JACKSON HOLE AIRPORT BOARD'S ACQUISITION OF FBO ASSETS
HOW WAS THE PRICE DETERMINED?

May 9, 2018

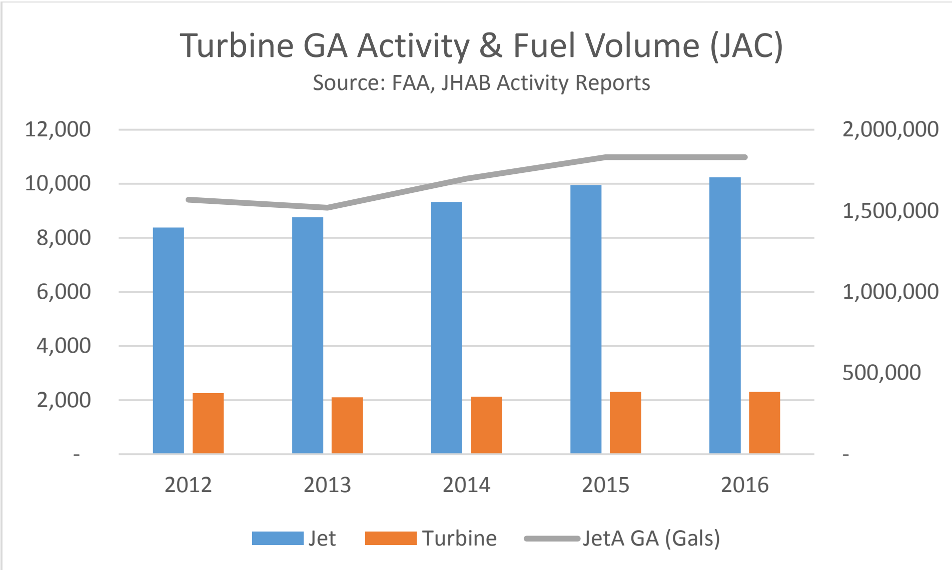
The Jackson Hole Airport Board has entered into an agreement to purchase the assets of Jackson Hole Aviation, the Airport's fixed base operator (FBO), for $26 million. An FBO provides services such as aircraft fueling, hangar and ramp service, and aircraft maintenance. These services are essential to airport operations. The property being acquired is detailed in the 105 page Asset Purchase Agreement which is posted on the Airport's website. The property being acquired includes a 5-year Hangar Lease and an FBO Operating Agreement which grant rights to utilize two large hangars, sell aviation fuel, and otherwise operate the FBO at the Airport. The Airport Board has received questions as to how the $26 million price was determined. This responds to those questions.

It is important to understand that the Board's decision to purchase FBO assets was not primarily based on finances. In addition to paying for itself, the acquisition will allow the Airport to avoid the construction of duplicate facilities on an already constrained site, and allow us to directly influence safety and customer service, and support environmental initiatives. It will also allow the Airport to use our small land area within Grand Teton National Park more efficiently for the benefit of all segments of the traveling public and our community.

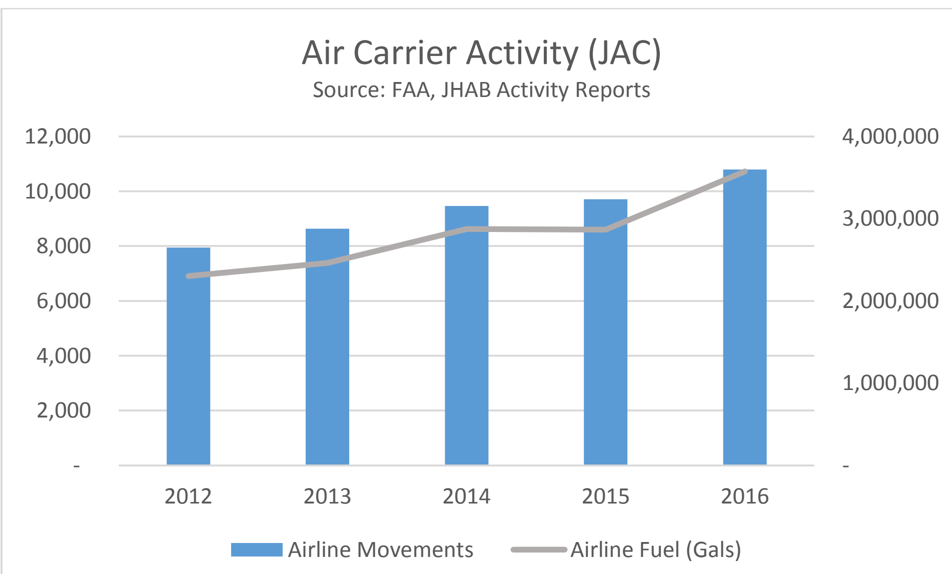
The Airport Board decided to enter into the Asset Purchase Agreement at its November 1, 2017 public meeting. At that meeting information on how the purchase price was determined, including forward-looking projections, were discussed and made available to the public. The Board would like to again make that information available and provide more detail to better explain how the price was determined.

When the Airport was approached about the possibility of purchasing the FBO assets, we retained Aviation Resource Group International ("ARGI") to evaluate what those assets would be worth to the Airport. ARGI is a firm knowledgeable in valuing aviation service businesses along with how best to structure such transactions. ARGI began by assessing the market at the Jackson Hole Airport from a FBO perspective. It assessed market trends in the demand for fuel, ramp services, hangar space, and aircraft maintenance.

ARGI found that general aviation jet and turboprop growth at our Airport was pushing up fuel sales by 6-7% per year, placing us in the "TOP 100" airports in general aviation fuel sales. This is at the same level as airports in much larger population centers. General aviation piston (prop plane) activity has been declining, consistent with national trends, but that activity represents much smaller fuel volumes. The chart of jet and turboprop activity, which was presented and available at the November 1, 2017 public Board meeting, is reproduced below:



ARGI assessed airline growth, from the FBO revenue perspective, at almost 17% per year. The chart of airline FBO fuel activity, which was also presented and available at the November 1st public Board meeting, is reproduced below:



Projecting gallons of fuel sold in the future is important, since fuel sales represent a significant portion of FBO earnings. ARGI applied its knowledge of the national market, along with the space limitations we have here at the Airport, to forecast gallons of fuel which might be dispensed by a Board-operated FBO for each of the five years after purchase. That resulted in the following forward-looking projection:

	2019	2020	2021	2022	2023
Total Aviation Fuel Dispensed (Gallons)	5,995,000	6,358,000	6,747,000	7,162,000	7,606,000
Total Revenue	$20,346,000	$21,404,000	$22,538,000	$23,743,000	$25,024,000
Average Earnings/ Gallon	$1.17	$1.15	$1.13	$1.11	$1.09

To be more conservative, ARGI reduced the current rate of growth in fuel sales, cutting those by half. ARGI found that current general aviation fuel prices at our Airport are consistent with comparable destination mountain resort airports. Further, ARGI pointed out that a reduction in fuel price would not be likely to move demand to a significant degree, due to high altitude take off restrictions.

Nonetheless, ARGI's forward-looking valuation allowed for a reduction in general aviation fuel prices of up to $1.00 per gallon. If and to what extent price reductions occur when the Airport owns and operates the FBO will depend on a variety of factors, including the capital investments the Board choses to make in the FBO. Because the Board intends to provide top notch customer service to general aviation customers, these capital investments in FBO facilities will be made in the first few years of operation.

With respect to hangar, ramp and maintenance fees, the Board's current agreements with Jackson Hole Aviation require that its rates and charges to the public be approved in advance by the Board. These approved prices are public information. These same rates and prices were used by ARGI to project the Airport's revenue as the owner and operator of the FBO in the five-year period after acquisition. Based on feedback from the general aviation and airline operators on the importance of the FAA-certified maintenance capability, the Board will continue those services as well. Those forward-looking projections are as follows:

	2019	2020	2021	2022	2023
Ramp & Hangar Revenue	$3,722,000	$3,834,000	$3,949,000	$3,949,000	$3,949,000
Aircraft Maintenance	$384,000	$384,000	$384,000	$384,000	$384,000

In this case, Jackson Hole Aviation has a binding contractual and leasehold right to operate the FBO at the Jackson Hole Airport for the next five years. Among other things, the Airport is acquiring those contractual and leasehold rights to operate the FBO at the Airport over that five-year period. To value the property being acquired, ARGI brought the above revenue forecasts together with likely overhead cost and other factors. These factors included the small ramp area available at our Airport, which already limits growth in general aviation activity. Using this information, ARGI arrived at the following projection of revenue and earnings which were discussed at the Airport Board's November 1, 2017 public meeting:

JHAB Operated FBO

$Millions	2019	2020	2021	2022	2023
Revenue	$24.6	$25.6	$26.9	$28.1	$29.4
Earnings	$6.9	$7.6	$8.0	$8.3	$8.6

ARGI also discussed that the industry uses a range of discount rates to evaluate the present value of future income. The lower discount rate used was 10% and the upper was 15%. Hence the range of projected values was;

- $29.5 million @ 10% Discount Rate
- $26.0 million @ 15% Discount Rate

A discount rate is applied to projected future earnings in a given year to account for risk. A higher discount rate applied to projected future income lowers the purchase price, and thus gives the purchaser a greater assurance that its investment is a good one.

The $26 million purchase price was the result of negotiations between the Airport Board and Jackson Hole Aviation. The ARGI report gave us the assurance that the price agreed upon would provide a good return on our investment.

A simple and frequently used way to view the purchase price is as a multiple of projected annualized earnings for the FBO (see above). The multiple for this sale is about 3.3. Even those who publicly oppose the purchase have agreed that this multiple of annualized earnings represents a good price for the Airport.

Though a supportable acquisition price is essential, as noted above the decision to purchase the FBO was not based primarily on finances. The Board believes the acquisition will serve to avoid the construction of duplicate facilities on an already constrained site, and allow it to directly influence safety, customer service, and environmental initiatives. It will also allow us to better plan for the use of our small land area within Grand Teton National Park for the benefit of all segments of the traveling public and our community.