organization. So whatever that role is, and it might change over time, I want to be where you think I can add the most value."

She goes on, "Other people have agendas on where they want to go in their careers. I didn't come in thirteen years ago saying I want to be the president of the company, and this is what I'm going to do to get there. It has been an organic thing. Dan knows I genuinely love this company and the people who work here. I love identifying raw talent and coaching it along. I have seen so many people grow through this organization. That to me is more rewarding than anything, even more than a title."

The yin and the yang.

Dan Wolf was running late on his way back from a senatorial meeting. Linda and several men donned in three-piece suits from an outside investment firm were waiting for him in his office. The atmosphere was formal, the men buttoned up and professional, awaiting the (then) president of an



airline. Dan finally arrived on the scene, greeted the men, then gave

Linda and Dan usually talk on the phone at least once a day, sometimes more often. Their alignment in their philosophies on running the company creates a unified managerial front.

Linda a hug and said "Hey, baby, how ya doing?" The way Linda tells the story, the looks on the men's faces were priceless.

"But that's who we are," she says. "We have a lot of fun."

It's no secret that Dan Wolf and Linda Markham have a tight working relationship based on mutual respect for one another.

Their strengths clearly compliment each other and they don't have competing agendas.

"I respect his role and he respects mine, but we bring different things to the table. He's got different strengths than I do," Linda says. "There are certain things I don't know but I'm not afraid to ask him. And he's not afraid to pick up the phone and say, 'I got this thing going and what do you think?'"

An example of their different styles, Linda believes accountability helps develop people, and she can deliver constructive feedback in a way where someone's not going to walk away feeling bad about the



experience. "That's why he and I are good together, because he can give the positive stuff but then I can give the constructive stuff. We just have different ways of developing people."

In another example, Linda says, "I'm more of an executor." She excels at running meetings and motivating people toward their strategic initiatives. "Dan is more of a visionary guy. He likes to come in and brainstorm ideas."

Linda and Dan usually talk on the phone at least once a day, sometimes more often. Their alignment in their philosophies on running the company creates a unified managerial front. And it helps, too, that they just plain get along.

"I really like him as a person," she says. "I truly love his spirit, his energy and his passion. I think that not only for Cape Air, but for Cape



Cod and the Islands, and what he's doing politically." She adds, "We both believe in and see the good in people."

One giant leap for womankind.

As is often true of women who reach top managerial positions, they'd love to dwell on their achievements but they're too busy running companies. That said, Linda is aware of her status as a role model for other women. Though as is typical, she attributes her success to the corporate culture at Cape Air.

"To the airline's credit, if a women president was going to be named anywhere, Cape Air would be the first airline that comes to mind. It has a long history of gender equality, with half the management team and even eleven percent of the pilots being women, which is almost triple the national average," she says. Dan's philosophy,

regardless of gender or any other factor, is that people get ahead who deserve it.

To pay her success forward, one of the first things Linda did after she was named president was to offer paid maternity leave to women as an employee benefit.

Earlier this year in a speech to a women's group, Linda told them, "You have to believe in yourself for others to believe in you, regardless of your gender. You have to be really confident in your abilities about what you can do. Never let anybody tell you otherwise."

Dan was completely on board and so she called the representative from the International Brotherhood of Teamsters (IBT) and told him they'd be offering this benefit but that there'd be no negotiating. They'd be giving it to the pilots as well.

When asked, Linda makes the

In 2013, one of the first things Linda did after she was named president was to offer paid maternity leave to women as an employee benefit.

time to share her experiences with other women. Earlier this year in a speech to a women's group, Linda told them, "You have to believe in yourself for others to believe in you, regardless of your gender. You have to be really confident in your abilities about what you can do. Never let anybody tell you otherwise."

Linda has never let anyone tell her otherwise. And so far there's little she hasn't accomplished.

A day in the life.

It's fitting that the person who runs an airline begins most days with a run herself, either inside on her treadmill or outside when weather permits. She and Dan usually check in with each other and the rest of the day is typically a parade of meetings.

At 9:30 sharp, she, Jim Goddard, Senior Vice President of Fleet Planning and Maintenance, and Craig Bentley, Senior Vice President of Operations, sit down to review the previous day's operations to see what can be learned from any



delays, cancellations or crew issues. Then, with thirteen direct reports, each having one or two meetings weekly, Linda's days are gobbled up fast. She may join the Crew Manpower Planning Team that works on pilot recruitment, retention and other issues. Or she may sit in a strategic initiative meeting, several of which she heads up herself. These cover three categories including profitability and revenue, maintenance and building foundations, and, as one might expect, a third category that is devoted to people. Under every segment there are three or four initiatives that the groups focus on for the year which are owned by executive leadership. For example one of the big initiatives for 2014 is based around employee and

customer experience. While the company used to keep those two things separate, Linda believes that if you really enjoy what you're doing at work, that's going to transcend the customer experience. Within that initiative there are three pillars. One is irregular operations, one is baggage and the last is, you guessed it, people. So someone may be working on ways to improve the baggage experience

for customers. Another may be working on employee tools that might include "fid" or television screens that show employees up-to-the-minute flight information so they can communicate better with customers. Each contributor is given deadlines for their milestones. And each team works on their specific initiatives that eventually tie up into the larger ones. It's a structured, methodical process

Safety is the airline's greatest priority and so Linda meets frequently with the Director of Safety and stay on top of all things related to the well-being of passengers, crew and staff on the ground.

that delivers measurable results. "Everyone is so aligned and they want to move forward. They want the organization to succeed so that you never get that pushback. You never get 'I wish I didn't have to go to that committee meeting,'" Linda says. "Everyone is so engaged and these meetings and comes with such great and fresh input that it doesn't feel like heavy lifting

sometimes, even though it's a lot of work. I steer them in the right direction and am very Socratic so I ask questions that get people thinking."

Safety is the airline's greatest priority and so Linda meets with the Director of Safety frequently to review reports and stay on top of all things related to the well-being of passengers, crew and staff on the ground. Linda regularly goes down to the hangar floor to talk to mechanics and make them feel supported. She also oversees the airline's relationship with the FAA, and manages pilot union negotiations. Unlike the tension that often exist between corporate management and union leaders, Linda and the airline have what she describes as a "nice" relationship with the IBT, who respect Cape Air for their culture and how they treat their employees. It's a relationship so friendly that Linda has gotten calls on Christmas Day from Teamsters wishing her a happy holiday.

The future. Bringing it on.

What are the challenges of running a \$120 million airline? What are the opportunities for the future?

For the airline, one of the biggest challenges and priorities has been finding a replacement for an experienced fleet of Cessna 402s. While Linda is 100% confident in her maintenance department and their ability to ensure



the fleet's safety, the problem lies more in the cost associated with doing so. However, at the time this was written, Linda was happy to report that they've gotten very close to securing a new plane. She describes the aircraft as a "402 on steroids." A little bigger, with more room in the belly for baggage. Jim Goddard who heads up the new aircraft search and the rest of the team are all excited to move forward.

Technology is both a challenge and an opportunity for any industry, probably more so for an airline. Much of the company's focus these days is on staying at the forefront of technology and finding ways to use it to improve flight crew, employee and customer experiences. Sometimes getting people to continually adopt new ways of doing things can be an internal challenge.

"It's about saying to people here that technology is important to our survival and our success," says Linda. Whether it's embracing GPS technology on the aircraft, working with bigger and faster reservation systems or providing customers with the optimal user interface, from website to phone apps, Cape Air is full speed ahead on technology and all are invited to come along for the ride.

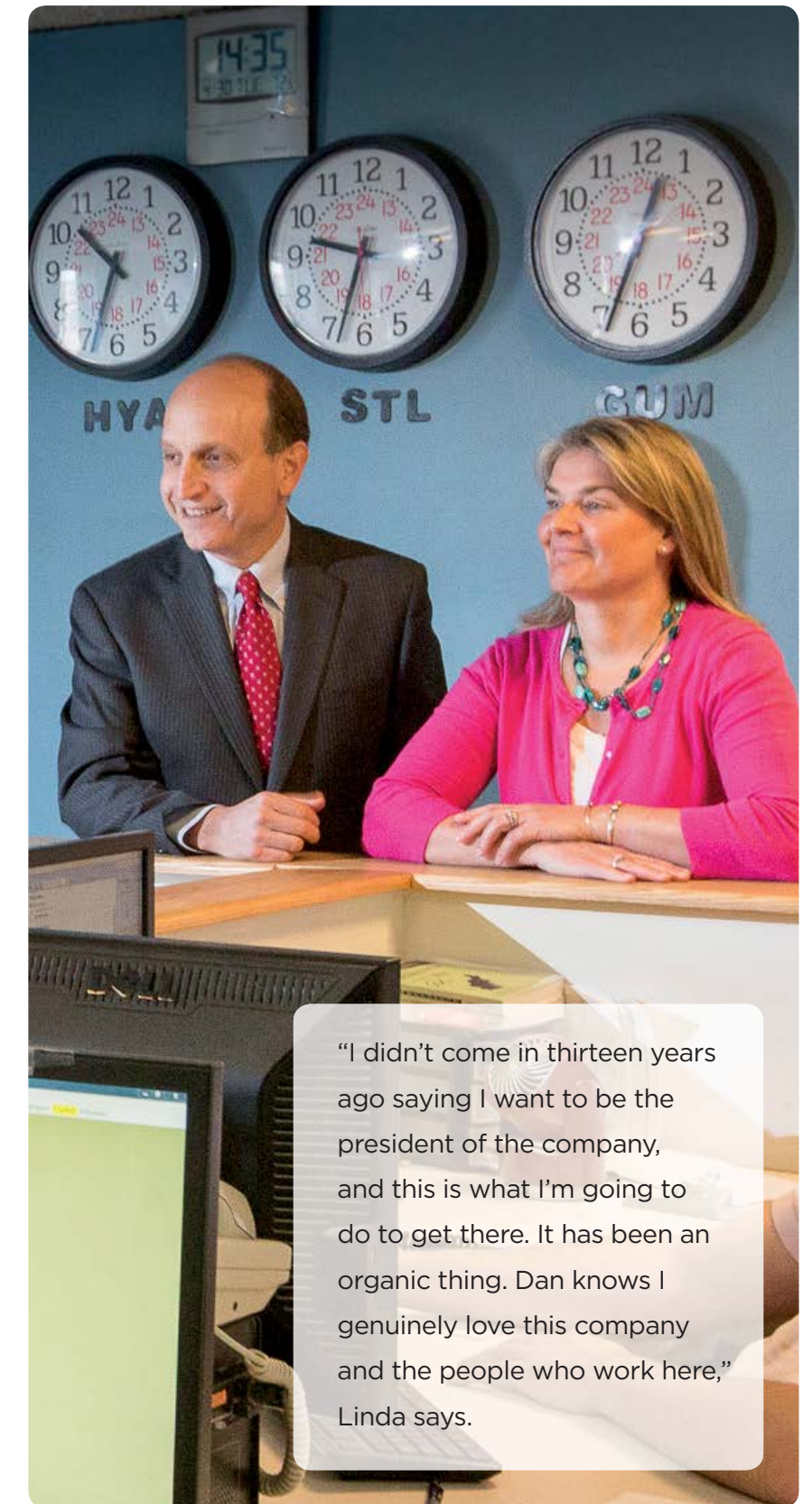
Which brings Linda to another ongoing challenge, a familiar one, which is finding the right people. "One of the things we do really well with our culture is we don't just promote it, we believe in it. So when we hire people, we make sure we hire right, and that they come to believe it, too."

As for expansion, Cape Air knows no limits. "To take our model and bring it worldwide, for us to really leverage that and take advantage of that is the vision we all share - I really believe we can do it," Linda says. She adds, "One of my colleagues said it best, 'We do it better than nobody else.'"

It's late in the afternoon. A knock comes on the already open door. Linda looks up from her desk. It's a mechanic who's wandered upstairs from the hangar.

He pops his head in. "How's my favorite president doing?" he asks.

Over a year into her presidency and Linda Markham is doing just fine as she works to make sure Cape Air is nurtured with the same care that she devotes to each and every person at the company - CEO, mechanic, you name it.



"I didn't come in thirteen years ago saying I want to be the president of the company, and this is what I'm going to do to get there. It has been an organic thing. Dan knows I genuinely love this company and the people who work here," Linda says.

Fast, fragrant flights.

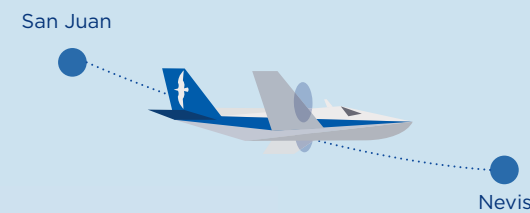


Sharlene Herbert
Manager of TDC Airline Services
Nevis, Lesser Antilles

Having an armful of fresh Calla lilies doesn't make you a nice person. Fortunately, one of Sharlene's favorite customers is as sweet as the blooms she grows in her island garden. She's a Nevis native and owner of a local flower shop where she makes wedding bouquets and arrangements out of exotic flowers she grows on the island. When she needs something that isn't grown locally, she travels to San Juan to procure just the right petals. Then she carries them back on the plane, we're thinking much to the delight of the passengers who get to take in their beauty and



fragrance. Sharlene still talks about the birthday bouquet a friend once sent to her from the woman's flower shop. And the flower lady always talks about how much she loves Cape Air, and how happy she is that the airline landed on Nevis.



How it Works

Running an airline where it's already tomorrow.

It's fifteen hours ahead in Micronesia, 8,000 miles from Cape Air headquarters. In the days when service began, sleep was scarce. Over the years though, Cape Air Operations have gotten it down, relying on solid leadership in the region, providing support through weekly calls and putting resources in place for aircraft and personnel and, most of all, by thinking outside the box, whether that's finding ways to get critical parts halfway around the world, storing specialized components on the planes in "flyaway kits," or even having maintenance techs fly as crew to keep

service on schedule. Every now and then, a part is needed that can only be found in the U.S. Then it's Cape Air Courier Service to the rescue. Volunteers sign up to serve as couriers who, at a moment's notice, are ready to jump on a commercial flight to Guam to ensure its delivery. It's the fastest, most reliable way to get that plane back in service. And those employees get to spend a day or two in a whole different world. "It's like Fed Ex having a different person delivering each package," says CEO Dan Wolf.

"No matter how far the distance between Hyannis and Micronesia, someone is always there at headquarters to respond to your needs, resolving issues and offering support."

**-Calista Pendergrass
Station Manager, Rota**

"Senior leaders travel to Micronesia two to six times a year to spend time with employees to assure Cape Air's culture and service level remain constant."

**-Craig Bentley
Senior Vice President
of Operations**





The Things that Carry Us

In 2007, Comedian Louis C.K. appeared on the Conan O’Brian Show, letting loose with a rant directed at people who complain about flight delays and other air travel annoyances.

“Oh really,” he mocked. “What happened next? Did you fly through the air incredibly like a bird? Did you partake in the miracle of human flight? Wow, you’re flying! It’s amazing! Everybody on every plane should just constantly be going, ‘Oh my God, wow. Yes, you’re flying. You’re sitting in a chair in the sky.’”

Louis C.K.’s point: everything is amazing and no one is happy. We beg to differ, at least when it comes to the aviation geeks at Cape Air. For them, even 30-year-old planes are pretty amazing.

This is the story of a fleet of ninety-two aircraft, and how they’ve helped build one of North America’s largest independent regional airlines serving communities around the globe. We’ll take a look at the three planes that keep Cape Air aloft, how they support the company business model, and the opportunities and challenges they present. And then we’ll peer into the crystal ball for some insights into what we’ll be flying by the time the next anniversary book goes to print.

Song of my Cessna 402.

Meet the workhorse that makes up the vast majority of Cape Air’s fleet, a robust, dependable, twin-engine utility aircraft that comfortably transports nine

passengers and their baggage across the forty-three cities that represent Cape Air’s core business. Where there are barriers preventing larger aircraft to service any given route – be it airport size or runway length, or just volume too small to sustain a larger aircraft model – the Cessna 402 is a time-tested, economically sound performer for short haul flights.

“It’s a relatively comfortable airplane and has had a long history,” says Bob Shore, System Chief Pilot at Cape Air.

“The Cessna 402 is a platform that has been able to carry our passengers and their baggage consistently to meet the job at hand,” adds Craig Bentley, Cape Air Senior Vice President of Operations. “It’s a well-built

machine, and operates in all kinds of weather.”

With seventy-six aircraft, Cape Air operates the largest fleet of Cessna 402s in the world. That said, the last plane rolled off the production line in 1985, a reality that puts the average age of each plane in the Cape Air fleet at over thirty years.

“There’s a reason why Dan Wolf selected the Cessna 402. It’s a testament to the airplane that we’re having such a difficult time replacing it,” says Bob.

Cessna 402

Average cruise speed	180 mph
Average altitude	4-5,000'
Wing span	44.1'
Number of passengers	9



It's also a testament to the airline that the mature fleet has remained safe and cost effective. Most planes have accumulated over 30,000 flight hours and they've operated in challenging environments like sea air. Over the years, the Cape Air maintenance team has had to continually remain one step ahead.

"You're constantly analyzing and looking at trends, and changing programs daily to make sure problems that are going to crop up don't crop up," says Jim Goddard, Senior Vice President of Fleet Planning and Maintenance. "Cape Air Maintenance really needs to have a vision for the future."

As the largest employer of the Cessna 402, the airline works closely with the manufacturer, setting standards and sharing information that helps maintain the safety and performance of the thousands of aircraft that remain in use worldwide. In the 1990s, Cape Air detected some areas of the plane that couldn't be properly inspected. They brought this information to Cessna Aircraft Company, working with them to develop a spar modification for the aircraft, which became the Federal Aviation Administration's (FAA) airways directive in the 2000s. Every plane in the country had to be modified in compliance.

Cape Air knew how to inspect its planes but wanted to develop ways to employ technology in that task moving forward. So, in concert with the FAA and the National Institute for Aviation, the airline donated one of its planes, taking it right off the operating line and flying it to Wichita State University in Kansas, where it was disassembled and spent two years being analyzed. The information gleaned from that exercise has played a huge role in the Cessna 402's longevity with the airline.



Cape Air Maintenance Awards

2004 - Aviation MX Tech of the Year John Connolly

2002 - New England Aero Club Operational Safety/Corporate Culture

2001 - FAA Certificate of Excellence Diamond Award

2000 - NE Certificate of Recognition for outstanding support in Aviation Safety Program

1998 and 2000 - Boston FSDO, MX Safety Spokesman Award FAA/DOT Diamond Award

1997 - Special Recognition for 100K+ accident-free flying hours.

1994 - Certificate of Recognition for outstanding performance in RASIP Inspection in Aircraft Condition, Maintenance Records, and Maintenance Facility

"We're committed to the sustainability of the fleet," says Jeff Schafer, Director of Maintenance Repair and Overhaul.

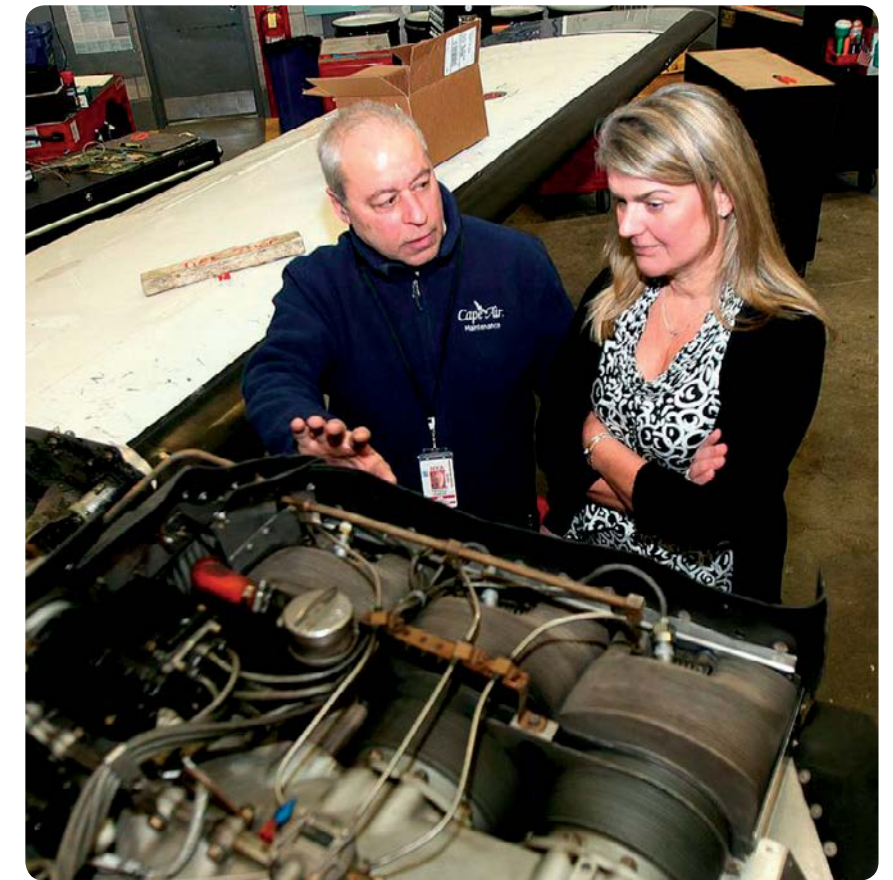
With the awards and accolades bestowed on the Cape Air maintenance team over the years, that's amply apparent.

Everything old is new again.

Throughout the late 2000s, Cape Air maintained its fleet using the techniques and processes developed through the aging aircraft donation program. Yet even while they were finding and methodically addressing the things they had been told they were going to find, the predictability of the planes on the line began to suffer.

"You bring an airplane in at two in the morning and it isn't ready to fly at six AM because it needs too much work," says Jim. "So now we had to look at it in a different way."

Cape Air realized it needed to be more proactive in its commitment to the long-term sustainability of the fleet. In 2010, the Maintenance and Repair Overhaul Facility (MRO) at Hyannis headquarters opened for business. This 13,632-square-foot



FAA-approved repair station facility operates as a separate division of Cape Air, and is staffed with two-dozen structural technicians.

Planes are taken out of service on a scheduled basis and are sent to the MRO where the aircraft is stripped down to its most elemental parts to undergo a complete overhaul.

"A lot of the components on the aircraft itself can be replaced outright or purchased brand new. Those components would be engines, propellers, tires, things like that that are commercially available," says Jeff, who runs the MRO facility. "The airplane's airframe? You only get one."

Over the years, the maintenance team has become intimately familiar with the structure of the plane. Based on flight hours and the environments in which each plane operates, mechanics know precisely when certain

Cape Air operates a fleet of ninety-two aircraft and maintains the largest fleet of Cessna 402s in the world.

components become worn or need extra attention. The MRO is design to mitigate those instances ahead of time.

Projects on the airframes are performed in a very structured way. The aircraft is taken offline for a defined period of time where it then enters the facility and is completely disassembled. The wings come off. The tail section is removed. All the flight controls, systems and components are catalogued for inspection. Then the inspectors come in and run through a very detailed checklist developed in-house and based on Cape Air's maintenance history. Any items noted during the inspection are remediated. While new Cessna parts are used where possible, Cape Air also works with designated engineering firms across the country to develop repairs unique and specific to the aircraft. Before the plane is sent back into operation, it's spruced up with a fresh coat of paint and given a bright new interior. By the time it returns to the line, it's as close to being a new aircraft as possible.

"When the plane comes out of the facility, it's like we've rebuilt the aircraft," says Craig. "It's an expensive proposition but it's an important proposition. It's important that we can continue to fly these airplanes, and that they be reliable and as safe as they were thirty-five years ago."

"That's how we contribute to the sustainability of the fleet," Jeff adds, "Our goal is to provide same level of quality and safety no matter which of the seventy-five airplanes our pilots, crews and passengers use to fly around the system on any given day."

Finding the next plane is not just critical to the success of the airline, it's downright exciting for the aviation geeks at Cape Air and anyone who loves airplanes.



The innovative Gateway program is an initiative designed to help Cape Air attract and maintain high-quality pilots. The airline works with JetBlue, the University of North Dakota and both campuses of Embry-Riddle Aeronautical University to define a clear path for aviators that reduces turnover and produces well-rounded, highly qualified professionals.



Giving the ATR-42 its props.

Sometimes finding the right plane for the job means finding a different kind of plane entirely. When Cape Air began service in Micronesia between Guam and the outlying islands of Rota and Saipan, they had the advantage of being able to see what their airline partner, then Continental, had been operating in that market for many years. They already knew what worked. Based on passenger demand and the relatively short length of the flights (between thirty and forty minutes) the ATR-42 made perfect sense.

"The ATR-42 is another reliable and well-suited platform that we have flying out in the Micronesia region," says Craig. "We've been operating that plane ten years

now and we are very happy with its performance."

The ATR-42 is a high capacity forty-six seater designed to go into large airports and meet the high volume of passengers disembarking long-haul jets traveling from the mainland.


"Load factor needs to be pretty high. It's much more expensive to operate," says Jim.

The ATR-42 is a twin turboprop that was built at plants in both France and Italy. The plane first entered service in 1985 and production continued for another eleven years. Easy to operate and maintain, the aircraft is equipped with low fuel burn engines that enable it to operate at costs 15-20% lower than those of its competitors.

"While not a jet, the ATR is pressurized and can climb to

higher altitudes, allowing us to get up and out of the weather a bit," Jim adds.

In the early days of service in Micronesia, flying the ATR-42 required Cape Air to go up a learning curve, mandating different pilot and maintenance training, and operating under Part 121 of the FAA Code of Federal Regulations, with its different sets of rules and requirements. The effort has paid off in providing Cape Air with another lucrative revenue source. As the airline continues in its relationship with what is now United Express, Cape Air knows they pinpointed the right airplane for the right mission.



ATR-42

Average cruise speed	265 mph
Average altitude	12-14,000'
Wing span	80'8"
Number of passengers	46

The Islander works its runway magic.

Part of the Cape Air business model has always been to look for barriers to entry, and then find a way to overcome those barriers. Down in the Caribbean and even up in New England, there are



islands that Cape Air hadn't previously been able to service with runways too short to be comfortably navigated by the 402. For Virgin Gorda, Culebra and Block Island, the Islander has become the answer. In February of 2014, a fleet of three Islanders were added to expand Cape Air's service in the Caribbean. By the summer, Block Island would be included in the list of communities served in the Northeast with a fourth Islander joining the fleet.

The Britten-Norman Islander is a British aircraft, and a best-selling commercial plane in Europe. It was originally constructed on the Isle of Man. Later the company merged with others and the operation was moved to Romania. Like the Cessna 402, the Islander is a

rugged nine seater that was designed in the 1960s. What's different is that it's a high-wing airplane and has very good short field capability.

"When I say good, I mean this thing will take off and stop in less than a thousand feet without working too hard to do it," Bob says.

"The aspect ratio of the wing creates much more lift," Jim adds.

As a result of its unique design, the Islander is slower than the Cessna 402, making it an unsuitable replacement for the latter, but a great performer in its own niche.

"Once we get our feet wet with these two routes in the Caribbean, I bet there'll be more islands on the Caribbean schedule next winter," Bob says.

"We're actually very excited," Craig adds. "We had to find a plane that could operate safely in and out of those communities, be reliable and also carry the appropriate amount of payload passengers and their bags to make it a successful financial venture."

So far, the Islander is fitting the bill.



BN-2 Islander

Average cruise speed	145 mph
Average altitude	4,000'
Wing span	49'
Number of passengers	9



Where to next?

Or perhaps not so much “where to” as “what in?”

In May of 2013, Cape Air President Linda Markham told Aviation International News (AIN) at the RAA Convention in Montreal that the airline has resigned itself to shedding all of its Cessna 402s once it’s able to reach terms of an agreement for a new fleet type.

It’s no secret that a new plane is on the horizon, one that will integrate well into the “Next Gen” FAA initiative for airspace for the next fifty years. As it is now, the financial feasibility of sustaining the Cessna 402 for any prolonged period of time seems imprudent.

“You can replace products forever if it’s economical and you have product support. Manufacturing our own parts now takes a lot of resources,” says Jim, who is spearheading the initiative to find a new plane for the airline. “In this decade, the MRO was designed to bring us to the

next generation of aircraft. This was to ensure the safety, reliability and predictability of our fleet while we work with manufacturers worldwide to design, develop and finance our next fleet, whatever that may be.”

As Jim says, the first part of the puzzle is finding a manufacturer who will commit to bringing a product to the market that’s affordable both in purchase cost and to operate.

“Once that’s done, if we can do that in the next five years, it will probably be another seven to ten to phase out our existing



fleet into the new fleet,” he says. “Because financially, that’s a big burden.”

So what will the next generation of Cape Air planes look like? Probably not too different from what they have now in terms of passenger capacity. Will these planes have a lavatory? Not likely. Though hopefully they will be a bit faster and more comfortable. And with new technology will come fuel efficiency with electronic ignition systems and more advanced systems in general like satellite-driven data feed. Being able to use the airspace more efficiently is at the top of the initial wish list.

“Most airlines that go out of business, it’s because they chose the wrong airplane,” says CEO Dan Wolf. “The neat thing about this [search] is that it’s being run by aviation people. We’re really in a position to understand and not make the wrong decision.”

Finding the next Cape Air plane is not just critical to the success of the airline, it’s downright exciting for anyone who loves airplanes.

“I’m able to travel the world, meet new people, meet with manufacturers, and try to find people who can offer Cape Air a solution to what we need,” Jim says. “We’re looking for help to solve a problem. It opens up a lot of doors.”

“You think about really working hard with the team to make the best decision for the airline so that we can be successful and not change our operating profile too much,” Craig says. “And not change who we are.” Cape Air may be flying off into new territory but the company’s core values are coming along for the ride.

“Most airlines that go out of business, it’s because they chose the wrong airplane. The neat thing about this [search] is that it’s being run by aviation people. We’re really in a position to understand that and not make the wrong decision,” says CEO Dan Wolf.

An update: Scouring the globe for our next plane.

“Cape Air has taken on the role of catalyst with aircraft manufacturers around the world. From China to Italy and beyond, investors and engine and air frame manufacturers all know exactly what we’re after – an economically feasible, twin-engine, nine-passenger aircraft built to our singular specifications.

“Our relationship with an Italian aircraft manufacturer is in place but we’re also keeping our eyes on the ever-changing global marketplace. After a recent trip to Beijing, it’s not too far of a stretch to say the future of our fleet may be in China. (Though all aircraft are manufactured here in the United States.)

“This journey will continue to unfold and we’re excited about what’s in store for us with our next generation of aircraft.”

Jim Goddard, Senior Vice President of Fleet Planning and Maintenance



An angel gets his wings.



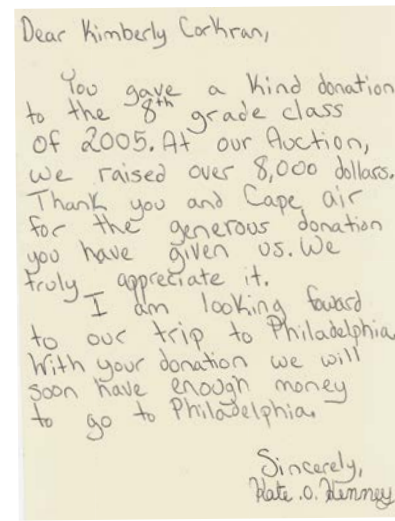
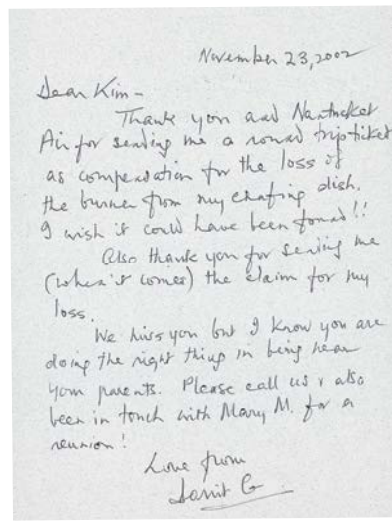
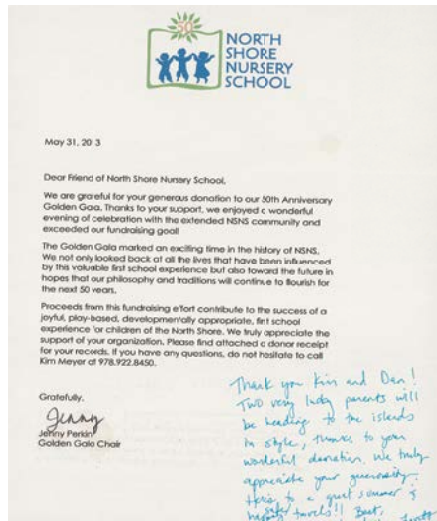
Calista Pendergrass
Rota Station Manager
Rota, Commonwealth of
Northern Mariana Islands

Being able to walk onto a plane is something many of us take for granted. For one of Calista's favorite passengers, that was never the case. He required a motorized wheelchair and, for him, flying between Rota and Guam for medical appointments was an ordeal that involved machinery to lift him, as well as aisle chairs, wheelchair on and off-loading, and the coordinated teamwork of Cape Air staff. His gratitude and love for the airline was humbling, as was his



courage and humility. He also dedicated himself to helping others, collaborating with a non-profit to organize the donation of 200 wheelchairs to those on Rota who needed them. (Of course, Cape Air flew them over.) While he has since passed away, Calista remembers him fondly, and likes to think he's still flying with Cape Air in spirit.

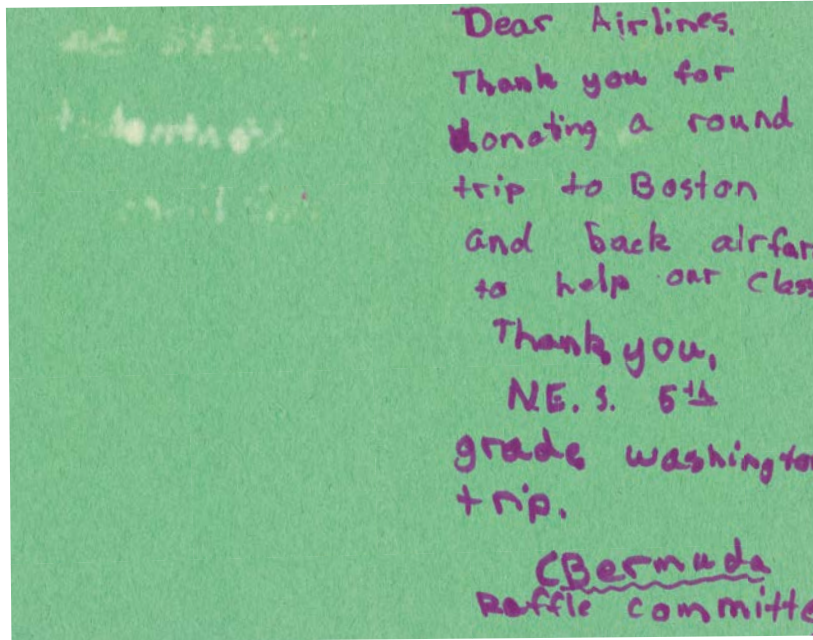
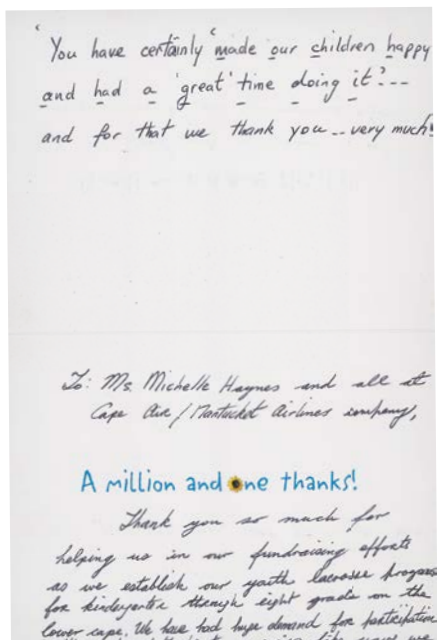
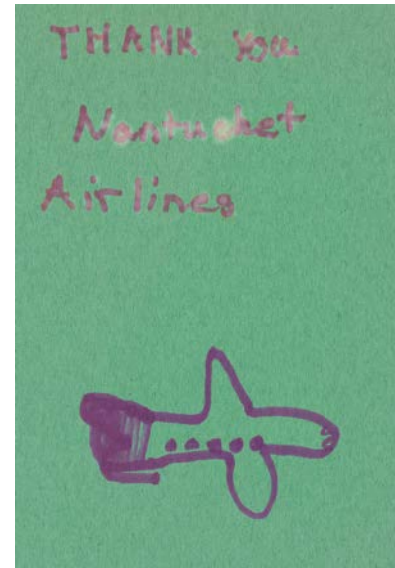
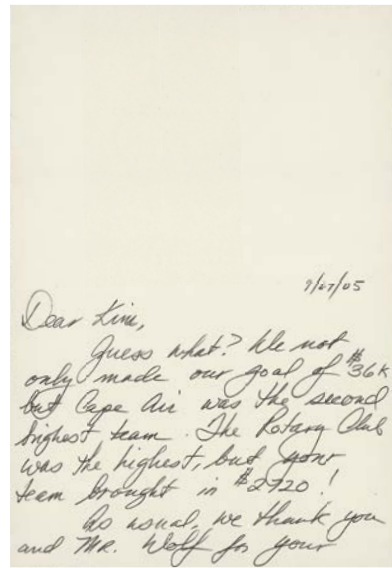




Giving Back

Kim Corkran has the best job in the world. As Community Liaison, she gets paid to allocate donations to worthy recipients as part of Cape Air/Nantucket Airlines' philanthropy initiative, providing support to schools, museums, performing arts groups, local and national charities and foundations, people in need of medical transport and many others. Last year's annual donation spreadsheet topped out at nearly 850 recipients.

We said she had the best job, not necessarily the easiest.



As you might expect, Cape Air donates to large organizations like Public Broadcasting stations, United Way, American Cancer Society, The Nature Conservancy and others, but nothing tickles Kim more than being able to contribute a pair of plane tickets to a fifth grade spaghetti dinner to raise money for a class trip.

"To me, that's one of the most rewarding things we do because when you work with small non-profits and schools, they really need the help and it means so much to them," Kim says.

It's a balancing act.

Just as a plane needs to be balanced in order to fly, Cape Air CEO Dan Wolf believes a

one leg represents investors, another employees and the third, customers. Dan talks about a more stable foundation, a four-legged platform that consists of investors, employees, customers and the valued communities Cape Air serves.

"Part of achieving the balance that keeps us focused and directed is making sure we're attending to the needs of all of our stakeholder groups. That means nurturing our communities. This has always been a big part of who we are,"

Dan says.

For Cape Air President Linda Markham, going into a region means more than just starting



company has to find balance in order to thrive and provide for all its stakeholders. Some companies talk about stakeholders in terms of a three-legged stool, where

service there. "It's important for Cape Air to give back to the communities we serve," she says. "By hiring locally and truly

"Part of achieving the balance that keeps us focused is attending to the needs of all of our stakeholder groups. That means nurturing our communities," CEO Dan Wolf says.

embedding ourselves in our communities, we learn what's important to the people there. This helps us determine what to give."

Over the years, long-time Director of Communications Michelle Haynes has played an active role in the company's community-focused efforts. "It's a very thoughtful process in how we support non-profits," she says. "I love working with them to find ways to balance our support, everything from a fundraiser in Truro (MA) so kids can go on a school trip to Washington, to huge sponsorships of cultural

organizations like the Arts Foundation and, on St. Croix, the Historical Society that keeps their amazing, fascinating and culturally iconic landmarks going. It's all part of the puzzle that is Cape Air, led by Dan and his enormous philanthropy."

While Cape Air and Dan Wolf personally have been honored as recipients of numerous philanthropy awards, how much the airline actually does for its communities is something the company never talks about. You won't find how much they make in donations on their website or in their advertising. There are no press releases that go out to the media each year. Cape Air is not a company that takes time to stop and pat itself on the back. The work is done behind the scenes, resonating throughout the company and in the hearts of all who are touched.

You certainly have made our children happy and had a great time doing it. And for that we thank you very much.

-School fundraising committee

How the giving works.

Sometimes the need for a donation comes via word of mouth. A station manager out in Maine knows of a person who has undergone a transplant and needs transport to Boston for follow-up care. Or someone's friend has been in an accident and they're doing a fundraiser to help with the long recovery. These days, most requests for donations are collected online from a link on the Cape Air website, which makes it easier for Kim to stay organized. And it saves trees.



"Back in the day, people would write letters requesting tickets or sponsorships," Kim says. While the mode of interaction of has changed, the process remains the same. Each requested is carefully vetted. "Dan empowers us to use our judgment and that's what I like about our company," she adds.

When plane tickets are awarded, they're "positive space," meaning the ticket works the same as any purchased ticket where, depending on available space, the recipient

"By hiring locally and truly embedding ourselves in our communities, we learn what's important to the people there," says President Linda Markham.

just needs to call and book a reservation on a scheduled flight. Sometimes the requests are for sponsorships, where Cape Air is being asked to partner for events or festivals, which has the added benefit of gaining exposure for the airline. Sometimes the awards take the form of discounts on tickets and, more recently, cash donations have been on the rise.

"Dan says from the top that we recognize the needs of our communities. We're able to help, so let's do it," Kim adds.

Naturally, Cape Air can't give to everyone who makes a request. For every donation made - at last count we were looking at close to

850 in 2014 - there's a request that ends up being unmet. In each of those cases, Kim is diligent about responding in a personal way. She believes even a rejection can be an opportunity to reach out to people in the community.

"Even if I can't give, I write them and they'll write back, and a conversation is being started," she says. "That's valuable too."

Does charity begin at home? Or at work?

You have to wonder sometimes if the airline is simply a magnet for good, caring people. Or is it possible that generosity breeds more generosity?

In any case, Cape Air employees continually embrace opportunities to contribute to a better world, whether it's pilots volunteering their time to Angel Flight, employees fighting wildfires in Montana, helping restore power in Maine after an historic ice storm, picking up trash on a Caribbean beach, manning phones during the March of Dimes Telethon, building houses for Habitat for Humanity, or becoming involved in



Cape Air's green initiative by practicing energy conservation and recycling at home. The airline helps volunteerism along by paying up to twenty hours per employee per year for time spent helping out in the community. Employees are asked to share their experiences with their colleagues to promote the spirit of giving back.

I don't know how you were brought up but I was taught to take care of everyone else. As a result, I don't know how to ask for help. But you, Dan and Cape Air have made this very hard thing for me un-embarrassing and easy. I am not lucky to have these medical problems but I am lucky to have you.

-Anonymous ticket donation recipient

Airline employees also do a remarkable job of giving back to the Cape Air family. The CARE Program was initiated by Captain Ed Braz who, after 9/11, was inspired start a program to support employees in need. Cape Air Resources for Employees (CARE) is a non-profit organization



separate from Cape Air, but run by small group of Cape Air employees representing various departments. Their mission, "to provide financial support to employees in their times of need through Cape Air's community spirit of kindness, compassion and volunteerism." In addition to an annual gift from the company and monies

raised through fundraisers, employees have the opportunity to make monthly donations in any amount and have them deducted automatically from their paychecks. The donations are deposited into a fund set aside to help fellow employees and their families who run into tough times. It could be in response to a house fire, an accident or medical expenses where there's still need after external sources like insurance have been exhausted. Employee donations are of course voluntary but since its inception three years ago, the program has over 260 employees enrolled in payroll deduction, and has awarded \$60,000 in grants over forty-five cases.

And there are other programs, like Brighter Holiday, where holiday gifts are donated by company employees for the children of employee families in a financial pinch.

.....
Thank you for helping us have this memorable trip to Alabama to help with hurricane relief. It was an experience we will never forget.

-Midwest youth group
.....

"Thank you. Thank you. Thank you."

One note is handwritten across a full-page Cape Air advertisement that ran in a Caribbean newspaper, ruler-straight lines of cursive against a blue sky background. Another is penned on the back of a scrapped letter reminding the writer of an ophthalmologist appointment. Another is a simple note on a half page of white stationery. These letters addressed to Kim have traveled to Hyannis, Massachusetts, from the British Virgin Islands from a man who writes about the hibiscus, orchids and gardenias his wife grows in their Tortola backyard nursery. He writes about how he is nearly six-foot-seven while she is only five feet tall, and how, recently, a young girl was nice enough to bring his wife a cake to celebrate her 72nd birthday. He mentions



how they've been together for forty-three years. He tells stories he's heard about other airlines, about people who have been mistreated. He talks about his military service, and how it was fine for the government to send him off to a foreign country to serve, but now that he's ailing, won't help with his transportation to receive medical treatment. And almost more times than it is possible to count, he thanks Cape Air for the many plane tickets he's been given to travel to San Juan for that much needed treatment.

At the end of a letter dating back to 2007, he says to Kim: "You reflect the relationship with other Cape Air folks who treat me like I'm the most important passenger they have."

And at the end of a letter from June, 2011, there's a postscript: "Thanks to all the pretty girls who stand on the scales to hug me. Cape Air folks are the best."

"Our biggest story is that we have a huge heart," says Cape Air Community Liaison Kim Corkran.

"It never gets old."

In 2013, Cape Air gave away 1500 plane tickets. As already established, many of these tickets go to transport people to and from medical facilities for treatment. One went to help a mother in St. Croix get her special needs son to San Juan for schooling. Some go to support AIDs networks.

"There are so many stories," Kim says. "One of my favorites was just last year, when we coordinated a morning at the Nantucket Airport for a group of children from Autism Speaks. We had the kids and parents for a tour of the tower, airport and behind the scenes, going through mock security and TSA, and touring the fire and rescue vehicles." Clearly giving back goes beyond free tickets and monetary donations. It's about giving time, and about caring.

Donations span the country. There's River Hospital Foundation in Ogdensburg, in upstate New York. The Vermont Bennington County Autism Fund. The Kirksville Illinois Chamber of Commerce.



Bar Harbor Maine's Abbe Museum. The Shipman Youth Center in Saranac Lake, New York. The Youth Program of the British Virgin Islands. The Provincetown "Who's Hot Diva Contest" at the Crown and Anchor to benefit the Lesbian Gay Bisexual Transgender (LGBT) community. The airline even donated a plane to an airframe and power plant maintenance school so they could learn from and conduct

.....
Vive Cape Air!! We are so lucky to have a business that supports our students so generously. Merci beaucoup!

-French class
.....

testing on an actual Cessna 402. And the list of recipients goes on.

“Our biggest story is that we have a huge heart,” Kim says.

One by one, the residents assemble in the common room that’s been transformed with decorations and an elaborate spread of refreshments into a holiday wonderland. Those too frail to join the party remain in their rooms awaiting carolers who are making the rounds. Music fills the halls, and somehow the familiar songs manage to lift even the most hard-to-reach seniors from the daily prisons of their minds. Fingers tap on plastic trays. Smiles spread across faces. Glimmers of memory from a different time return.

Just then, to everyone’s delight, Santa and a team of elves arrive on the scene bearing gifts for Our Island Home residents. This is the twentieth year Cape Air/Nantucket Airlines has thrown a party for the seniors at Nantucket’s only nursing home. For Kim, it never gets old.

“That’s the human element of our company,” she says. “We do make a difference.”



“It’s a very thoughtful process in how we support non-profits,” says Director of Communications Michelle Haynes. “I love working with them to find ways to balance our support.”

.....
Guess what? We not only made our goal of \$36K but Cape Air was the second highest team. Thank you for your generosity.

-March of Dimes
.....

How it Works

Airline marketing 101.

Marketing an airline is not like marketing widgets. There’s a different story to tell in each region, and a different audience who cares about different things. All those moving parts change as the company grows and new advertising channels are introduced. Sure, we still do newspaper ads, but we also invest in digital marketing,

TV and cost-effective social media campaigns. We’re moving in the direction of having more personal relationships with our customers, providing them with specific information relevant to their needs and lifestyles. Life is short. How can we help you “enjoy the ride?”

“How do you take our foundation and values, and convey them in a message relevant to a particular region? That’s our challenge.”

-Trish Lorino
Vice President of
Marketing and
Public Relations



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In the Cockpit

with Dan Wolf



Interviewing the CEO of Cape Air is a bit like climbing aboard a plane for one of the airline's scheduled flights. Sure, the idea is to get from point A to point B in a pre-determined amount of time, but the experience is so much more if you really open your eyes and take in your surroundings, celebrating the wonders of aviation, and appreciating the passion some have for flying, and for working to create a better world with anyone interested in coming along for the ride.

It's about looking out the window when you've reached a comfortable cruising altitude and listening as the pilot's mind floats free.

In 1989, Dan co-founded what would become Cape Air and Nantucket Airlines. He served as airline CEO and president until 2010, when he relinquished the presidency along with some day-to-day responsibilities to pursue an opportunity in public service. Elected after his first campaign, Dan became State Senator for Cape Cod and Islands, one of the most unusual and sprawling legislative districts in the country. At this writing, he is now serving his third term, splitting his his time between Beacon Hill and Hyannis headquarters when Senate is in session.

Today, as the CEO and his co-workers celebrate twenty-five years in the life of the airline Dan

helped shape, he reflects on the journey, offering thoughts on the company, its future, and its people.

Fasten your seatbelts and prepare for take off.

"I've never felt more optimistic about the potential of the company than I do right now. This is not a business endeavor any more than it's a collaborative team effort inspired in large part by what we do. When we're flying our passengers, the whole emotional and aesthetic connection to what we're doing helps fuel the spirit in the company. This airline was born by people who are passionate about aviation. The roots that I go back to are not business roots. They're roots working as a mechanic and a pilot, and I think

we've been able to maintain that focus and priority.

"Of course, our success really hinges on the people who work here who, in my experience, have proven themselves to be curious, adventurous and entrepreneurial. They're creative and collaborative, and understand how to strike a balance between hard work and patience. When I make business speeches I say, 'you don't plant the tomatoes in June and then stand in the garden yelling at them to give you tomatoes.' The best you can do is to cultivate the field, weed, water and fertilize it. But patience is just as important as anything else. It's important to let things evolve organically.



“One word that never made it into any of our mission statements but will from now on is ‘nurture.’ I think we need more of that in this world. It’s not radical thinking, but in the world we live in today, it seems so. We need to nurture each other. We need to nurture the planet. We need to nurture ourselves. This has been a core value of this company for twenty-five years, which is now being expressed through our Sustainability Initiative and our newly launched Wellness department.”

Choosing the right captain.

“Linda Markham’s leadership here is a natural extension of a company that prioritizes relationships and how we treat each other. Any intrinsic power or authority a leader has comes from the people in the organization, whether it’s a political or business

environment. Because Linda embodies so much about what our front line is about, she steps into the position naturally. She’s humble. She’s compassionate. She’s thoughtful. She’s creative. She’s a good communicator.

In addition to these human skills, she also has great business sense. She’s a talented negotiator and strong in her ability to navigate one of the toughest industries in our economy. All those things make her a good leader for this organization. And they demonstrate why she was just elected first-ever woman chair in the forty-year history of the Regional Airline Association.”

A transformational twenty-five years in flight.

“To a great extent, our being able to achieve and maintain balance is thanks to a board of directors and investor group who recognize there’s more to measuring a company’s health than financials. I think that’s very important, and a reflection of our values. Right now, the majority of stock is owned by people who work here.

“Employee ownership is one of the things that stands out in contributing to our success over the last twenty five years. Another is how we stepped out of our geographic comfort zone, first in Florida in 1993, and then in the Caribbean in 1998, and many times since. One of the interesting perspectives about Cape Air is the whole issue of diversity. If you look at this company, we started as a handful of New Englanders. Come to a manager’s meeting and you’ve got Chamorros¹, West Indians, Hispanics, Midwesterners and, now, folks from the Upper Great Plains. It’s become a really diverse company. One of the goals of all employees at Cape Air should be to get to every destination to expand their horizons. There are some very interesting places that we serve; not all vacation destinations. Go to Quincy, Illinois, the birthplace of Mark Twain. It’s



¹Chamorros are the indigenous people of the Mariana Islands including Guam.

an amazing city rich in history and aviation. I look at the growth of the company not only as expanding geographically, but by enriching ourselves through culture and diversity.”

Charting the flight path.

“A huge part of our success comes from being a company that lets our communities define us instead of trying to define our communities. Instead of going in pretending to know what’s best for the community, we learn, listen and ask, ‘What is it that you need?’ And then we work to deliver those things. We don’t want to show up in another part of the world and say, ‘We’re going to give you what we give the folks in Billings, Montana.’ Because it might not be what they need. For us, it’s about not allowing ourselves to become rigid as we grow.

“Picture a map of the world. Put a red dot around every airport and draw a donut that starts at

fifty miles and goes out to 400 miles. Look inside that donut and see how many small satellite airports there are. Each one of those has potential for Cape Air. The technology is there to serve our communities from a central location. We can centralize the operation, training, dispatch, flight operations, and a lot of passenger services, while at the same time set up more small hub-and-spoke operations. This lets us provide better services while also focusing on the needs of these smaller communities. There should be a Cape Air operation at every one of these opportunities around the world. It’s possible. How exciting is that?

“To do this, you have to engage and empower enough local people, and give them the freedom to build what will serve them best. You have to trust them that they know what is best for their community. It’s a unique variation of a franchise model because a franchise

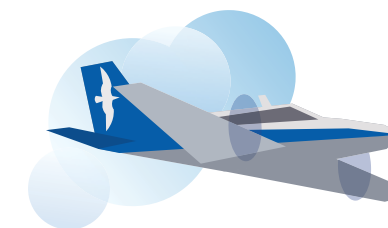
business tries to replicate and control what each franchise does. We want to liberate and allow local control as far as defining the soft side of the

business, while providing a hard infrastructure to ensure safety and reliability.

“Globalization is happening. There are a lot of emerging markets in the world. Some of the



“We need to nurture each other. We need to nurture the planet. We need to nurture ourselves. This has been a core value of this company for twenty-five years,” says Dan.



“I look at the growth of the company not only as expanding geographically, but by enriching ourselves through culture and diversity,” Dan says.

most exciting economic progress is happening in the developing world right now. Through technology, you have the ability to talk to any airplane anywhere on the planet from this room down the hall. All of that comes together to create opportunities that didn't exist before. Not on our scale. There were global companies like Pan Am and TWA, but you could never on a global scale execute our unique Cape Air model of an airline.

“The next 25 years, the world is our oyster. Along with the Internet, there are cell and radio towers all over the world now. The distribution network has also become much more horizontal. You don't need to fly a billion passengers a year to be able to afford global distribution. It comes down to five things: sales, marketing, distribution, operation and communication.

Seeking out more sustainable skies.

“I fundamentally believe that commerce is going to have to change over the next century. Companies must become more environmentally sustainable, and offer shared prosperity. Our economy going forward needs to be much more focused on the wellness of both our planet and our people. Right now, we're dealing with an extractive economy that literally takes things out of the earth, makes things and sells them, and takes things out of human beings through labor. It works until you start running out of resources. Then it becomes very destructive. So we need to transition from an economic system that is extractive and destructive to one that is generative and sustainable.

“A model of employee ownership that defies the traditional extractive model ultimately allows the company to organically grow over time, without forcing it too fast. Everyone's interests are aligned. No one is looking to pull money out. We love this place and want to work to ensure its survival. Like when we plant a garden, we have to be careful not to kill the soil. We take care of our airplanes. We take care of our communities. We take care of each other.



Now, for a higher altitude.

“People ask about my religious experience. I was born into a Jewish house. I spent thirteen years at a Quaker school. I married a Catholic woman who practices Buddhism. And she and I go to a Unitarian Universalist church. That's my experience and, as a result, I inherently value and respect all religions equally. There are common threads that I see through all religions which have to do with inner light and belief in each other, and also that there is much more. It's a belief based in humility. The way I describe it is that there are wavelengths of light that your eyes can't see. There are frequencies of sound that we're incapable of hearing. We only see and hear what allows us to navigate our world but the humility comes from knowing there's so much more. If you believe that, then the thing about spirituality and religion is that there's so much going on in our universe that we just don't know or understand. To me, the expression of 'not knowing' is a very humbling thing, to be in a universe that's so much bigger and so much more complicated than we'll ever understand. I love that and it doesn't scare me.”

“In business that comes into play every day. Especially when you have a business where you have so little control over so many of the variables -- everything from weather to oil prices. There's that serenity prayer, 'Grant me the serenity to accept the things I cannot change, the courage to change the things I can, and the wisdom to know the difference.' It applies here. You can beat your head on the wall but you're not going to move a thunderstorm or a snowstorm. On the other hand, you'd better be focused very intently on things you can control -- maintenance, training, hiring the right people, managing the balance sheet, et cetera.”

“I've never felt more optimistic about the potential of the company than I do right now,” says Dan.

“A model of employee ownership that defies the traditional extractive model ultimately allows the company to organically grow over time, without forcing it too fast,” says Dan.

Flying in the face of challenge.

“One of our greatest challenges in the airline business is that it is not a very profitable industry. It's labor intensive, capital intensive and operationally intensive. You do not have the ability and capacity to pay everyone as much as you'd

like. It's a relatively low-paying industry. So how do you deal with that internally when you have the values we have, where you want everyone to be able to be part of something that will nurture them in life?

“The problem is, as I've done better in life, it becomes almost disingenuous when I say what's really important is that you come to a place where love and respect are mutual, and where the workplace allows us to express

²While Dan is not a Buddhist, his wife, Heidi, often says he's the most Buddhist person she knows.

ourselves and enjoy each other. We work hard every day to make the 'Cape Air experience.' It goes back to that idea of nurturing and celebrating the human spirit, being able to engage our creativity and intellect each day. As much as we'd like to, we can't meet everyone's material wants, but so much of our fulfillment comes from our interactions with each other, and our celebration of flight, which is an achievement of humans coming together to overcome gravity, one of the fundamental laws of nature

"We work hard every day to make the 'Cape Air experience,'" Dan says. "It goes back to that idea of nurturing and celebrating the human spirit, being able to engage our creativity and intellect each day."

and that which ties us to the planet. It's not just about material rewards. We're rewarded in many ways."

Landing, if just for a moment.

"Being a pilot for thirty-seven years - literally seeing the world from that vantage point the way we see it in aviation - has a way of connecting everything. It's the 'blue marble'. There's no tangible barrier between here and Montana, for example. Being a pilot is an expression of humility because you know how small we are and how big the world is. You realize the connectedness of everything, and how fragile and beautiful that is, and how we have to take care of it and each other. For me, that's what drives this company.

"In modern human history, there are about a hundred billion

people who have lived. How many of those people have ever gotten into a machine and been able to fly like a bird and look down? How grateful we are that we get to do this."



As Dan and the management crew at Cape Air steer the airline into its second quarter century, there is plenty of looking down, looking up, looking back and, most of all, looking to the infinite expanse of potential that lies ahead.



Afterword



My first writing assignment for Cape Air was back in 1989, to create an ad that would promote the fledgling airline's new service between Boston and Provincetown: Up, Up and Away, 7 times a day. Since then, I've cheered along the sidelines as my sister, Lisa Kiele Shivdasani, and the rest of the Cape Air team toiled to bring the airline to where it is today. Over the years, my role as a freelance writer has been to help the airline communicate with the public through marketing and advertising. As a fringe benefit, I've gotten to know Dan and some of the remarkable individuals who have peopled his vision.

As was the case ten years ago when we created the 15-year anniversary book, I couldn't be more honored to help the airline celebrate this 25-year milestone. Through this project, I've had the opportunity to dig into the operations of the business and glean a deeper understanding of how a \$120 million airline is run. I've witnessed how ingrained the MOCHA HAGoDTI culture is in the hearts and minds of those at every level of employ, and how everyone is a stakeholder in the truest sense of the word.

Cape Air is a company that is run mindfully. Doing the right thing always seems to trump mere profit. In the end, perhaps the greatest beauty in life is when doing the right thing ends up being its own path to success and fulfillment.

Congratulations to everyone at Cape Air. Thanks to those who helped conceive and realize this book: Dan Wolf, Linda Markham, Trish Lorino, Cindy Beaton, Pegeen Ryan, who assembled these words into a beautiful keepsake, talented illustrator Natasha Rethke, Cape Air's favorite photographer, Tim Johnson, and the many employees who took time out of their busy days to talk with me.

Most of all, thank you, Cape Air, for doing what you do the way you do it. And for taking the rest of us along for the ride.

- Lynn Kiele Logan





In the 25 years since our first humble flight across Cape Cod Bay, Cape Air has grown into one of the nation's largest regional airlines. How did we do it? And why is employee ownership such a big part of who we are? Join us on a journey to the heart of "MOCHA HAGoTDI" as Cape Air celebrates its first quarter century.

**Cape Air**[®]