

**MINUTES OF THE REGULAR MEETING OF THE
SANFORD AIRPORT AUTHORITY
MARCH 12, 2019
8:00 A.M.**

PRESENT: Tim M. Slattery, Chairman (arrived 8:16 a.m.)
Tom Green, Vice Chairman
Jennifer T. Dane, Secretary Treasurer
Chick Gregg, Sr. (appeared via phone)
Frank S. Ioppolo, Jr.
William R. Miller
Clyde H. Robertson, Jr.
Clayton D. Simmons
Stephen P. Smith
Brett Renton, Airport Counsel
Ken Wright, Airport Counsel
Mayor Jeff Triplett, City Liaison

ABSENT: Commissioner Brenda Carey, County Liaison

STAFF PRESENT: Diane Crews, President & CEO
George Speake, Executive Vice President & COO
Don Poore, Chief Financial Officer
Jerry Crocker, IT Director
Tommy Gentry, IT
Lori Hunt, Executive Assistant
Al Nygren, Property Manager
Lauren Rowe, Communications Director
Jennifer Taylor, Project Coordinator

OTHERS PRESENT: Elizabeth Brown, AWW
Stephanie Griffin, AWW
Mark Galvin, Hilltop Securities
Jonathan Hand, Atkins
Jeremy Owens, CPH
Keith Robinson, AWW
Tim Shea, AVCON
Angela Singleton, Hilltop Securities
Kevin Spolski, Spolski Construction

1. CALL TO ORDER, PLEDGE OF ALLEGIANCE, AND INTRODUCTION OF GUESTS

The meeting was called to order at 8:16 a.m. followed by the Pledge of Allegiance.

2. ADVERTISEMENT OF MONTHLY MEETING

Copies attached.

3. COMMENTS FROM THE PUBLIC

None.

4. DISCUSSION AGENDA

A. Discussion regarding status of PFC#5

Chairman Slattery stated the format for the meeting today will be: President Crews and her staff will go through each of the options, the Board will ask questions along the way. At the end of the presentation, President Crews will present her recommendation, after which each of the Board Directors, the Mayor and Elizabeth Brown will ask questions or make a statement. The vote will be delayed until everyone speaks due to the magnitude of the decision.

President Crews recapped for the Board: PFC Application No. 5 was submitted for the 4 gates that are part of the Terminal Expansion Project. Allegiant had filed a letter against that previously, and she had talked to them about trying to find a middle ground where we would proceed with building the gates but defer the application to a later time. They had indicated that wasn't acceptable and we moved forward with submitting our application. Afterwards they came to us and said that they really didn't mean to object to the whole idea of the deferral, they wanted some more time to talk about it. Last Tuesday night, President Crews, Chairman Slattery, George Speake, Mayor Triplett, Elizabeth Brown and Keith Robinson met with Allegiant. Allegiant had 4 people there including their Senior Vice President of Treasury and Accounting. They met for several hours to discuss the whole situation. Allegiant indicated again that they didn't want us to use their passenger PFC's for the gates because they felt the additional gates were unnecessary. We discussed this in depth, and they indicated that they would get back to us early this week. After the meeting it was decided that we needed to have a meeting today which is the day before the final day for submitting a withdrawal of the PFC. If we decided to withdraw our application as Allegiant has requested, tomorrow would be the last day. We called this special meeting, and asked Allegiant to get us their response by yesterday because we were having the meeting today. President Crews noted that their response was sent to her at 7:30 p.m. last night. President Crews thanked her executive staff, stating that they deserve a huge pat on the back, they worked on it until late yesterday and Don Poore worked on this while she was out of town. It is one page which is a condensed simplified version of a significant amount of work and represents a lot of information. She apologized that they couldn't get it to the Board until last night, but she got it to

them as quickly as she possibly could. Don Poore is going to present each of these scenarios. The Board has a decision to make, we are going to present these options and she is going to give the Board her recommendation. She stated her recommendation will be based on what she considers the least amount of risk, and when we get to her recommendation, she will explain why she feels that way. Ultimately, she knows it will be the Board's decision, and whatever decision this Board makes, she and her executive staff will work to make it happen, work the best we can with it, we will certainly fully support any decision made by this Board. President Crews distributed the email from Thayne Klingler with Allegiant.

Board Director Ioppolo inquired if we are being asked to withdraw the application for PFC#5. President Crews responded that is an option, but it takes different forms. You are being asked to withdraw the application for PFC#5 and we have until tomorrow to do that before it becomes a problem with the FAA.

President Crews read for the record the email from Thayne Klingler:

"Hi Diane,

We appreciated you and the SFB Team taking time to meet with us last week. I understand you have a special board meeting tomorrow at which time a vote may be taken regarding the PFC Application for the additional gates. As previously communicated and requested, we hope that you will pull the PFC application at this time.

Mayor Triplett and I did have a follow up phone call and he asked for a couple of things in writing that he felt might help encourage votes for a withdrawal of the application: 1) that we are open to discussing an extension to our agreement when the current agreement expires in 2021, and 2) that we are willing to work with SAA & OSI/AWW on gate scheduling and management if another carrier comes in and needs gates during peak times. I let him know that we are open and agree to both of these.

We'll be waiting to hear the results of tomorrow's meeting and hope we can continue to discuss the future of the gates and associated PFC application. Thayne Klingler, Allegiant's Director of Airports."

President Crews stated Don Poore has separated each of the five scenarios and is going to walk us through them beginning with scenario number one. She stated that none of the five scenarios includes walking away from doing the gates; they are all based on constructing the gates, but whether or not we are going to withdraw the PFC application and what the possibilities are doing so.

Don Poore distributed another handout of inputs and outputs of cash flow. The inputs are the amount of cash it would take to take care of SFB's loan and what PFC's we would receive. It has the cost of the loans going out, whether or not it's equal and

income level. Some of these the inputs will be changing because the amount of PFC's we receive will be different.

Don Poore noted the five different scenarios are laid out in the same format. Assumptions used are PFC's will remain \$6.5M per year as this is what we are receiving to date. The PFC's will remain the same short of airlines packing up and leaving. Permanent financing will be 5.5%. Looking at 2 notes, one for the PFC which would pay out faster because PFC's come in at \$6.5M per year and ours would be at 20 years. The SFB's portion is a 20-year note, the PFC's portion is a ten year note with permanent financing. There are no note changes expected in the project for what we see right now, no big construction changes like that.

Carrier withdrawal would occur over two-year period. Don Poore explained if Allegiant was to leave, we originally put in here that they would leave over a two-year period with basically a 12.5% reduction at each quarter. We were notified last night that if it were to happen, it would happen in 2021 at one time so the cash flows have been changed for that and this assumption has been changed. There is no financing - in other words bond counsel and attorney's or design cost - in here, it's just simply the cost of the project and the interest.

PFC rates would remain \$4 per passenger and would not change to higher or lower amount. Allegiant comprises 90% of our business so if we were to lose 90% of \$6.5M it would drop to \$650,000. All airlines except Allegiant comprise 10%. Don Poore presented each of the 5 scenarios.

President Crews noted scenario 1 is what we first envisioned when we went into the project before we had a letter of objection.

Discussion ensued regarding potential carrier withdrawal, timing of potential carrier withdrawal.

President Crews deferred to Elizabeth Brown to update the Board on terms of notice if Allegiant moved their operations to MCO.

Elizabeth Brown stated it would be purely speculation on my part, we know that if they were to do a full-on move to MCO that there is some gate limitation there until 2021. But I think a move like this would be contemplated with 6 months' notice, because they would have to negotiate their ground handling service on that side and negotiate the gates and what their cost will be with MCO.

Board Director Ioppolo inquired as to whether gate limitations in 2021 at MCO would be January or December. Elizabeth Brown responded I'm not intimate with the MCO project, my understanding is the new gates come online sometime 2021, I think it's actually mid-year. President Crews stated Allegiant's ten-year MOU with the Airport expires Feb 2021.

Discussion regarding air service development, new carrier, time for new carrier to ramp up. Discussion regarding Central Florida is number one tourist destination. Discussion regarding viable market, small airport convenience, market test, gradual growth. Discussion regarding importance of Vinci with regards to international travel.

Elizabeth Brown discussed future of international travel, she didn't think that we'll see the international numbers of the charters that you saw 10-15 years ago because the aviation industry has changed significantly. Tour operators don't sell that way.

Discussion regarding bankruptcy, liability to City of Sanford, default of lease, FAA obligation, Board Director liability. Discussion regarding FDOT Grant. Discussion regarding Allegiant being prohibited from using new gates, common use gates, ground-loading.

President Crews summarized we have a situation here where we have multiple parties involved and multiple parties that we are trying to please and some we are more compelled to do so than others. We received \$1 million in federal funding to pay for the 2012 Master Plan Update and it took a year to produce. It was then scrutinized throughout and after by the FAA and it is the guide that we must use going forward. Right now, we have a \$1.2M grant to do the update, it's not the question of should we do it, we have to do it, this is a mandate from the FAA. When you receive \$1M in funding for doing a planning document to guide your development responsibly, the FAA isn't happy when you don't follow that guidance. We have the FAA that has endorsed this book that said when we got to this point in the growth of the Airport that we needed to do more gates. We then did a gate needs study that was more conservative even than that Master Plan and it said we need to do more gates at this time, because you don't wait until your growth is on top of you to plan, you plan ahead. This 20-year planning document is what we started with back in 2012, and we always knew this day was coming, but we didn't know how fast. I'm just saying I've got the FAA to please. Had we decided not to do the gates we are going against what this document says and what the federally funded gate needs study says. We have the FAA, and we have Allegiant, a valued partner; there isn't anyone in this room who would dispute that, and the last thing we would want is to see them leave. We also know that even if we do everything imaginable that they've asked, they will leave if they want to, we can't control that, that is absolutely an uncontrollable factor. But they are saying we're unhappy about this and we might leave if you go ahead and do the PFC application that takes the money from our passengers and pays for the gates.

We want to please the FAA, we want to please Allegiant. We want to do the responsible thing and have the capacity here to continue to grow this Airport. We all believe in this Airport, every one of you have flown out of this Airport, you know what a great experience you can have flying out of a small airport. So right now, we want to make sure that we are being responsible stewards of this facility that is on land we lease from the City. The nine board directors are appointed by the City and everyone wants to do the right thing as a government agency so that's out there.

I looked at every option imaginable including what was brought up to me at one point of not even doing the gates. However, not doing the gates doesn't satisfy the FAA and it doesn't fit with what we've all talked about with the future of the airport. We also need to consider our partners AWW. We are working very hard with them to bring more air service to this airport, we know the lack of diversity is a real issue and that is part of why we find ourselves in this situation today. I'm not putting the blame on Elizabeth because she's been here less than 2 years but that has been a huge problem, so they're working on a new strategy and I feel confident their efforts will result in benefits. I looked at all these factors and my recommendation is: Scenario 4, where we withdraw our PFC application for the gates no later than tomorrow and take advantage of the \$5.5M grant funding that the FDOT has said we can use for this project. There is an additional cost to us, but it's one that I believe we can handle based on the scenario because we're already putting out that annual amount of expenditure for the project right now. This would just extend it and we know that eventually we can go back and capture the PFC reimbursement. We know we will go back and capture that portion of the project in PFC's. It's not perfect but I think it gets us closer to the goal and I think it's the responsible thing to do as stewards of this Airport, to make sure that we are able to continue to grow without alienating our partner. There are elements of this that I don't like any better than anyone else, and I don't have a vote here, in my opinion it is the best-case scenario for the future of the Airport.

Chairman Slattery requested Don Poore share his conversation with our financial advisors of how scenario #4 affects us.

Don Poore stated the concern with scenario #4 at this point is that we're going to be going out to get permanent financing, and there is an obligation on us to service that debt. That's probably the only thing we'll really have to watch. In this scenario, there won't be quite as much permanent debt. We talked with the Bank, the Bank doesn't seem to have any major concerns at this point. They want to negotiate the loan right now, they'd like us to bring it down, \$60.5M is a lot of money for them to sequester. They don't like holding it and I don't like spending it; consequently, we're kind of juxtaposed now, we're trying to keep it down low, with the last PFC we left several Million dollars on the table because we kept our cost down.

Chairman Slattery asked if we can still obtain the best possible rates for a loan for the Airport side if we go out to market with Option 4. Don Poore stated that he didn't believe there would be a problem. Chairman Slattery requested Mark Galvin, the financial advisor with Hilltop Securities, give his input.

Mark Galvin stated when we originally looked at this financing, we were looking at approximately having the airport's portion be \$4.5M in which that would be annual debt service of \$370,000. We're doubling that, in addition the most important thing is currently 5th^{3rd} Bank signs off on this because if they do at least you know you've a partner that is able to go into the future and you're going to be able to finance this one way or another. Obviously, this will put more pressure, your coverage number before

was approximately 3x \$1.2M airport revenues. That \$375,000 now will drop down to 1.5 so now once again it's a little bit, you might not have that many banks that are going to participate in it, but the important part is that you'll have at least one that will be able to finance this. We need to sit down with the underwriter to make sure those guys are signed off, but the coverage number is going to go from 3x to 1.5; it's not a slam dunk, 20 years is a long time for those guys to lock in the rate, but I think 5th/3rd will probably be your long-term financing option.

Chairman Slattery inquired we're going to make that request now? Don Poore replied this afternoon.

Board Director Ioppolo requested of Chairman Slattery in your banking experience now that the possibility of Allegiant leaving before the end of the period has been raised, how does that effect the banks' consideration of the loan? Chairman Slattery replied I think what Mark just said is worse than Allegiant leaving because Allegiant can leave anytime they want, that's always there but when you go from a 3x debt service to a 1.5 that will weaken our ability to attract the best rates in the market to some extent, now 1.5 is still well qualified. But 3x is superior.

President Crews replied again I told you what our recommendation is but I just want to point out in case that someone missed this, that scenario 4 also has the lowest level of permanent financing; because of the infusion of the extra \$5M, permanent financing will go down to \$35M and all but \$9M is on the PFC's, PFC#4.

Chairman Slattery responded it's important to note this, we don't give up any opportunity to go back to PFC#5 and recoup whatever FDOT didn't pay, what we paid we can go back and recoup that at any time, we have up to 7 years right now on PFC#4 collecting this, so at the end of the 7th year we could have PFC#5 kick in.

Don Poore updated the Board that before PFC#4 is done, we have to have PFC #5 in place.

President Crews explained, we're saying PFC#5 like it's the title of the gates, it's just the next PFC in sequential order. There will be a PFC#5 and it will be in place before PFC#4 expires because we don't want a gap. This is a funding mechanism that we have at our disposal. I can't imagine that we'd want it to lapse because there are too many projects it could be used for, it might be an airfield project, it might be something else. What we're saying is eventually there will be a PFC for the gates, or it will be added to a PFC application as an add-on because it will be for reimbursement. It will most likely be added to another PFC application, but we will continue doing projects with PFC's and they will be numbered sequentially as we go through the process.

Discussion regarding Allegiant making it known they have no intention to ever pay for anything to do with the gates; with submittal of PFC#5 if it has anything to do with the gates will Allegiant object as strongly then as they are now assuming, they are still here.

Elizabeth Brown explained Allegiant is objecting because they are basically the sole carrier, so they feel based on their own growth projection over the next couple of years, using mid continental bases and filling in the operation outside of the peak operations, is the reason that they don't support those 4 gates and that's why they are protesting the PFC. If you project out in 6-7 years ideally, we have another airline here and then we have more airlines to share the cost and I don't anticipate that Allegiant would react in the same manner as they are today because they would no longer be the sole carrier paying for the PFC.

Board Director Green requested for the record can we delete the word permanently.

Elizabeth Brown addressed the Board, noting that she had several comments and a statement that was agreed to with their parent company that she would be reading into the record. She explained that in a scenario where we allow the PFC to move forward, we are pretty much assured that Allegiant actively will try to make the move. If we have a scenario where the PFC is withdrawn, then I think we have every fighting chance to maintain them and I think we have a very good opportunity to maintain through negotiation and renew the contract with them in a couple of years. And I believe we have a bearable cost base that will make the attraction of moving to MCO less attractive to them, and I think it's important that we consider that.

We have an important relationship here with a major airline partner who has been supportive of this airport as we have been supportive of them for many years. If we continue forward with the PFC application on principle, they will likely make every move that they can to leave. Even if we think that they can't move to MCO because they don't have gate capacity, even in any case that risk is not worth it to us.

She noted that Allegiant told us that they want to stay here. They told us at the end of the meeting last week that they want to stay at SFB but they are always looking at what the best business case scenario could be. I want to just talk a little bit about what that means for competition and why they would ever look at any other airport because this doesn't just apply to Allegiant. This applies to any other airline, and this is what we are up against when they are moving an airline. When you talk to airlines, they are looking at what is the destination, Orlando's #1 in the top three of the top destinations in the world. We know that, but the problem is because we're at SFB there is a perception that we are not the Orlando destination and that is always the discussion we are having.

When an airline goes to MCO that if I can sell MCO like my competition that puts me on an even plane to build it back; if I operate at Orlando Sanford that may not put the map in a fair playing field with them which is always a consideration of any airline. So, while looking at costs and we know we have a fair local cost environment at the end of the day that might not always be the influencer, that's been ultimately the challenge we've had in attracting other airlines. We're fortunate because we already have Allegiant here and Allegiant already enjoys the benefit of SFB so for them to make a

move it would be significant for them. But they're still looking at the idea that maybe they can compete with their other competitive carriers and maybe that is better for them.

If we pull the PFC off, then I think we have an opportunity to talk to them about the cost-environment, we'll be a better environment for them than the yield by competing with their competitors at MCO. I'm quite confident we can keep them here for that. Second thing is let's look at a similar situation with San Francisco and Oakland. Oakland loses airlines all the time to San Francisco because people don't think of Oakland as a destination and that is very similar to here, that is the reality in the situation we are having.

The other thing to consider is let's think about the reputation of the airport; if we don't pull the PFC application and Allegiant withdraws, let's consider what other airlines will think about us. A major base, a major option low cost carrier has decided to be here and loses all their service at this airport it doesn't matter where they go to and I think we have that much more of a difficult conversation to have with other airlines. Every other airline will go well, what was wrong there, and I think that's just a reality that we need to consider that.

Lastly, I just want to remind everyone when we look at the aviation industry in the talk that we've heard for the last year, I'm sure you've all heard it, and we haven't considered in any of these scenarios a possible economic downturn or some type of adjustment that might occur with the economy. I think that's something we need to consider. If we lose Allegiant and there is an adjustment in the economy that could be a real challenge for us; if we keep Allegiant and there is an adjustment it may also impact that scenario. It also makes it very difficult to attract another airline. If you look at the 20% growth in scenario 2, I think 20% for us with a possible new airline is frankly very bullish. We were very fortunate to have Allegiant be a start up and do what they've done; if we try and project 20% growth and have an economic downturn I don't think that's going to be realistic.

Elizabeth Brown read a statement from their parent company Vinci Airports:

"AWW values its relationships with both the SAA and interested stakeholders at the airport, including air carriers. In board meetings in the past, I noted that AWW could continue to operate the airport with or without the additional 4 gates contemplated by PFC#5. In the interim, the airport's primary air carrier has raised significant objections to PFC#5 and advised all of us of the very serious potential for changes in the carrier's traffic that could result in a major loss of terminal revenues and activity at the airport. Based on this objection, and the potential major loss of revenues, withdrawing PFC#5 is the only commercially reasonable solution at this time that shows a good faith effort to maximize terminal revenues, this withdrawal under either option as presented to the board today, option 4 or 5.

In light of these circumstances, AWW strongly supports the withdrawal of the

application for PFC#5. While not contemplated in option 4 or 5, we understand that the application can be resubmitted at a later date, which would allow all of us time to work with stakeholders to make sure we achieve the best possible outcome for the airport if and when the application is resubmitted. AWW's parent company, VINCI Airports, also fully supports the withdrawal of the application for PFC#5 based on the real potential for a devastating negative impact on the airport activities, and concomitantly, the SAA contract with AWW's affiliate, OSI."

Brett Renton inquired of Stephanie Griffin, AWW Counsel, are you suggesting that if the Airport considers anything other than scenario 4 or 5 that would be a default by the SAA under our contract with OSI?

Stephanie Griffin replied I don't know that I'd go on record responding to that, I think our position very clearly states that there are 2 commercially reasonable decisions, take that for what you will with respect to our interpretation.

Brett Renton replied I understand and appreciate that, I know you're being put on point of the tip of the spear, this Board understands but they have to make a decision and obviously if OSI is taking the position that any other action other than 4 or 5 is going to be a breach of contract, they need to know that, and if that is not your position they need to know that as well. It's either A or B and we just need to know what it is.

Stephanie Griffin replied it would be commercially unreasonable for any other, our position is it would be commercially unreasonable to take any other decision and if that resulted in breach of the contract, then that would be our position.

President Crews addressed the Board and Elizabeth. I believe in this Airport, I think that Allegiant has proven the airport's worth, I think Allegiant has a reputation in this industry already the way it operates as an air carrier. I don't think that their moving from this market into another market like MCO would send out the warning signals that you just mentioned to other carriers, I do not think it would scare them off. I think that we have proven our value, we have to believe in what we are here, we have to believe we have that value, I do and would hope this Board does too. I just have to say that, I don't think we're being foolish.

Elizabeth Brown clarified her comment was we would need to worry about that reputation, I didn't say it would be impossible, and I didn't say that this airport is not attractive, but I do believe it would be a conversation we would have to have with other airlines.

Discussion ensued regarding breach under the contract and consequences. Discussion regarding additional revenue, termination of management contract, violation of grant assurances.

Mayor Triplett addressed the Board, thank you for the opportunity what I was going to

say has changed 30 times, from last Thursday to right now. I think there was a great relationship with the CEO of Allegiant Maury Gallagher, back in the day. I think that we saw and heard that he's kind of pulling back a little bit and he is allowing his soldiers to do a lot of the work for him. They may not be the relationship guys that we had with Maury or Larry Dale had with Maury or this Board. I think that there is a lot of bluff and a lot of blustering going on, but I think you have that opportunity when you're the big dog on the porch.

Going from 3x to 1.5x to the worst-case scenario is what I have to look out for the 60,000 residents of the City of Sanford. Scenario #3 says I have to go to my board and say the Airport is bankrupt and they took on something that we actually approved, because we approve your budget. I don't want to be that guy. I don't want to be in there. I have to look at that point of we have the one group that's actually paying for this and they said we don't need the gates. We're coming back with ok, we're going to build the gates because we have to look at expansion.

But we have a scenario that says we're going to withdraw this application and that's what they're asking, and I understand it's a business decision. George said in the meeting when we met with them on Tuesday there is always going to be the PFC. They are averse to them paying for something they think they don't need and are projected to need. We have 7 years on the PFC#4, year 5 we can go in, you can go in, I won't be here, but you can go in and say you know what we need to do this, oh by the way it's going to be a little bit less because we're not bringing in 3M passengers on one back, we're bringing in 6M with four airlines so the PFC is \$2 or whatever it may be. What I don't want to see from the City Sanford side is hypothetically looking at number 3 because we've pounded our chest, we've won the battles and lost the war. You're not going to walk up to the big dog on the porch and stick your hand in his mouth. Give him the steak, give him a biscuit or anything that is what they are asking for. Why wouldn't we do that when we have seven years to go back? And I don't like this conversation between attorneys. 87% of zero is still zero, nothing personal, I don't like that part of it because we're partners with Elizabeth and AWW. We have new people in place there that say they are going to do this and yet they've performed, we've had this conversation, we've sat at this Board table saying how are we going to get more eggs in this basket, that's the responsibility right there. I think they see also by the statement of this is a critical decision and we can kick the can down the road. Heck we may get an airline in that brings 1M new additional passengers out of nowhere and we can pay for this in 4 years and then use the rest of the PFC for something else. Don't poke the bear, make a smart decision. This is good faith, the opportunity to stick our hand back out and go you know what yeah, I know you feel a little slighted, we know you feel this way, it's a business decision.

Chairman Slattery thanked Mayor Triplett for attending the meeting the previous Tuesday, noting that it was 3 hours of good conversation. I know you're not in this day to day, but you certainly helped us extend the olive branch and made it a very productive meeting for all of us. I appreciate that 3 hours and the time you put in on behalf of the City over the past week.

Mayor Triplett thanked Chairman Slattery and referenced the email from Thayne Klingler of Allegiant. It says I had a conversation with them. I did have conversations with them because I reached out and said thanks for taking the meeting, then we got in a conversation and Thayne states "he felt a couple things in writing" that he felt might help encourage a withdrawal of the application. But the conversation we had was how can we work together on this, you have a position we have a position. And I said come back, because we didn't finish some of the conversation since they had to leave, is how open are we going to be to have conversations. That's what I'm asking and if we're making a decision based upon trying to keep a relationship, that's what this is, keeping a relationship

Chairman Slattery stated the Board Directors would now have an opportunity to discuss the scenarios presented and ask questions of staff.

(Board Director Simmons left the meeting at 9:23 a.m.)

Break at 9:53 a.m. Return: 10:05

Chairman Slattery addressed the Board, noting that we're at the point where all nine of us can ask questions, can speak freely, I would ask that you try not to duplicate this as much as you possibly can. You can ask something new that would be great, but let's all try to stay on a positive note with all of these entities and boards, etc.

Board Director Ioppolo stated that this is clearly the most significant decision we have had in my six years on the Board, and Mr. Chairman, I appreciate how it's played out. I know firsthand how much time it takes as Chairman to sit through these meetings and listen to all the information, so thank you. Thank you, Diane and staff, for putting together a herculean analysis in very little time.

I've tried to listen very carefully today to all of the things that were said. I've heard a couple of folks reference this as a relationship issue and I think that's somewhat simplistic. This is a business issue, this is a business, they're not good people, they're not bad people, they are doing business. They have an obligation to their shareholders to do the best business that they can. Back in the days of our prior President and their prior CEO, a reference to sunnier days, despite those good personal relationships, they left us in 2010 for 10 months. It had nothing to do with whether they liked Larry or they liked Diane. And they left because they thought they could increase their yield and 10 months later they came back.

Why did they come back? Well according to their president at the time, Andrew Levy, at the time they came back because: "Our customers preferred the convenience and simplicity of Sanford" and I'm reading from their press release back in Feb 2011, "Our customers prefer the convenience and simplicity of Sanford and we're pleased to respond to their requests to return all of our Orlando service to Sanford. Additionally, the substantially lower air operating costs coupled with the move to a more efficient

operating environment at Orlando Sanford made this the right decision for Allegiant.”

So, they left and anybody who's been on this board knows that over the years, just the six years I've been here, anytime there has been any disagreement with our partner, we hear that they're elements within Allegiant that would want to go back to Orlando. Despite the \$4.50 PFC charge which is higher than ours, despite the experience they had where it was not convenient, it was not simple, it was not an efficient operation. I don't give quite as much credence to the threat in part because I think they are business people and they're making a business decision, it's not a personal thing. I don't think we try to make it personal and I really don't think they make it personal. I want to put it back on a business discussion, not personal, not do they like us, or do we like them. Clearly liking us or not liking us has nothing to do with staying here, it's a business decision.

Because it's a business decision I would expect Allegiant or any other carrier to leave the moment they believe that it's in their best interest, the moment the cost structure doesn't work for them or the moment they feel they can get a higher yield or higher load or better marketing or compete more dramatically, they're going to go. I'm not comforted by the email from Thayne although I believe there are well intentions; there is really nothing to his "we're open to discussing an extension" statement. I'm thinking that means they are happy to consider the conversation which is great, but it means nothing. So, we're put in the position where we have a risk of withdrawing a PFC application, we have the risk of increased cost of construction, we have the risk of increased timing on it, a number of risks.

Our partner, Allegiant, shares none of them; our partner, AWW, shares none of them. These are our risks, our debts, our obligations. I am concerned about the issue of the debt coverage in scenario number 5 and how that is perceived that obviously will have catastrophic effects on us. Although I understand and appreciate Diane's conversations with the FAA, as long as we build the gates, we are not going to run afoul of any obligations not to be dominated or controlled by a third party. My largest concern in this is there is no guarantee on what our future financing looks like here. The result of that financing is going to eat up a substantial portion of our financial ability to affect us. Why is that important? Well we're in this position in part because we are somewhat dependent on that portion of our revenue.

Look at our revenue - we've got two hands: the airside revenue and non-airside revenue. We embarked on a program to better develop and monetize our real estate assets so we can alleviate some of the exposure we have. And at the same time, we're trying to up air services since we have been fundamentally unable to grow our air services for the last x number of years, at least my six years of experience. This Board I believe quite responsibly has put its efforts in doing anything we can control, which is our real estate development, and at the same time encouraging our new leadership in AWW to be more aggressive in the presentation of our airport and its revenues. I am very concerned again that by taking this pathway we are really taking up a lot of capacity we have to divest in other areas, and yes at the end of taking

these risks and removing these opportunities to diversify our revenue, we're in exactly the same position.

They can leave in 2021; if we believe they honor the contract will take us to 2021, if they believe it's a gate issue its still 2021 so essentially in 2021, like any good business, the airline is looking at whether they should be here, or does it make sense to move. The relationship isn't going to cause them 10 seconds worth of sleep nor should it, they're going to go. I think because they convinced at least me through this process, my perception is that they are going to go. This is just the prelude to when they go. I am not inclined to withdraw the PFC and my thinking is that we should continue with it.

I am also allowed to weigh on my head what a lack of observance of fiduciary looks like, for example our partners at UCF, where the Board wasn't paying attention to things and the result was a challenge down there. I think this Board is acting much more responsibly and paying attention, but I'm cautioned by the lack of attention they showed. I struggled with this because I really appreciate and respect the recommendation and option number 4, but I can't in good conscience vote that way because I think we're going to wind up in a situation where we have option 4 and we don't have Allegiant in another two years. I think that's where we are. I don't think that makes Allegiant a bad group of people, I just think it makes them business people. I'd love for them to stay but they have clearly expressed a desire and the relationship didn't mean anything in 2010 when they left and certainly, I've seen it played out in the way they interacted with staff on this, so I'm going to be a no vote on withdrawing the PFC. I want to keep the PFC in place.

Mayor Triplett inquired of Board Director Ioppolo, you said it's purely a business decision and you say you now know they're leaving anyway. Board Director Ioppolo replied I believe they are leaving. Mayor Triplett replied why wouldn't you make a \$16M decision. Board Director Ioppolo responded I don't think whatever we do here on this matter is going to change their decision. If they leave, it won't because of this vote, if they leave, they're going to leave because they think they can get a better deal, better economics, better business prospect someplace else. Given their history, what they have said about wanting to move didn't work the first time, about their customers, about the size of destinations, 17.5% or 18% coming into Orlando, I don't believe that they would go. I don't think they're going to leave this airport, that's my belief.

Board Director Ioppolo clarified, I don't believe that they are going to go but I do believe that the decision on the PFC isn't going to be the cause if they choose to go. My apologies, I don't think they're going to make a decision that's not business oriented. If they're going to go, they are not going to go to a higher PFC, more congestion, a place that didn't work for their customers, because we refuse to withdraw something that doesn't increase their costs.

Board Director Smith addressed the Board, stating I also want to thank the staff. I think you've done a fantastic job putting this thing together. I don't like being held hostage, I feel like we're being held hostage. I don't like the fact that we are doing all the giving and they're doing all the taking, they're not willing to sit down, give us any comfort in whether they're going to stay or leave. I think from a standpoint I like I'm willing to meet them halfway and go with option 4. We're doing our fair share, we're showing them that we are willing to work with them, but then they're not doing anything to assure us. I'm going to support item 4 or scenario #4 but I would really love to see them give us more assurances that by us giving they're not just going to continue to take.

Board Director Miller addressed the Board stating I'm glad we're bringing this to fruition finally, I feel we've hurt ourselves by going this long. The fact we are here today, we have a staff recommendation, and we also have a recommendation from AWW, both have given their reasons for it. I don't know if there is much more to say.

They are who they are, they came in here as a startup airline even though they were out in Las Vegas. But they didn't have much going and Maury Gallagher had a business plan and I said this to this board before with Larry Dale when we sat there and listened to him. He had all the I's and T's crossed both from an operational, mechanical side to the marketing side. And they have performed, and as they evolved over the years, their Board Members have changed just like ours has. And you're going to get differing opinions, you're going to get influences put on individuals, or from previous relationships they had. We don't know if it's hard fact or innuendo or bluff that we're hearing about this move to OIA unless some of you have had that internal communication then you can clarify the qualifying statement about "we may move" to OIA.

Staff has worked to put together a presentation on the table that we can live with. We don't like it, we wish it was totally different, but we do have a means to move on. And with Elizabeth's input this morning tremendously significant. Diane, I have to differ with your rebuttal to Elizabeth about her comments. To the point Steve you made an interesting angle to it that I think we have a direction that we can support from both the ladies and their positions. I think we need to support it and move on.

Board Director Ioppolo asked Chairman Slattery can I respond to any of that. (To Board Director Miller) I have no idea what you are referring to, I have never dealt with them in anything but a professional manner and my entire presentation was focused on them being good businessmen.

Board Director Miller replied I was wrong, and I apologize.

Board Director Robertson addressed the Board, stating I'm still confused. I run a small business in town, and I must make decisions all the time. I'm confused with the letter, so I need to ask a question of staff. President Crews, have you seen it says here they are willing to work with us on gate schedule and management if another carrier comes

in and needs the gate during peak times? Tell me how that works, they control our gates?

President Crews responded that no, they don't control our gates, our gates are common use. They have AWW as their ground handler, but AWW is also our terminal operator and they manage the gate assignments, not the ground handlers. I think that they misspoke because the assignment of the gates is not on them, or their ground handler. Although their ground handler and terminal operator are one and the same, there is a different component although same people, same personnel. When I talked to Thayne originally back a couple of months ago his comment was if you had another international carrier come in, we might change our schedule to allow them to use the gates. That isn't their role and he was careful to use the word "might" to which I said I can't work around "might". In our meeting, he changed it to they "would" look at doing that. Elizabeth has had experience at other airports where carriers have worked together on gate assignments. However, I was told recently by an airport that they lost an air carrier due to Allegiant's unwillingness to work in that scenario and I have to say that because I know that to be true. They're saying now that they will be willing and they're saying that if we don't build the gates, that they would work to allow other carriers to come in and work on the gate management. The gate management isn't theirs to do, so it's kind of an awkward situation because they are assuming control that they don't have. But Elizabeth has worked in this situation and said she can manage this situation and I believe that she has done it and knows what she is doing.

Elizabeth Brown added we plan around 10 gates in the morning as a morning peak operation, which means we always have 2 gates available; one is used by another carrier at the time. Because Allegiant doesn't fly to major hub airports, there's a lot more flexibility for them to move their schedule 15-20 minutes here or there. A previous airport I worked at where we had more than 50 airlines operating, and they all wanted to arrive and be in the same 3-4-hour period, we worked with those airlines all the time to move and adjust their schedule as needed. And I have every confidence that we would work with them. As Diane said, we run the gates, they don't.

President Crews added today's schedule which is Tuesday, it's spring break so Tuesday is a little busier than it would be normally, but Tuesday is still the slowest day. We had 11 departing flights this morning, and 10 of those were all within the very same time frame. One of them utilized a gate twice and the other 9 used different gates. Tonight, there will be 12 aircraft coming in and remaining overnight ready for tomorrow's departure. They're saying they can make 10 gates work. That's relying on the fact that there will be 10 gates in operation and there's not a problem where they have to use the 11th gate. They can't use the 12th gate.

President Crews referenced what was brought up in the Tuesday night meeting and has been brought up before, that the situation with our gates works for them because of the waning international traffic and us being able to let them use the gates. As we rebuild our international, it will become more difficult, as international flights are here

for a longer period of time. There are constraints based on that factor if we continue to grow the way we are working to grow and when we get that international traffic back that will constrain the number of gates. When I brought that out to Allegiant, their response was, we can always ground load.

Board Director Robertson inquired of President Crews, so this is a fallacy that they are hoping? I'm going to be really brief as the way I understand option 4 we continue to do all the terminal expansion, all the gates correct? Everything is going forward on the project, looks like the cost is going forward. We're getting FDOT to help out and we're going to recall our PFC application right now for a while on PFC#5. And I echo what Elizabeth is saying, I foresee a recession and I'm not an economic major. I can see a recession coming soon with the way this country is moving but that just may be my age. I do see we are going to boost ourselves with international travel, I believe the hotel is going to bring us in some money if we get started on that before the other four get going. We'll make more property development around the airport, the airport is going to grow, I think we have a bright future. I'm happy to go with 4 and work with Allegiant. I want to make sure they know we want them to be fully successful and I'd like to see us do option 4.

Board Director Dane addressed the Board I have a real problem with being held hostage. I feel like that's the position we're in today. I think we're making this decision because we're sort of the tail wagging the dog again. And I have talked extensively with President Crews about option #4. I understand it. I don't like it, I think it ties our hands with regards to future development growth. I don't like that we're drawing down all of our FDOT funding for this one project with a partner that quite frankly threatens constantly that they are going to leave us. If they leave and we don't have another carrier, we've got 4 gates that are sitting empty anyway. I understand that FAA has told us that we have to do this, and we can't not do it, because the tail is wagging the dog, I get that. I fully support the 4 gates.

Board Director Dane responded to Elizabeth Brown's comments that 6 years is a long time and a lot can happen. I've sat on this Board for 6 years and nothing has happened except the growth of Allegiant which is fantastic, and we want them to be successful and we want them to be here. I would really love to actually see some growth because we haven't had any and a couple of guys that were brought in haven't done much. I really don't know what I'm going to do right now, and I have to figure that out. I've got some real concerns about putting us in this sort of debt, I just don't like it, but I understand it. I don't like being told what to do at the back door.

Board Director Green addressed the Board, stating first thanking the Mayor for his input and for getting involved with what is probably the most important decision we've made. He thanked Elizabeth and AWW for weighing in on this issue. He then stated that my concern is we have our operator, our partner whose response is they can live with either circumstance right now. The four gates whether they come or go they can live with either circumstance, that's not a tremendous demand. We need those gates. I will tell you Allegiant pulls out it doesn't matter, we certainly don't need them. I'm

also concerned about the economy, in fact Allegiant's growth is probably slowing, what they told us it's not going to be as grand as it was in the past. Regarding Allegiant themselves they are a big company. I've dealt with this, with big tenants, and the problem with that it starts as a bluff and it starts out positioning, then it turns personal away from the business. And incrementally both sides of this from the landlord that is building the building, you get further along and eventually they get so committed, bought into it, you get them. And the landlord that has got the big tenant for the building, you are going to lose them, because there is no way economically it will work for them. And at the end of the day 6 months later, you get a notice that they are gone because it got personal and they built a case around it. My concern right now is we have an operator partner that's putting a reason for our growth here and we know that they are positioning, and we know they're the 800-pound gorilla. And at the same time, it is what it is and sometimes you have to appreciate your partner. Even though I don't personally think they are right, it doesn't matter, they're our partner and sometimes you have to embrace them and thank them for that and say I just don't think the fight is right now. I don't think we need to have a fight right now. I think you've got to go down a few years and we might be in a different position; the gates may be warranted more fully and be supported by our partner AWW. I agree with the recommendation of staff.

Board Director Gregg addressed the Board, I don't want to be redundant. And part of the conversation I couldn't hear over this conference call so it may have already been covered. It's been said previously, we've all been in business, we've all had to compromise with major customers or clients, and I think that's the position we're in right now. I think Allegiant is running a business, they're trying to save as much money as they can. So, I understand where they are coming from, it may be a bluff, but I don't think we can call that bluff. I have one question in looking at the scenarios, I support scenario #4 withdrawing PFC with the understanding we can come back. If Allegiant comes to us next year and says we're pulling out anyway it would be good to have the option to go back in with PFC#5. I see at the top of the page; the cost doesn't include financing or design.

Don Poore replied the financing and design costs have already been paid. President Crews noted the design was done through an FDOT 50/50 grant; they paid \$1.5M and we paid \$1.5 M. Don Poore responded the financing was paid at the time of the note.

Chairman Slattery stated I'm kind of where Board Director Dane is. Seven years ago, I got asked to be on this Board, a lot has changed in 7 years, but a lot has not changed in 7 years. We still have the same risk we had 7 years ago, and that doesn't make me comfortable every single day being your Chairman and being on this Board. We had a good meeting with Allegiant. I thought it was productive and I thought they heard some things from us that maybe they had not heard before. I think Diane and I were prepared to fly to Vegas for this face to face if necessary. This carrier, as much as we might not like it, represents too much to us not to develop and have the strongest relationship we can possibly have. And so as much as we call them the gorilla, in a year and half you're going to have a new leadership here, you're going to

have a new president and it is imperative for that new team to develop the strongest relationship they possibly can with Allegiant and with AWW.

For that reason, I do believe that kicking this can down the curb is the best decision for us rather than standing and fighting and then going out to find a new team and straddling them with issues like this and so I appreciate everybody's time on this. One more thing, Mark Galvin said this, and this is coming from a banker, we need to do everything we can, have the reserves to withstand the risk that we have right now. And so, it's imperative for us not to get into projects that take years for us to get a ROI for the immediate risk that we have. We have talked about sinking funds we have built our reserves, but internally we need to know what that number is, and we need to strive to get there.

I challenge future Boards, future leadership teams to never have this situation again, because this isn't pleasant for anyone especially not our leadership team but that's critical for me as a banker. So, with that I will close out and say thank you to our attorneys, thank you to AWW's attorneys, thank you to Elizabeth and certainly thank you to our executive team who has put in a tremendous amount of hours. We got back in the office Wednesday and I was peppering Don with emails and scenarios and he got it all together and gave you these 5 different scenarios so thank you Don and George and Diane. With that, I do want to open it up to the public and see if there are any public comments.

Keith Robinson stated everything has been said pretty much, so we've talked about really there are 2 scenarios we've kind of hypothesized 1) is a bluff, maybe it is and maybe it's not, but the risk is just very, very real and I thank you for that. 2) I want to address Board Director Dane's question talking about well they're going to leave anyway. I'll just leave you with this thought. If they are going to leave anyway that decision has been made anyway. Why would they be spending the time they are on this project or in opposition of the PFC coming out here to meet with us and everything. I just wanted to kind of throw that out there, it's another view and if they've already decided to leave us, then why would they be spending all the time with us? Thanks for the opportunity.

Kevin Spolski stated everybody here knows me, and everybody knows I'm partial to Allegiant and AWW, if you don't then, you know it now. I've heard some very disappointing bashing here today of AWW that I'm really taken back on. The number one that I'm going to bring up is very simple. You're here worrying about an airline leaving, guess who brought the airline here, Larry Gouldthorpe & AWW/TBI. That's why they are here today. I don't want to hear about six years ago, I don't want to hear about two years ago, I don't want to hear about six years from now or two years from now. If it wasn't for them being here right now, you wouldn't be having this discussion.

It's very disappointing to me when I hear that AWW has nothing to lose if they leave. They've got over \$50M here in building the airport, not to mention what Allegiant has

done on the simulator building with their \$42M invested at this time with another \$30M getting ready to go into place with more simulators, you've got an opportunity here. And Frank mentioned during his statement that they left in 2010 and came back 2011. Diane brought out the book about 2012 how the mandate for more gates were necessary but guess what, that book was put out a year after Allegiant came back. If they weren't here, that book would be useless right now and you wouldn't have to worry about anything going on at this airport. I challenge you in the near future to go out and visit Allegiant in Las Vegas. I don't believe any of you have been to their corporate offices. I have; their corporate offices are as big as this terminal is right here. They are not some mom & pop operation that's gone ahead and just hoping they're going to make it on a whim. They are a real player, they are a real investment company. They just spend \$1B on A320's that I had the pleasure to build their simulators to teach the process how to fly by wire instead of by yoke.

I think the world of Allegiant, I think the world of AWW. I think they're doing an outstanding job, and if you're talking about a tough situation, the old statement of how you make a small fortune is start out with a large one, nothing could be truer than in aviation. If you look at the number of airlines that have consolidated in the last few years, for AWW to go ahead and bring new people on board over here, they've got their hands really full right now and I thank them and think the City of Sanford thanks this Airport, AWW & Allegiant for the continued use that they have had here. Thank you.

Motion by Board Director Smith, seconded by Board Director Miller to approve scenario #4, PFC application #5 is withdrawn not permanently but withdrawn and FDOT fully participates including 2 additional FDOT grants totaling \$5M. Brett Renton clarified: The motion is to approve staff recommendation which ultimately is withdrawing PFC application #5 and authorizing staff to apply for the grants that are eligible under scenario #4 which would include your immediate \$2.M in addition to the \$3M in July. Board Director Dane stated and to continue building the additional 4 gates. Board Director Smith noted for the record and the only word we agreed to take out of there is permanently. Vote taken, Board Director Ioppolo opposed. Motion passed.

5. COMMENTS FROM THE PUBLIC

None.

6. OTHER BUSINESS

Chairman Slattery stated next Board meeting you are going to see in your discussion the directions of how to replace our retiring President. We will do our best to outline that, throw in some cost so you have that information and we will discuss that April 2nd, if you have any questions please contact Diane. Chairman Slattery apologized that he was elusive at the last meeting regarding this direction, he feels we are way ahead of the curve, but it's better to be

ahead of the curve instead of behind, therefore it will be on the discussion agenda to make a decision and make a plan.

Board Director Dane requested a status update on the hotel project at the April 2nd Board meeting.

George Speake invited everyone to go over to the top floor of the parking garage to view the installation of the PV-1 Ventura on the terminal ledge or view it on Facebook live.

7. REMINDER OF NEXT BOARD MEETING (APRIL 2, 2019)
8. ADJOURNMENT

There being no further business, the meeting was adjourned at 10:47 a.m.

Respectfully submitted,



Diane H. Crews, President & CEO

/lh