



CAN'T FLY THERE FROM HERE? WE'VE GOT A SOLUTION FOR YOU!

NEW AIR SERVICE DEVELOPMENT BUSINESS PLAN

LOUISVILLE REGIONAL AIRLIFT DEVELOPMENT, INC.

A photograph of an airplane cabin interior, showing rows of blue leather seats and overhead storage bins. The lighting is warm and soft, creating a comfortable atmosphere. The seats are arranged in a 2-2 configuration, and the overhead bins are closed.

CHALLENGE:

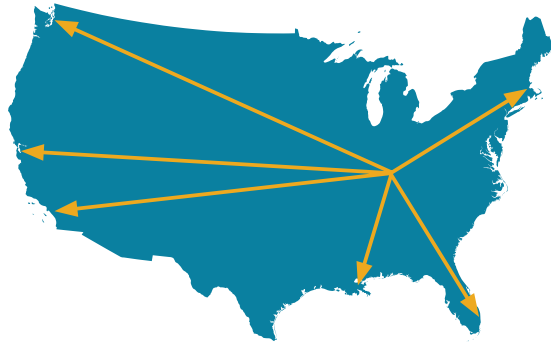
The current level of air service, in terms of nonstop destinations and flight frequencies, does not adequately serve the Louisville region's business, industry and education communities, and the region's convention and tourism business.

SOLUTION:

Improve air service at Louisville International Airport (SDF) by adding new nonstop service to key coastal markets, with other markets to follow.

OUR PLAN TO DEVELOP NEW AIR SERVICE FROM LOUISVILLE

Louisville Regional Airlift Development, Inc. (LRAD) is the region's newest non-profit corporation. LRAD is backed by leading business and community leaders in a dynamic region of six million people which extends from Louisville to include Southern Indiana, Elizabethtown, and Bowling Green. LRAD's mission is simple: develop new nonstop air service routes from SDF – service which will provide enormous benefits to the entire region – to new and important domestic and international markets over a multi-year period. Individuals, businesses, and other organizations can support this drive by making a tax-deductible pledge to provide funds to be used for minimum revenue guarantees to support the launch of new air service at SDF. **For more information, please visit www.lradinc.com or contact Luke Schmidt at lbschmidt@lbschmidt.com or 502.292.2898.**



LOUISVILLE REGIONAL AIRLIFT DEVELOPMENT, INC. OFFICERS/DIRECTORS

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- Ed Glasscock, Vice Chairman
- Sandra Frazier, Secretary
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Luke B. Schmidt, Project Consultant
President, *L.B. Schmidt & Associates, LLC*



IT'S TIME FOR LOUISVILLE TO STEP UP ITS GAME

Louisville passenger air service is inadequate for local travelers and is not competitive with peer cities.



IT'S HARDER TO GET HERE

Louisville nonstop service represents only 50% of the nonstop destinations served by airports in Cincinnati, Indianapolis, and Nashville. Louisville's air service represents between 33% and 50% of the total number of daily departures in these same cities.



IT'S ALL ABOUT ECONOMIC DEVELOPMENT

Nonstop service to new, key markets is important to the region's future. New service to Los Angeles, Boston, and other important markets will create new jobs, bring more tourists to the Kentucky Bourbon Trail, serve as a catalyst for new film production and bring new conventions to the city.



COMPANIES EXPECT ACCESS TO KEY MARKETS

Louisville lacks nonstop routes to key U.S. metro markets, including Los Angeles, Boston, San Francisco, Seattle, and adequate service to New York (combined, these markets represent five of the top 15 metro markets) and billions of potential new commerce for Kentucky.



SDF IS LOSING BUSINESS TO NEARBY AIRPORTS

Strikingly, over 500,000 local passengers each year – representing nearly 33% of Louisville's annual enplanements – drive to Cincinnati or Nashville for better air service options, making Louisville a net exporter of air travelers.



PROVEN INCENTIVES IMPROVE AIR SERVICE

Other mid-sized cities have made passenger air service a top priority, organizing civic and business leadership to provide proven incentives for airlines to add new nonstop service (e.g., United Airlines from Indianapolis to San Francisco; Southwest Airlines from Columbus to Oakland, etc.).



CALL TO ACTION

Louisville-area civic and business leaders improve nonstop service at Louisville International Airport by committing to:

1. Participate in minimum revenue guarantees to share upfront risk with airlines.
2. Agree to fly new nonstop routes as they begin.
3. Maximize airport-based incentives and marketing support for each new route.

WHAT IS A MINIMUM REVENUE GUARANTEE?

Minimum revenue guarantees (MRGs) serve as an important incentive offered by communities of all sizes which are actively recruiting new commercial air service routes. MRGs enable the community to share in the initial risk of a new route with an airline as the new route builds to a sustainable/profitable level. Funds used for MRGs are typically raised from a variety of private and public sources and are placed into a dedicated account to support the new route. An MRG incentive is defined by a confidential contract between the community and the airline for a period of between one to two years. The contract also includes the airline's monthly or quarterly revenue target. MRG funds are used to offset any revenue shortfalls during the contract period.

If, following a reporting period, the airline reports falling short of its agreed upon revenue target, the community writes a check to the airline in the amount of the shortfall (the difference between the revenue target and actual revenue realized). If, following a reporting period, the airline meets or exceeds the agreed upon revenue target, no check is written to the airline and any revenue surplus amount is carried forward as a credit to the benefit of the community for the next reporting period.

MRGs are not long-term subsidies and the incentive expires at the end of the contract period. Any funds remaining in the dedicated account at the end of the contract period are rolled over to support additional new routes.

HOW DOES AN MRG WORK?

Hypothetical Example

New Route:	XYZ Airlines; Louisville to Los Angeles
Contract Period:	One (1) Year
MRG Amount:	\$2,000,000 (deposited into dedicated account prior to service launch)
Monthly Revenue Target	
Reporting Period:	\$1,000,000

Reporting Period	Monthly Revenue Target	Actual Revenue Realized	Revenue Shortfall/ Profit	MRG Drawdown/ Community Credit
Month # 1	\$1,000,000	\$850,000	(\$150,000)	\$150,000
Month # 2	1,000,000	912,500	(87,500)	87,500
Month # 3	1,000,000	1,345,000	345,000	345,000
Month # 4	1,000,000	950,000	(50,000)	295,000
Month # 5	1,000,000	980,000	(20,000)	275,000
Month # 6	1,000,000	1,300,000	300,000	575,000
Month # 7	1,000,000	1,145,600	145,600	720,600
Month # 8	1,000,000	1,350,000	350,000	1,070,600
Month # 9	1,000,000	1,350,000	350,000	1,420,600
Month # 10	1,000,000	1,350,000	350,000	1,770,600
Month # 11	1,000,000	1,350,000	350,000	2,120,600
Month # 12	1,000,000	1,350,000	350,000	2,470,600

- Total MRG payments to XYZ Airlines: **\$237,500**
- Total MRG escrow funds remaining at end of contract term: **\$1,762,500** – are rolled over to support additional new routes selected by LRAD



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