



**SAN DIEGO COUNTY  
REGIONAL AIRPORT AUTHORITY  
STAFF REPORT**

**Item No.  
7.1**

Meeting Date: **OCTOBER 4, 2012**

**Subject:**

**Acknowledgement of Sale of One Hundred Percent of the Membership Interest of Landmark Aviation FBO Holdings, LLC, to LM U.S. Member LLC.**

**Recommendation:**

Adopt Resolution No. 2012-0113 authorizing the President/CEO, upon determination that the sale of the membership interest in Landmark Aviation FBO Holdings, LLC, to LM U.S. Member, LLC serves the interests of the Authority, to acknowledge and indicate that the Authority does not object to the sale.

**Background/Justification:**

At its meeting of February 9, 2012, the Authority's Board adopted Resolution No. 2012-0019 granting a 37-year lease ("Lease") to Landmark Aviation GSO-SAN, LLC ("Lessee") and authorizing the President/CEO to negotiate and execute the Lease.

The Authority and Lessee executed the Lease on April 23, 2012, with a commencement of May 1, 2012, and expiration of April 30, 2049. Pursuant to provisions in the Lease, Landmark Aviation FBO Holdings, LLC ("Guarantor") guarantees the performance of the Lessee. Guarantor is the parent company, once removed, of Lessee. A diagram delineating the Existing Ownership of Lessee is attached as Attachment A.

Guarantor is owned by Landmark FBO Holdings, LLC ("FBO Holdings"). FBO Holdings has entered into a Security Purchase Agreement whereby FBO Holdings will sell, directly or indirectly, 100% of its ownership interest in Guarantor to LM U.S. Member, LLC (the "Purchase"). LM U.S. Member, LLC, is indirectly owned by or is a portfolio company of the Carlyle Group, a global asset management firm that is a publicly traded company listed on the NASDAQ stock exchange. Carlyle Group reportedly holds more than \$156 Billion in assets under management. If the Purchase is completed, Guarantor's status and obligations to the Authority will remain unchanged. Ownership of Guarantor, however, would transfer from FBO Holdings to LM U.S. Member, LLC. The Purchase is planned to be finalized in mid-October. Attachment B delineates the Proposed Ownership of Lessee.

Authority Policy 6.01 requires proposed assignments of leasehold interests for leases having more than five years remaining in the term be brought to the Board for consideration. In this instance, the leasehold interest of the Lessee is not being assigned. Accordingly, the requirement in Policy 6.01 does not apply.

Provisions in the Lease also require the Lessee to obtain the Authority's consent to any change in Guarantor's ownership and control of Lessee. This provision also is not applicable because the Purchase will not affect the Guarantor's ownership or control of Lessee.

The Authority's consent to the Purchase does not appear to be required either by Policy 6.01 or by the terms of the Lease. However, Landmark has requested that the Authority assist in facilitating the Purchase by acknowledging and indicating that it has no objection to the Purchase.

It appears that the financial capacity of Guarantor will improve if the Purchase is consummated. The Chief Financial Officer of Guarantor informed Authority staff that under the ownership of LM U.S. Member, LLC, Guarantor's unused financial capacity will increase from \$50,000,000 to \$75,000,000. Also, an additional \$60,000,000 will be available pursuant to an "accordion" financing feature provided by LM U.S. Member, LLC's bank.

In order to avoid unnecessarily impeding the Purchase, staff recommends that the Board authorize the President/CEO to execute an appropriate document acknowledging and indicating the Authority has no objection to the proposed Purchase if the President/CEO determines the Purchase advances the interests of the Authority.

**Fiscal Impact:**

None.

**Authority Strategies:**

This item supports one or more of the Authority Strategies, as follows:

- Community Strategy
- Customer Strategy
- Employee Strategy
- Financial Strategy
- Operations Strategy

**Environmental Review:**

- A. This Board action is not a project that would have a significant effect on the environment as defined by the California Environmental Quality Act ("CEQA"), as amended. 14 Cal. Code Regs. §15378. This Board action is not a "project" subject to CEQA. Pub. Res. Code §21065.
- B. California Coastal Act Review: This Board action is not a "development" as defined by the California Coastal Act Pub. Res. Code §30106.

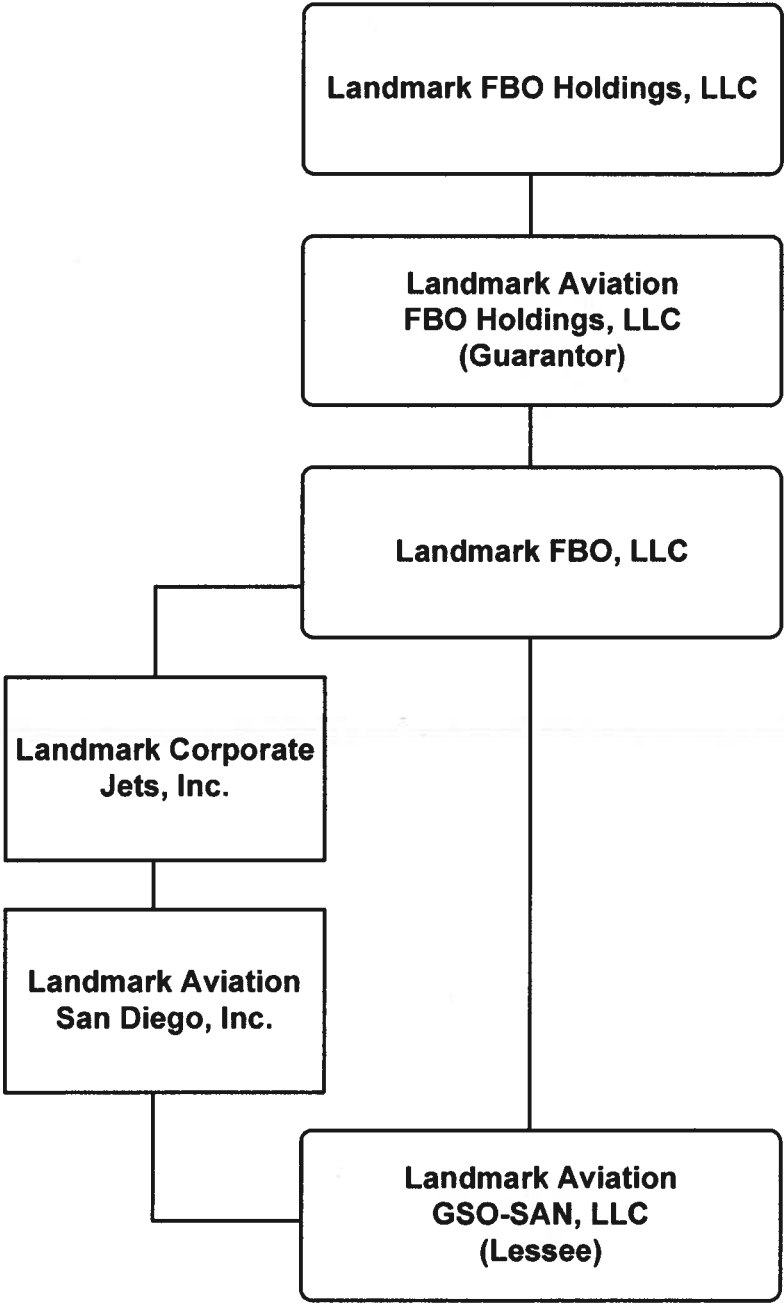
**Equal Opportunity Program:**

Not applicable.

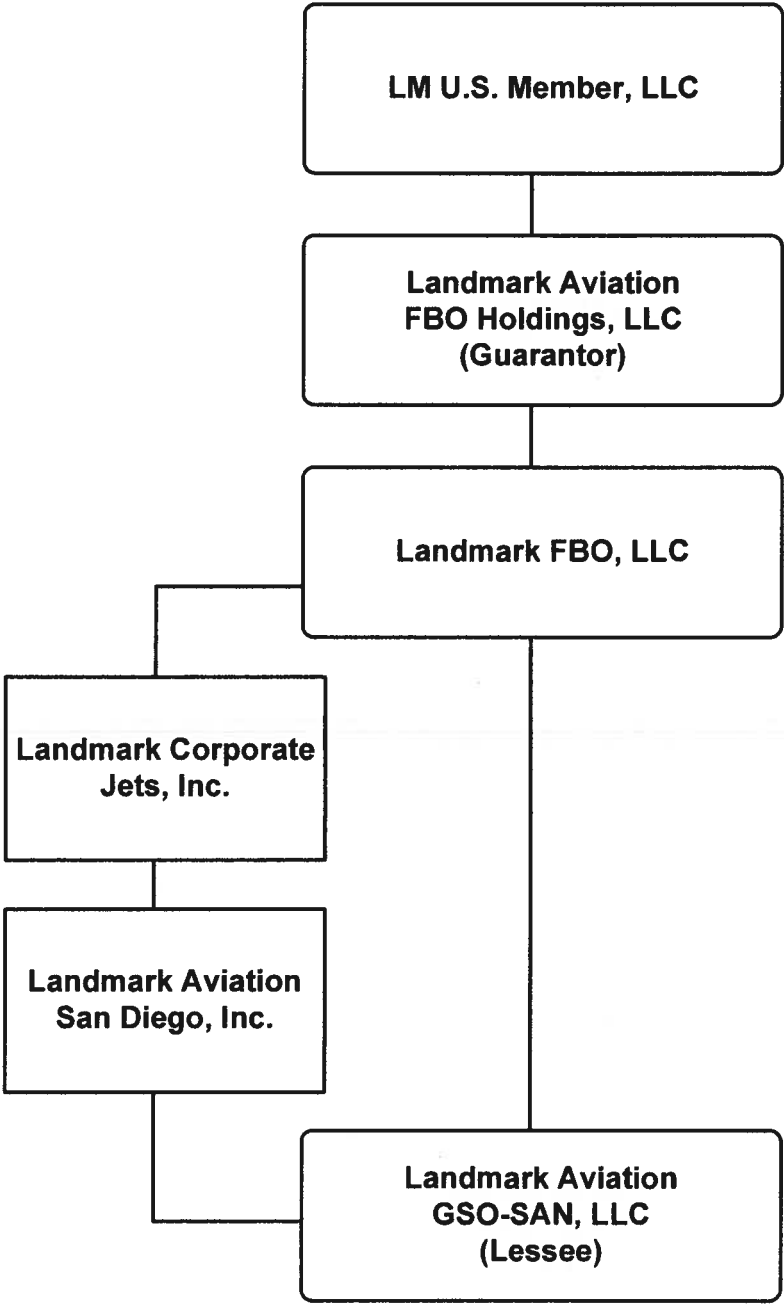
**Prepared by:**

VERNON D. EVANS  
VICE PRESIDENT, FINANCE

**EXISTING LESSEE OWNERSHIP**



**PROPOSED LESSEE OWNERSHIP**



RESOLUTION NO. 2012-0113

A RESOLUTION OF THE BOARD OF THE SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY, AUTHORIZING THE PRESIDENT/CEO, UPON A DETERMINATION THAT THE SALE OF THE MEMBERSHIP INTEREST IN LANDMARK AVIATION FBO HOLDINGS, LLC, TO LM U.S. MEMBER, LLC SERVES THE INTERESTS OF THE AUTHORITY, TO ACKNOWLEDGE AND INDICATE THAT THE AUTHORITY DOES NOT OBJECT TO THE SALE

WHEREAS, the Board, by Resolution 2012-0019, authorized the President / CEO to negotiate and execute a 37-year ("Lease") with Landmark Aviation GSO-SAN, LLC ("Lessee") for the Fixed Base Operation located at San Diego International Airport ("Airport"); and

WHEREAS, the Authority and Lessee executed the Lease on April 23, 2012; and

WHEREAS, the Lease requires Lessee to expend a minimum of \$37,000,000 in constructing certain specified improvements to the leasehold; and

WHEREAS, the Lease provides that Landmark Aviation FBO Holdings, LLC ("Guarantor"), which indirectly owns Lessee, guarantees the performance of Lessee, including improvements to the leasehold; and

WHEREAS, Guarantor is owned by Landmark FBO Holdings, LLC, ("FBO Holdings") which has entered into a Security Purchase Agreement to sell its ownership interest to LM U.S. Member, LLC ("LM"); and

WHEREAS, LM is indirectly owned by or is a portfolio company of the Carlyle Group, a global asset management firm that is a publicly traded company on the NASDAQ stock exchange and reportedly manages assets totaling more than \$156 Billion; and

WHEREAS, if the Security Purchase Agreement is completed, Guarantor's and Lessee's status and relationship with the Authority will not change; and

WHEREAS, the Security Purchase Agreement is scheduled to be finalized in mid-October 2012; and

WHEREAS, the sale of FBO Holdings is not contrary to provisions of Authority Policies or the terms of the Lease; and

WHEREAS, according to information provided by Guarantor's Chief Financial Officer, the sale of FBO Holdings to LM will increase Guarantor's unused financial capacity from \$50 Million to \$75 Million and make available an additional \$60 Million to Guarantor through "accordion" financing provided by LM's bank; and

WHEREAS, the improved financial strength of Guarantor will benefit the Authority and increase the Authority's confidence in Lessee's Lease obligations being satisfactorily fulfilled; and

WHEREAS, acknowledging and indicating that the Authority does not object to the sale of the ownership interest in Guarantor to LM serves the interests of the Authority.

NOW, THEREFORE, BE IT RESOLVED that the Board authorizes the President / CEO, upon determination that the sale of the membership interest in FBO Holdings to LM serves the interest of the Authority, to acknowledge and indicate that the Authority does not object to the sale; and

BE IT FURTHER RESOLVED that the Board adopts the above findings and incorporates them in this Resolution; and

BE IT FURTHER RESOLVED that the Board finds that this Board action is not a "project" as defined by the California Environmental Quality Act (CEQA), Cal. Pub. Res. Code §21065; nor is it a "development" as defined by the California Coastal Act, Cal. Pub. Res. Code §30106.

PASSED, ADOPTED, AND APPROVED by the Board of the San Diego County Regional Airport Authority at a regular meeting this 4<sup>th</sup> day of October, 2012, by the following vote:

AYES: Board Members:

NOES: Board Members:

ABSENT: Board Members:

ATTEST:

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TONY R. RUSSELL  
DIRECTOR, CORPORATE SERVICES/  
AUTHORITY CLERK

APPROVED AS TO FORM:

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BRETON K. LOBNER  
GENERAL COUNSEL