



Office of the City Manager

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May 12, 2017

Terminal Developer, LLC
C/o Burns & McDonnell Engineering Company, Inc.
9300 Ward Parkway
Kansas City, MO 64114
Attention: Ray Kowalik, President and CEO

Re: Term Sheet for Memorandum of Understanding (Terminal
Modernization Project) (copy attached) (the "Term Sheet")

Dear Mr. Kowalik:

I am writing to you concerning your proposal for the modernization of Kansas City International Airport (the "Airport") as described in the Term Sheet (the "Project") which Terminal Developer, LLC ("Developer") has prepared and submitted to the City of Kansas City (the "City").

As you are aware, it has been the consistent position of the City that any proposal for the modernization of the Airport must meet the following conditions:

1. The proposal must not result in the City committing any of its revenues, other than net revenues actually generated by the Airport and its operations (including federal funds from FAA, TSA or other agencies or sources), to fund the modernization of the Airport. The City **will not** commit money from its general fund, or pledge or commit the general faith and credit, nor taxing power (including ad valorem taxes), of the City to the payment of any financing to fund the modernization of the Airport. Further, no financing to fund the modernization of the Airport will obligate the City to pay the principal or interest of any such financing except from net revenues actually generated by the Airport and its operations (including federal funds from FAA, TSA or other agencies or sources).
2. The airlines providing service to the Airport (the "Airlines") must find acceptable any proposal for the modernization of the Airport.

3. The design for the modernization of the Airport must meet the current and anticipated needs of the City, the traveling public and the Airlines for air travel, including opportunity for future expansion if necessary.

City staff and I have reviewed the Term Sheet, and considered its provisions to determine if the completion of the Project in accordance with the Term Sheet would meet the City's conditions, and is otherwise, in the best interests of the City and its citizens.

I am writing this letter to you to advise you that City staff and I will recommend to the City Council approval of a Memorandum of Understanding (the "MOU") having terms consistent with the Term Sheet. The City staff and I will recommend approval of the MOU for a number of reasons, including the following:

A. The Project is consistent with the terms of the Memorandum of Understanding previously negotiated by the City and the Airlines, but not executed, in 2016 (the "Prior MOU"). Based upon ongoing dialogue between the City staff and representatives of the Airlines, City staff is confident that the Airlines continue to support the modernization of the Airport as generally set forth in the Prior MOU.

B. The proposed financing to fund the modernization of the Airport, as described in the Term Sheet, does not require the City to commit money from its general fund, or pledge or commit the general faith and credit nor taxing power (including ad valorem taxes) of the City to the payment of the financing. Instead, the Term Sheet contemplates that the City will commit net revenues actually generated by the Airport and its operations (including federal funds from FAA, TSA or other agencies or sources) to fund the modernization of the Airport.

C. Developer has agreed to arrange all of the financing, and has committed to provide, and to cause others to provide, substantial private debt and equity funding, necessary to finance the modernization of the Airport.

D. The Developer's strong local presence will result in the Project triggering substantial local economic activity for our City, and will reinforce other economic development investments made by the City and the other taxing jurisdictions in our community.

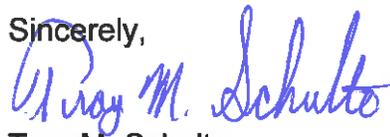
E. The proposal for the modernization of the Airport, as described in the Term Sheet, represents the best way for the City to move forward with the modernization of the Airport with minimal public risk and in the most expeditious manner possible, resulting in lower costs for the construction and anticipated improvements in air service needed to continue to aid the growth of our community.

Please note that any proposal for the modernization of the Airport will be subject to the approval of the voters of the City to the extent required by Section 6-50 of the City's Code of General Ordinances. City staff and I intend to recommend to the City Council that a ballot measure to obtain approval of the proposed modernization of the Airport in accordance with the Term Sheet be placed before the voters of the City on November 7, 2017.

I have directed City staff to work with you and your development team to prepare a draft of the proposed MOU consistent with the terms of the Term Sheet for presentation to the City Council for its consideration. It will be essential that the Airlines be intricately involved as a partner in the development of the proposed MOU, any resulting development agreement and the design of the modernization of the Airport. You are expressly advised that neither the Term Sheet, nor this letter, is legally binding upon the City or Developer, and that no legal obligations will be created, unless and until the MOU is approved by the City Council and executed by the City and Developer and the Definitive Agreements as set out in the Term Sheet have been approved by the City Council and executed by the City and the Developer and a new Use Agreement has been approved by the City and the Airlines and executed by both the City and the Airlines.

Nothing in this letter shall be construed in a way that would limit, usurp or otherwise impair the governmental authority and police power of the City or otherwise waive or modify any provision of law, specifically including without limitation the necessity of City Council approval, and that any such approval will be evidenced by City Council action in its legislative discretion.

Sincerely,



Troy M. Schulte
City Manager