PARI PASSU: ALIGNING P3 INCENTIVES IN THE GARY CHICAGO INTERNATIONAL AIRPORT DEAL FOR AIRPORT COOPERATIVE RESEARCH PROGRAM (ACRP)

JULY 10, 2019
CONTEXT: CHICAGO & NORTHWEST, INDIANA

- Population of 80,000
- 50 square miles
- 30 miles SE from downtown Chicago
- Transportation Hub of Region
- Great Lakes Access
- Large Industrial Base
GYY PUBLIC PRIVATE PARTNERSHIP CHALLENGES

Create a structure for the private partner search that enhances overall confidence in our goals while minimizing the cash outlay at risk.

Find a private partner that has the ability to execute our industrial development and airport management goals AND that increases overall confidence in our long term plans.

Negotiate a final deal that ensure the airport remains a city asset while providing enough upside to encourage strong partners to bid.
STRUCTURE OF THE P3 DEAL

The development agreement provides an investment and action plan to achieve a $100 million investment over 40 years including an initial investment of $25 million within 36 months.

<table>
<thead>
<tr>
<th>Airport Development</th>
<th>Land Development</th>
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<tbody>
<tr>
<td>• 80% of incremental profit goes to airport</td>
<td>• 20% of development profit goes to City of Gary</td>
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<tr>
<td>• 20% of incremental profit goes to AVCO</td>
<td>• 80% of the development profit goes to AVCO</td>
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SAFETY VALVE – HOW THE CONTRACTS CAN BE DISSOLVED

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<th>Airport Management Deal</th>
<th>Land Development Deal</th>
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<td>• Ten (10) year agreement but can break contract with cause or without cause with penalty</td>
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<td>• Contract is renewed every five (5) years thereafter by GYY board based on performance</td>
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<td>• Five (5) year agreement; can be dissolved if partner fails to meet initial investment requirements</td>
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PUBLIC PRIVATE PARTNERSHIP:
A YEAR IN THE MAKING

1. Board Discusses Potential
2. Ad Hoc Committee Established
3. Review Best Practices
4. REIQ Released
5. RFP Released
6. Tour with Potential Candidates
7. Discussions with 2 Finalist Teams
8. Exclusive Negotiations
9. Agreement

- $100 Million Investment Over 40 Years
- $25 Million Investment in 1st 36 Months
- $2.5 Million New Development Investment
- $15,000 in 1st 3 Months for Workforce/Community Development
- $300,000 in Workforce Development Over 3 Years
GOOD PERFORMANCE TO DATE; NO MARRIAGE IS PERFECT

- Revenue and profit up on airport operations
- Completed extension of the main runway – moving three Class 1 rails
- 8x oversubscribed airport bonds – Bond Deal of the Year 2015
- General aviation and charter expansion – 4 new hangers
- Custom facility opened; Active MRO & Cargo conversations
- Nearly $70MM in new infrastructure improvements
- $50MM invested capital to date; + $600MM in improvements