

From: Arthur Malman
Sent: Monday, March 2, 2015, 7:29 pm
To: Larry Cantwell, Sylvia Overby, Kathee Burke-Gonzalez, Peter Van Scoyoc, Fred Overton
Cc: Andrew Right, Bonnie Krupinski, David Gruber, Frank Dalene, Gene Oshrin, John Shea, Michael Diesenhaus, Munir Saltoun, Pat Trunzo, Peter A. Wadsworth, Toni Somerstein, Jemille Charlton
Subject: BFAC Airport Finance Subcommittee unable to reach consensus

To: The East Hampton Town Board (the "Board")

From: Arthur Malman, Chair, BFAC Airport Finance Sub-Committee (the "Committee")

Dated: March 2, 2015

The Board asked the Committee to report to it on whether East Hampton Airport ("HTO") will be financially self-sufficient over the long term if the Board decides to: (1) implement for 2015 all four noise restrictions proposed for HTO by the Board on February 10 (the "Proposed Rules"), (2) finance \$7 million of capital costs over the next 5 years, and (3) prepare for \$3 million of litigation costs ("Rules Litigation").

The Committee has been **unable to reach a consensus** on a five-year earnings and cash flow forecast if the Proposed Rules are implemented.

A significant number of members of the Committee do not support forecasting the financial impact of the Proposed Rules and attendant Rules Litigation, because they believe that the variables, especially after the 2015 summer season, are too great and/or further data, research and perspectives from industry experts as well as experimentation with all or some of the Proposed Rules, is needed.

Another significant number of members of the Committee believe that the Committee could, with clear assumptions and caveats, reasonably propose a range of forecasts for a 5 year period ending 2019, with the Proposed Rules implemented and the Rules Litigation at the \$3 million assumption requested by the Board, while making no judgment on the appropriateness of the Proposed Rules.

Please note that our prior progress reports to the Board, among other things, specifically excluded consideration of any litigation expenses or details of the noise reduction rules (which had not yet been proposed).

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Arthur B Malman