

A special meeting of the Gallatin Airport Authority was held April 3, 2009 at 3:00 p.m. in the Airport Conference Room. Board members present were Richard Roehm, John McKenna, Greg Metzger, Kevin Kelleher and Steve Williamson. Also present were Ted Mathis, Airport Director, Brian Sprenger, Assistant Airport Director and Cherie Ferguson, Office Manager.

The first agenda item was to review and approve the minutes of the regular meeting held March 12, 2009. Greg Metzger moved to accept the minutes of the March meeting. Kevin Kelleher seconded the motion and it was a unanimous decision to approve the minutes.

The second agenda item was the public comment period. Kent Foster, General Manager of Yellowstone Jetcenter, said this is the first meeting he has been able to attend in quite a long time and he wanted to give the board members a copy of a fixed base operators (FBOs) survey by pilots that listed Yellowstone Jetcenter as one of the top 40 FBOs in the country in 2006 as well as one of the top 24 in the northwestern region of the United States in 2009. Mr. Foster thought the board would find the article interesting. Richard Roehm, Board Chair, welcomed Mr. Foster and thanked him for his comments.

Mr. Roehm introduced John Faulkner, who is the Assistant Airport Director at the Colorado Springs, CO airport. Mr. Faulkner is one of the four final candidates for the Airport Director position at Gallatin Field.

Mr. Roehm also introduced Guy Nagahama and Jill Jaworski.

The third agenda item was the terminal expansion project – Brian Sprenger. Mr. Sprenger said he had given the board a memo about the terminal expansion project and had no further comments. None of the board members had any questions about the memo.

The fourth agenda item was to consider the request by Yellowstone Jetcenter to sublet office space in their building located at 305 Aviation Lane to eTRAIN ONLINE. Ted Mathis said eTRAIN ONLINE is owned by Kevin Kundert. Mr. Kundert said he has a small development team in Bozeman. He would like to rent the space on the airport so they have access to Aeroflight School and to the ramp for taking pictures. They would like to produce three applications on aviation – flight schools, flying clubs and back country flier training, which is a layer on Google Earth.

Mr. Roehm asked if it is essential that he be on the flight line. Mr. Kundert said they want to keep an only aviation office here and not do anything else but aviation. Mr. Roehm asked if they could function successfully if they aren't granted access and Mr. Kundert said they haven't been able to do it in the two years they have been planning this because they haven't been able to talk to the people at Aeroflight School on a hit and miss basis. He said access to the ramp is a big thing for taking photos. They are planning on doing other aviation-related projects after this and not thinking of it on a short term basis.

John McKenna said this is really a stretch for the board. He said there have been previous situations presented before that could function somewhere else. It has been the Board's policy not to accede to these requests. He said it would be a policy shift if the Board were to approve this request. Mr. Mathis said they have had two tests for businesses that want to be on airport and those two tests are if it is directly aviation related and if it has to be on the airport to function.

Mr. Foster said he knows the board policy and eTRAIN ONLINE has gone to great lengths to separate their business and only do aviation-related projects here. He said they need intercommunications with the Aeroflight School personnel as well as pictures.

Steve Williamson moved to deny the request by Yellowstone Jetcenter to sublet their office space to eTRIAN ONLINE and Mr. Metzger seconded the motion.

Mr. McKenna said he dislikes these situations but the board has to make good business decisions for the airport. He said it is nothing personal. The motion carried with all board members voting aye. It was a unanimous decision to deny the request.

The fifth agenda item was the report on passenger boardings and flight operations – Brian Sprenger. Mr. Sprenger reported that tower operations were up 9.3%, primarily due to local general aviation operations. He said we had a pleasant surprise in that our passenger numbers of 32,897 were only down 0.9%, contrary to what most of the country saw.

Corporate landings were down 34%, about 126 landings. December landings were down 27%, January's were down 31% and February's were down 34%.

The sixth agenda item was the Director's Report – Ted Mathis. Mr. Mathis reported that Raytheon and the FAA are still scheduled next Monday to install the radar screen in the tower.

The seventh agenda item was the presentation by financial advisor – Ms. Jill Jaworski. Mr. Nagahama said they put together a book that addresses specific questions they thought the Board wanted to discuss. He said they welcomed questions during the presentation.

He said he runs the airport finance group at Jeffries Security, which is based in Boston. He said Ms. Jaworski is a very important member of their airport group and has worked in the past with a number of airports, including Denver and Chicago O'Hare. They have a broad and deep support team. They have an analysis and research group as well as underwriters. In their engagements as financial advisors, they find it helpful to give their clients access to real-time information that only a real broker-dealer has.

Since 2001, they have served as financial advisors in over \$16 billion in financings in the airport sector representing almost a 20% market share, which ranks them the number one advisor to airports in the United States. Airports range from small to medium to large hubs, to operation and development airports to large fortress hubs.

Mr. Roehm asked what the best direction for the airport to take. On page 32 of their presentation is a table that addresses the products. Ms. Jaworski discussed taxable fixed rate bonds vs. tax exempt fixed rate bonds. Tax exempt bonds are lower cost than taxable.

Mr. Nagahama said the board could do a public offering with a fixed rate of cost for 20 years, which could cost 5 ½ to 6% over 20 years. He said there are alternatives. Going through a bank would be simpler than bonding. He said they currently aren't seeing banks giving loans for the amount we would like but it might be a route we would like to pursue if we found one. On page 9 of their presentation is a listing of borrowings for small hub airports in 2008. They also listed airport bonds sold between October 2008 and today. There were 15 totaling about \$65 million.

Private activity bonds used to be subject to the alternative minimum tax. That provision has been waived for this year and next. If we issued bonds this year, they wouldn't be subject to the alternative minimum tax so would be more desirable for investors. That may be as much as ¾ of a percentage of savings. Some airports are locking in funding costs now. We need to consider that inflation and other costs may go up if we don't proceed now.

We are at capacity in the terminal so that may be an argument to go ahead. Because the government will be funding infrastructure, construction costs may go up. Our revenue is operation based. Ms. Jaworski recommended stressing our budget by running several scenarios. What happens if you lose 10% of your revenues, 20%? Can you still meet your

operating expenses and increased capital expenditures? If you stress your revenues and still have good coverage, and have demands, then you are healthy enough financially to handle it.

Mr. Nagahama suggested cushioning your costs out for a few years. The further out you go, the more cushion you need. Then run the analysis, the stress test and the sensitivities. That goes to your debt affordability – what can you afford? What would you like to be able to afford? Look at your revenue stream, which in our case may be the passenger facility charge (PFC).

Bond deals are subject to covenants. We would be pledging the net revenues of the airport. The PFC revenues would be pledged. If we didn't have enough funds to pay the debt service on the bonds, it would be in the covenants that we would raise our rates and charges so we could make our payments. Bond holders can't come in and seize the airport. We can specify which net revenues we want to pledge.

Mr. Roehm asked how to get the right mix on the bonding structure and Mr. Nagahama said it is a two part product. The first is creating the credit and the other is structuring the bonds. Do you sell as one part or three parts? Bonds usually can't be called in less than ten years. With fixed rate bonds, the investor has the risk. If we go with variable rate bonds, we would have the risk. Mr. Nagahama said it is evaluated all the time whether to sell one part or three parts. Each time you do a transaction there are fixed costs and variable costs. It could work in your favor or it could work against you. You would do a preliminary official statement that makes a full and open disclosure to the public so they know what to expect.

We could do some bank funding and some bonding. Mr. Nagahama said some banks do variable rate loans and adjust the rate periodically.

Mr. McKenna said the institution has a rating and the bond has a rating. He said we won't know until the end what we want to pledge. We can be rated using several scenarios. Ms. Jaworski said that is an advantage to having a financial advisor. They can help by suggesting how to structure.

Mr. Roehm said we will be making a decision in June and asked if they can help us, if they are available and if they can save us enough to justify hiring them.

They said they understand the market, they would be there to help. They have the expertise to work through the process and the experience of working with airports. They said they could have a proposal to us early next week. They have some liability policies in place.

Mr. Mathis said the information they presented was wonderful and very informative. He asked what they can do that our bond counsel and bond underwriters can't, and what comfort level they will have working with them.

Ms. Jaworski said they have the expertise in this sector. She said DA Davidson is not a major underwriter for airports but is a very good regional firm. They know the market. She believes they will focus on retail buyers as much as possible, but she believes we will have to go to institutional markets. Ms. Jaworski said Jeffries is one of only a few firms that has expertise in structuring airport bonds. She said they work well with underwriters and bond counsel and believe they are all part of a team. Jeffries would be our advocate. They are capable and have depth and breadth in their support staff.

Mr. Sprenger said the number one concern of the board has been having adequate information and having financial advisors would give the board one more level of comfort for the decisions they will have to make. He thinks there is a benefit of having a financial advisor. He said we all working toward making this the best possible project we can do, but

having the independence and having everybody looking at it gives one more level of comfort that individually we could not do.

We may have to put out an RFQ.

The board thanked Mr. Nagahama and Ms. Nagorski.

The meeting was adjourned at 5:05 p.m.

Richard R. Roehm, Chair