



2015

Annual Report & Marketing Strategy

Prepared by Sawyer International Airport
and Telkite Enterprises LLC

Sawyer
INTERNATIONAL AIRPORT

TELKITE
TECHNOLOGY PARK

Table of Contents

Historical Overview (3, 4)

Aviation Assets (5, 6)

Industrial Park Assets (7, 8)

Airport Accomplishments (9, 10, 11, 12)

Industrial Park Accomplishments (13, 14)

Marketing Plan—Executive Summary (15, 16, 17)

Mission Statement (18)

2015 Goal (18)

Air Service Competition (19)

Air Service Trends (20)

Industrial Park Competition (21)

Industrial Park Trends (22)

Sub Goals (23)

Action Steps (24, 25)

2015 Marketing Budget (26)



Historical Overview

Sawyer International Airport is a former Strategic Air Command Base of the US Air Force. Over 5,000 people were stationed at the base until 1995 when the facility was closed as part of the Base Realignment and Closure Act. At that time, over 2 million square feet of offices, homes, dormitories, a hospital, a water/sewer plant, warehouses and hangars were vacated by the military.

As a result, government employment data shows that military employment in the county dropped from its peak of 3,600 in 1993 to 167 (all non-base personnel) by 1996. Another 800 federal civilian jobs were lost as well. Marquette County's population followed, dropping by 7.4 percent in 1995 and another 3.8 percent in 1996. Total income in the county fell 3.5 percent in 1995.

The Marquette County Board of Commissioners agreed become the local redevelopment authority for the project in an effort to rebuild the economy devastated by the loss of the base, which was estimated to be \$100 million annually. The County Commissioners were initially able to leverage over \$50,000,000 in public funding, including multi-year "caretaker" and heat conversion assistance agreements from the Air Force Base Conversion Agency valued at \$20,600,000. Additionally, the commissioners decided to move the existing Marquette County Airport from Negaunee to the former K.I. Sawyer Air Base. The new facility was named Sawyer International Airport.

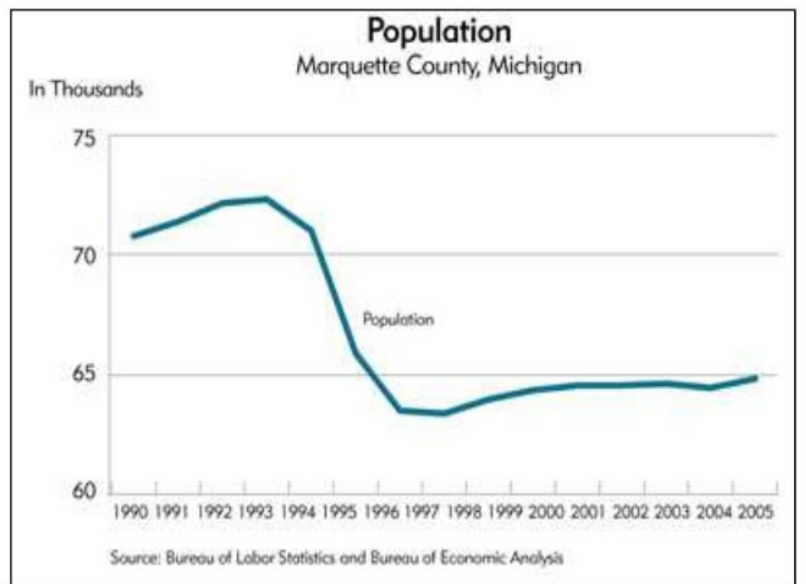
Approximately 1,600 residential property units were sold to various developers. These proceeds, along with the proceeds from the sales of the utility systems, public equipment auctions, and subsequent commercial land and building sales allowed Marquette County Commissioners to support economic development and establish the Airport Stabilization Fund to help offset future expenses from airport operations. While it was the hope that the new Sawyer International Airport would be self-sufficient, as with the majority of smaller airports, this goal is unlikely for a variety of industry and economic factors. The Airport's annual operating deficit is approximately \$300,000. Since 2013, Marquette County has contributed approximately \$165,000 annually from its General Fund to the Airport's Stabilization Fund. In 2015, the subsidy has been reduced from \$165,000 to \$100,000.

The transactions listed below have either generated monies for the Stabilization Fund and/or relieved the County from the extensive maintenance costs associated with ownership.

- The transfer of real estate to the Marquette County Road Commission
- Transfer of the former "YMCA" to Telkite and West Branch Township and subsequently sold at auction to M.J. VanDamme.
- Sale of Economic Development Conveyance (EDC) property and land to Telkite for \$4,500,000
- Various commercial and residential real estate sales totaling approximately \$5,043,774 between 2001 and 2004.



K.I. Sawyer Air Force Base Guard Station in 1950



Historical Overview (cont.)

- The electrical, phone and natural gas utility infrastructure previously owned by the Air Force was sold to Upper Peninsula Power Company, AT&T and SEMCO Gas Company for approximately \$1,500,000.
- Sale of parcel B3-1 for \$180,000 to Joe Vultaggio - Paisano Paving
- Sale of final two 4-plexes for \$78,000 to Rob Neal – Family Homes & Properties
- Pending sale of Building #735 and #736 to Superior Extrusion (Land / Improvement exchange - no cash)
- Sale of former trailer park (Sabre) for \$25,000
- Other miscellaneous board-approved sales.

The list below outlines surplus property sold since closure. These funds have contributed towards the Airport Stabilization Fund.

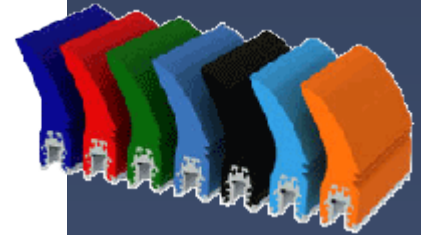
- \$48,000 (Auction) - 2008
- \$10,308 (Ball Field Equipment) – 2006
- \$30,816 (Caretaker/Air Force Equipment) – 2006
- \$28,000 (MCRC Equipment) - 2005
- \$ 6,000 (NMU School of Nursing) – 2005
- \$ 1,300 (Fencing – BMX) – 2009
- \$ 4,812 (Surplus Equipment) - 2010
- \$ 200 (Surplus Equipment) – 2011
- \$33,929 (Auction) - 2014
- Other miscellaneous board-approved sales

In 2004, Telkite Enterprises LLC purchased approximately 1,000 acres of land and 750,000 sf of facilities, making them the largest private land holder at Sawyer and one of Marquette County's strategic partners. Working together, Telkite assisted with or took a lead position in, the recruitment of the majority of tenants at Sawyer including: Biogenic Reagents, Argonics, Global Response, UP Propane, P&L Manufacturing, Frontier Medical Devices, Dice Inc. to name a few.

In 2011, Telkite worked with Marquette County to form Sawyer Aero-Tech, a business model to demonstrate how aircraft recycling companies could thrive at Sawyer. Telkite later took a lead role in the establishment of the Upper Michigan Green Aviation Coalition. UMGAC secured a \$1.2 million grant to promote aviation based economic development across the Upper Peninsula.

Today, Sawyer International Airport and Telkite Technology Park is an award-winning industrial park, receiving an Economic Development Administration Excellence in Rural Economic Development Award and Facility of the Year Award from the National Association of Installation Developers (NAID). It is home to a myriad of companies like Argonics, Superior Extrusion, Frontier Medical who were established by local owners and have grown at Sawyer and companies like Global Response, BWI, Dice and Potlatch, which have expanded at Sawyer from outside our region. Most of these companies, have made significant investments in their Sawyer home. In some cases, for example Biogenic Reagents, have invested millions of dollars. The estimated, combined job creation is in excess of 1500 full time equivalent employees.

While the accomplishments have been many, several challenges loom on the horizon including issues regarding the potential runway length reduction; maintaining and improving airport and industrial park infrastructure; growing the community; and eliminating the operating deficit.



Sample Product
Manufactured by
Argonics, Inc.



Frontier Medical Devices recently received FDA approval on this lateral locking cage device.

AWARDS

2011 Upper Peninsula Economic Development Alliance Award Marquette County Board of Commissioners Special Recognition for Sawyer Redevelopment

2000 Economic Development Administration Excellence in Rural Economic Development Award

2000 Marketing Excellence Brochure Award National Association of Installation Developers (NAID)

2000 Marketing Excellence Direct Mail Award (NAID)

1999 Facility of the Year Award (NAID)

Aviation Assets

The new Sawyer International Airport is home to the longest single-runway in the State of Michigan at 12,360 ft. Sawyer also has over 1,000 acres of developable land and existing well-maintained hangars and ancillary buildings, nearby Military Operating Areas (MOAs), Fixed Base Operator (FBO) with Department of Defense (DOD) fuel contract and engine test cell.

The Airport is located 15 minutes from downtown Marquette, the regional capital of Michigan's Upper Peninsula and the deep draft port on Lake Superior. It is 50 minutes from Gladstone and Escanaba and the deep draft ports on Lake Michigan.

CN Rail provides service directly to Sawyer and has the potential for attracting large industry with logistic needs.

Delta and American Airlines have multiple daily flights from Sawyer to Chicago and Detroit, however, these have diminished over the last few years.

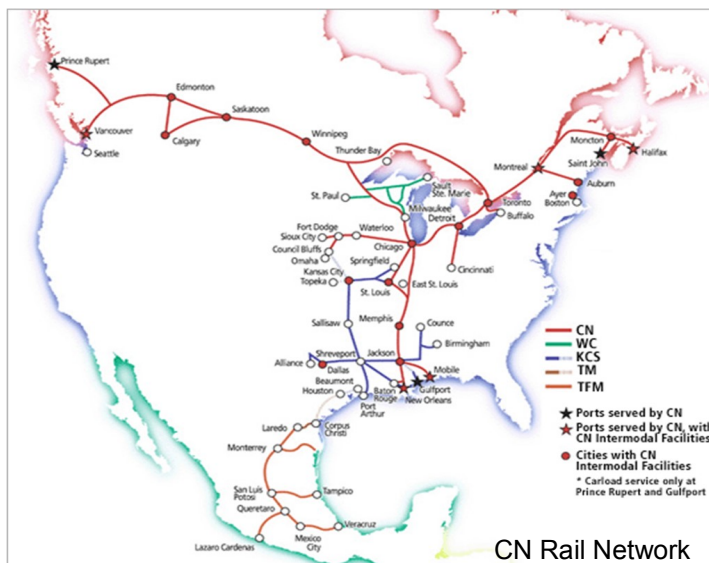
Four rental car agencies (Avis, National, Hertz, Thrifty) provide a variety of options.

Other Aviation Assets Include:

- FAA Contract Control Tower
- CAT 1 ILS Precision Approach LOC/VOR/DME/NDB Instrument Approach
- Nearby MOA's
- Boreal Aviation Fixed Base Operator with DOD Fuel contract
- Newly Renovated Hangars
- Existing Engine Test Cell
- Mega-Hangar Plans Developed for Hypothetical User
- Paint Booth Plans Developed for Hypothetical User
- Hangar Expansion Plans Developed
- NMU A&P School
- Over 1,000 ac Developable Land
- GPS Approaches 1/19 (WAAS)



FAA Contract Control Tower



Aviation Assets (cont.)



2006 11 01

Industrial Park Assets

Surrounding Sawyer International Airport is the area commonly known as Telkite Technology Park, an award-winning development attracting high-tech, green, innovative companies in the aviation, alternative energy and manufacturing sectors. The combined total of the commercial area is approximately 1.5 million square feet with approximately 600,000 being owned by Telkite Enterprises LLC, 750,000 owned by Marquette County and the remainder by a variety of individual companies including Potlatch Lumber and Superior Extrusion.

Developable land mass exceeds 1,000 acres with the majority of the sites having access to utilities either on-site or within close proximity; access to a 12,360' airport runway; County-owned rail spur from CN line; and deep draft ports on both Lake Michigan and Lake Superior.

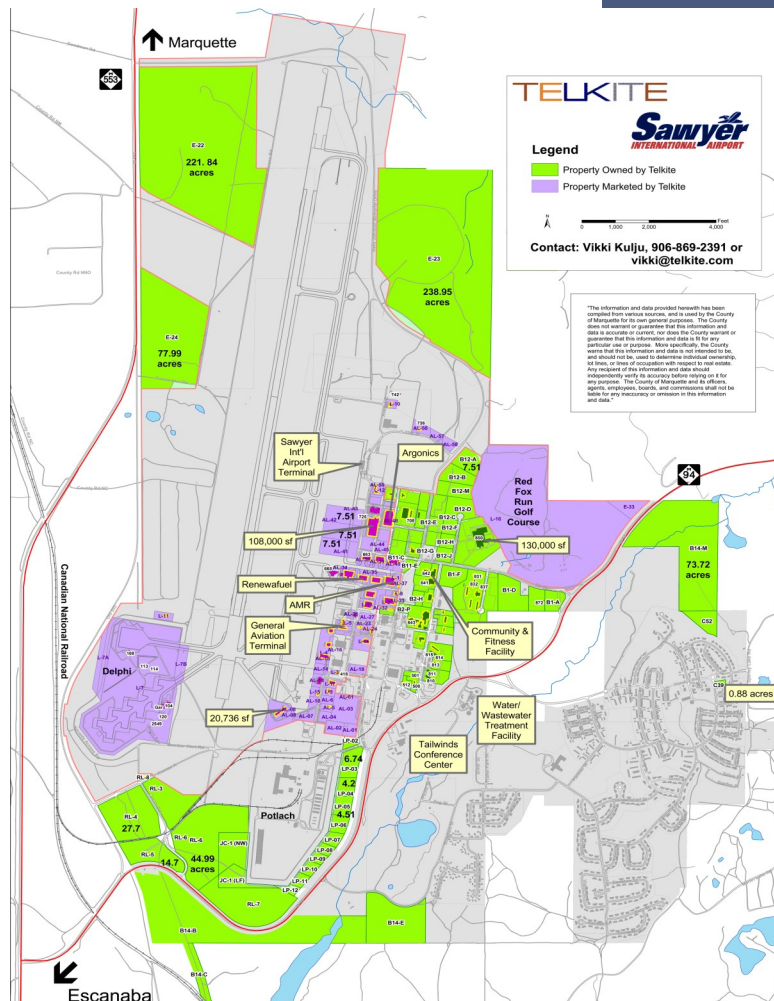
In 2005, Marquette County and Telkite Enterprises LLC entered into a public-private agreement to work cooperatively to market and develop the assets that both are so heavily invested in. Since that time, they have built relationships within the aviation industry and developed a strong network with experts in a variety of specialties.

In addition to its collaboration with Marquette County, Telkite has led in the creation of the Upper Michigan Green Aviation Coalition which is an award-winning regional cluster. The organization strives to create a collaborative and innovative structure to advance aviation across the Upper Peninsula.

Telkite's work with the Upper Michigan Green Aviation Coalition resulted in a \$1.2 million grant and Gold and Silver Excellence in Economic Development Awards. Photo Below: Bill Carberry, Boeing presenting on aircraft recycling industry at conference in Marquette made possible via UMGAC.



- ◆ Large Tracts of Developable Land
- ◆ Close Proximity to CN Rail Access
- ◆ Runway Access
- ◆ Highway Access
- ◆ Existing Buildings
- ◆ Core Tenant Base



Industrial Park Assets (cont.)



2014-2015 Annual Report

Airport Accomplishments

Recent Lease Transactions:

- ◆ Michigan Renewable Carbon (Lease Assignment from RNFL)
- ◆ P & L Development – Lease of Building #741
- ◆ International Jets (IL-78) – Lease of Hangar #663
- ◆ M.J. VanDamme – Land Lease for Brine Pond
- ◆ Argonics – Expansion into 1,000 sf of Building #725
- ◆ U.S. Army – Winter Testing in Hangar #662
- ◆ Envoy – Recycling/Dismantling (use and future lease of ramp space)

Recent Airport Agreements:

Current checkpoint agreements with the TSA provide for the County of Marquette to be reimbursed for the janitorial and utility expenses associated with TSA screening and equipment – equating to approx. \$4,102 annually.

Agreements with Caesar's Entertainment for seasonal casino tours have yielded additional passenger counts, produced additional landing fee and passenger facility charge revenues.

Board-approved recommendations in the periodic adjustment of T-hangar lease rates has resulted in improved occupancy levels – 83% of single t-hangars, and 70% of twin t-hangars are now occupied. Staff is currently examining potential for private hangars.

Under Cooperative Agreements with the U.S. Department of Homeland Security, the County is reimbursed for the majority of the Law Enforcement mandated at the airport (equating to approx. \$1,410,659 since its inception in 2004). Funding is expected to continue through FY-2015.

Use Agreements with tenant airlines represent consistent increases in airport Rents and Landing Fees. Additional fees captured under recent contracts include Ground Powered Units, Metered Electric for Boarding Bridges, Communications, Carpet Cleaning, and ARFF Training, which were previously absorbed by the County.

Operating Agreements with cargo airlines (UPS & FedEx) executed in March of 2013 provided for additional revenue (landing fees) totaling \$68,840. Receivables in 2014 will total \$85,002.50..

Car Rental Concession Agreements continue to provide for increased Minimum Annual Guarantees (MAG), Terminal Rents, Ready Return Fees, Janitorial, Car Wash Utilities, and Employee Parking permits. However, due to the recent reduction in flights/passengers, 2012 rate increases were postponed until 2015.

The current Fixed Base Operator Agreement (negotiated with Boreal Aviation in 2013) contains a revised landing fee schedule, revisions in leased buildings and rates, and a required match in annual marketing funds for the promotion of general aviation services and hangars – resulting in small advances forward. In addition, Boreal has made their self-serve fuel operational.



Biogenic Reagents
at Sawyer

2014-2015 Annual Report

Airport Accomplishments cont.

Sawyer Airport's Tax-Free Renaissance Zone designation has ended and buildings are back on the tax-rolls (with the exception of those tenants receiving extensions). This has negatively impacted the Golf Course, and action was taken to solidify its presence for the public good by reducing the percentage of gross revenues required under the Lease.

In acquiring 100% funding status under the FAA Contract Control Tower Program, the personnel costs have been eliminated. (Funding at 100% is anticipated through FY-2015). However, the County currently pays all costs associated with utilities and tower maintenance.

An Aircraft Emergency Response/Mutual Aid Agreement is in place with Forsyth Township with an annual cost of 15,000.00.

Projects & Operational Efficiencies:

2005 - Completed construction of the mid-field Airport Services Center, allows for all airport maintenance operations (and maintenance of airport fleet vehicles) to be deployed in one, centralized, facility – as opposed to three previously in contrast with 6 buildings previous to occupying the ASC. Additionally, airport administrative and water/wastewater customer service staff have relocated office operations from both the airline passenger terminal building and former Sawyer Business Center. The relocation of the airport admin. staff to the ASC allowed County and resulted in the airport staff to lease of the former airport manager's office to the TSA.



2006/2007 – Sale of Two 4-Plexes

2006 - Completed construction of an on-airport (at the ASC) regular and diesel fuel gas-boy system. This project allows both airport maintenance and WWTP staff, (and other departments MCSO, MCRC, other County departments) to remain on site and to provide on-site fueling of County vehicles rather than drive to either the MCRC facility (fire truck and snow removal equipment) and/or Gwinn or the crossroads (regular fuel).

In addition, 2007 - Completed construction of an on-airfield (adjacent to the ASC) of a sand storage building. (adjacent to the Airport Services Center) This project allows airport maintenance personnel to remain on-site vs. commuting to the former sand storage facility over at the Marquette County Road Commission site.



The paint and sand bead blasting booths in Building #626 were recently removed, providing for greater efficiency and use of the building leased by Boreal Aviation.

2014-2015 Annual Report

Airport Accomplishments (cont.)

Following a three-year vacancy, interest and demand for the re-opening of the airport terminal snack bar resulted in a 2013 Agreement with Northern Michigan University Dining Services. The site was renovated by the County and NMU. Fresh coffee, pastries, cold sandwiches and salads, canned and/or bottled beverages, snacks and University apparel and merchandise are available. However, no revenue is generated under this collaborative Agreement (although tenant does pay for its utility consumption).

Hot water is now available in the car wash facility leased by the Car Rental Concessionaires. Fuel, which has been a high priority since airport relocation, will, reportedly be available at the Sawyer Service Center in summer.

Once AT&T discontinued pay phone service at the airport terminal, staff purchased and installed two pay phones (including TDD) providing continued service, and local repair and management of operations removed by the telephone carriers.

Power Purchase Agreements with Integrys for power consumption at the Airport Services Center, commercial passenger terminal, and water-wastewater treatment plant has resulted in cost savings of approximately \$30,000 annually.

Hangar thermal barrier failures have been remedied through the use of airport stabilization funds and include a 10-year warranty.

The fire suppression and alarm systems at the Envoy MRO facilities were upgraded with funding from MDOT Aeronautics providing added value and safety.

Staff efforts with Resource Management/Forestry inside the airport perimeter fencing will result in increased safety while generating revenue. Timber outside the fence will continue to be managed with the expectation of future revenue.

In anticipation of the US Army winter testing operations at Sawyer this winter (2014-2015) and in future years, improvements to Hangar #662 have included upgraded internet and telecommunications systems, utility improvements, new appliances, and personal property. The \$15,000 expended is estimated to be recaptured this season. It is anticipated that the economic impact of these operations in Marquette County will add between 1.5-2 million to the local economy (food, lodging, services).

Air Service Marketing:

Acquisition and facilitation of a USDOT Small Community Air Service Development grant (2004-2007) for the return of Minneapolis service provided \$500,000 in marketing funds in return for a \$28,194 match – of which \$5,000 in contributions were made by MGH, \$5,000 by NMU, and \$2,860 by Peninsula Medical. The County's outlay was approx. \$15,334.

In order to compete for future SCADS grants, updated air service studies will need to be conducted. The Airport and Lake Superior Community Partnership have recently formed an Air Service Task Force comprised of local business leaders who



Creative partnership with NMU provides concessions for airport passengers and learning and promotional opportunities for the university.

2014-2015 Annual Report

Airport Accomplishments (cont.)

will aid in forecasting regional demand, and assist in the procurement of an Air Service Study. This study will be instrumental in future grant applications, and discussions with airlines for expanded capacity.

Staff has been successful in obtaining annual Airport Awareness grants through MDOT Aeronautics (ranging between \$11,000-\$25,000) for use in public communications and awareness campaigns. A 10% County match is required for this funding. Staff will be making application to MDOT requesting \$20,000 in funding for the above-mentioned Air Service Study under the Air Carrier Retention category of the Michigan Air Service program.

The first annual Discover Sawyer Day was introduced in 2014 with the use of MDOT Airport Awareness grant funding, and generous community sponsorships. This year's event planning is underway - including collaboration with additional partners and plans for more extensive displays.

Larry Chabot, local author, has been retained to aid staff in writing airport newsletters and advertorials highlighting noteworthy, unbiased, topics on a quarterly basis.

Funding provided by MDOT under a 2014 Airport Awareness grant aided in the creation and development of a NEW website design which incorporated both former sites (sawyerairport.com and comehometosawyerairport.com). This website is now fully accessible by cell phone and iPad users alike and includes social media platforms.

Sawyer International Airport Presents

DISCOVER SAWYER

Your Chance to... Experience Michigan's Largest Running in a Unique Way!

Family Fun Day

FREE ADMISSION

DOOR PRIZES!

- Runway Bike/Run Registration 6 am-7 am
- Runway Bike/Run Start Time: 7:30 am Sharp
- Rotary Pancake Breakfast 7:30 am-11 am
- Young Eagles Registration 9 am-3 pm
- Show & Shine Car Show 9 am-3 pm
- R/C Model Display 10 am-1 pm
- Static Aircraft/Airport Equipment Displays 9 am-3 pm
- Sawyer Business/Vendor Displays 9 am-3 pm
- Ramp Food Vendors Noon-3 pm
- Kid Zone 9 am-3 pm

Saturday, August 16

Register online for Run/Bike and Car Show.
Entry for Car Show is \$10/Car, donation to Rotary.
Bike/Run is \$15/person, Kids 12 & under run or bike for free!
Discount Pancake Breakfast tickets for sale in advance online.

We look forward to seeing you at this exciting event!

For more information, visit our website www.sawyerairport.com or call 906.346.3308 ext. 222

MQT CO. FLYING CLUB
BAI
Merquette County
Sawyer International Airport
MDOT

2014-2015 Annual Report

Industrial Park Accomplishments

Transactions Completed and Ongoing in 2014-2015:

- ◆ Global Response 5 year lease renewal
- ◆ Signed Purchase Option Agreement for sale of 11 acres of Telkite property with Confidential Prospect
- ◆ Negotiating with prospect on 20,000 sf expansion
- ◆ Due diligence being conducted by Bison Oil LLC for oil refinery
- ◆ Discussions ongoing with aviation prospect and Michigan Economic Development Corporation re: potential incentives. We met the president of this company 5 years ago at the Aviation Week's Maintenance Repair and Overhaul Conference. They have existing maintenance, repair and overhaul company and considering expansion for potential new contract.
- ◆ Discussions ongoing with government agency regarding potential office space needs.
- ◆ Have two currently active proposals with MEDC for client consideration.
- ◆ Presented upper dorm renovation project to Marquette County Brownfield Authority and was approved. Site plan being prepared.
- ◆ U.P. Propane constructed new facility at Sawyer.
- ◆ Sawyer Service Center made renovations and will be bringing auto fuel to Sawyer.
- ◆ M.J. Van Damme completed brine pond construction and continues renovations on former fitness center.
- ◆ Telkite held auction to dispose of smaller commercial properties.
- ◆ New educational prospect from outside Marquette County considering DEQ building.



Opportunities Pursued:

- ◆ We submitted a proposal to Duke Life Point regarding hospital relocation which was not entertained.
- ◆ We received notifications of a large number of site searches being issued by MEDC, however of those we only qualified and submitted proposals on four (4) proposals. Two of them have ruled out Michigan and two are still going through the process.
- ◆ Offered the former DEQ building rent free for 1 year to Northern Michigan University (NMU not currently pursuing)
- ◆ Offered the former DEQ building rent free for 1 year to Goodwill Industries (Goodwill did not pursue)
- ◆ An additional land sale of approximately 40 acres which was negotiated in 2013 and we had hoped would close in 2013 fell through due to lack of financing.
- ◆ As has proven to be typical at Sawyer, several tours were given to small two to five person organizations, however, due to the poor condition of the properties and financing, no leases were completed.
- ◆ Conversations continue with a large military-related organization for Building 725 and/or other property located at Sawyer.

2015-2016 Marketing Strategy

Marketing Plan Executive Summary

Sawyer International Airport is currently served by Delta Connection and American Eagle. Delta currently offers two daily regional jet flights to Detroit and American Eagle offers one regional jet flight to Chicago O'Hare.

Sawyer's current market share is 38.37%. Loss of passengers to competing airports is referred to as "leakage". The opposite of "leakage" is "retention". Sawyer has a Retention Rate of 76% which compares well to other airports. Escanaba for example has a 52% Retention Rate and Iron Mountain for example is 32%. Houghton's is slightly higher at 79%.

The leakage is largely due to air service options nearby and relative air fares. Lost passengers are primarily traveling to Escanaba, Kingsford, Green Bay or Milwaukee.

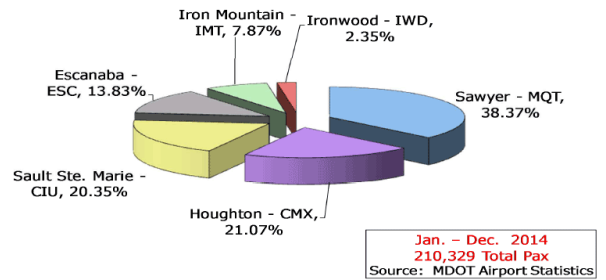
Essential Air Service (EAS) subsidizes all airlines in all commercial airports in the Upper Peninsula with the exception of Sawyer at a rate of \$11 million annually. Sawyer is not eligible for EAS. EAS programs reimburse air carriers for providing service to rural, qualified air ports. This situation creates unique challenges for Sawyer when dealing with EAS service providers, such as Delta and with passenger retention.

The Airport operates at an approximate \$300,000 annual deficit which is subsidized by the Airport stabilization fund. The County's general fund has been contributing towards the shortfall. Airport staff has been steadily reducing this deficit. Efficiencies have been maximized by airport staff, so while they will continue to be addressed, it is unlikely any additional savings will have the impact desired. Additional revenue will be the only significant way to minimize the impact on the General Fund.

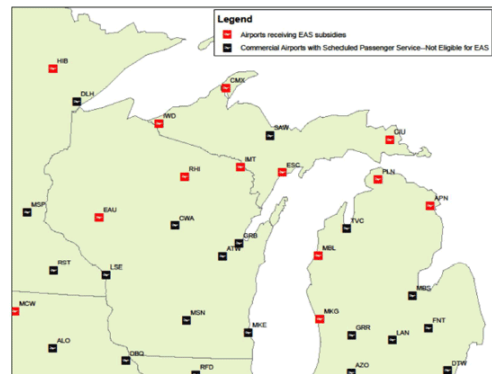
Income is derived from six categories.

INCOME CATEGORY	2014 REVENUE
Non-Aeronautical	
Concessions (Vending Machines)	\$ 1,475
Advertising	\$ 1,500
Rental Car Terminal Rent	\$ 36,495
Rental Car Operations (MAG)	\$161,757
Parking	\$218,688
Lease Rents	\$708,755
Aeronautical	\$529,037
(landing fees, fuel, terminal rent, t-hangars)	

Market Share



Essential Air Service



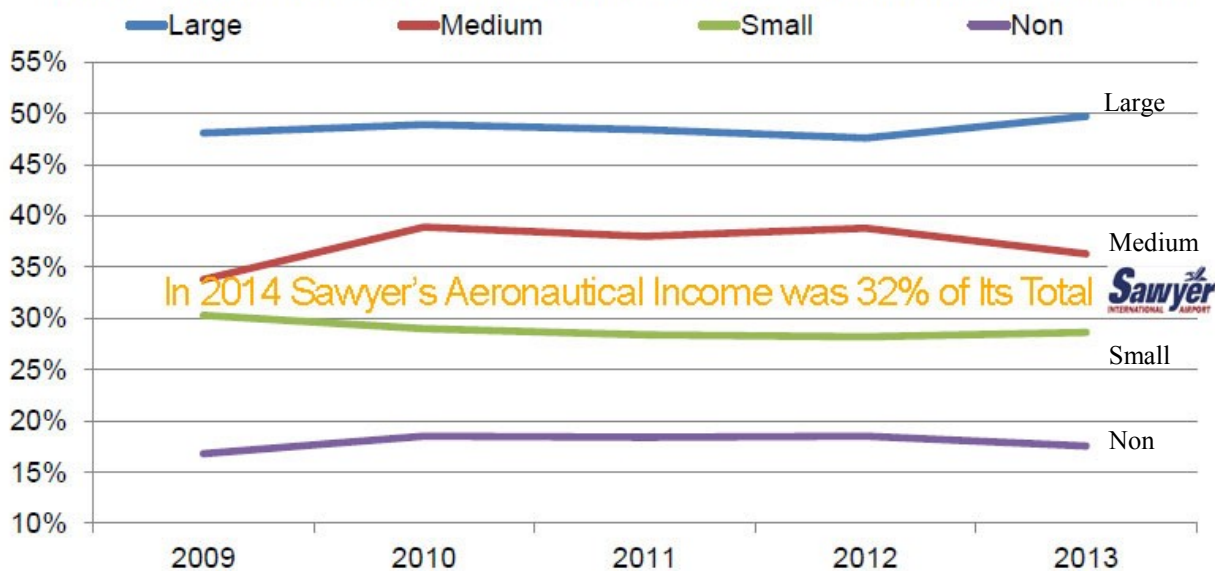
2015-2016 Marketing Strategy

Marketing Plan Executive Summary



Passenger Airlines Contribute Less Than Half of Total U.S. Airports' Operating Revenue For All Hub Sizes

Median Passenger Airline Revenue as a Percent of Total Airport Operating Revenue by Hub Size (%)

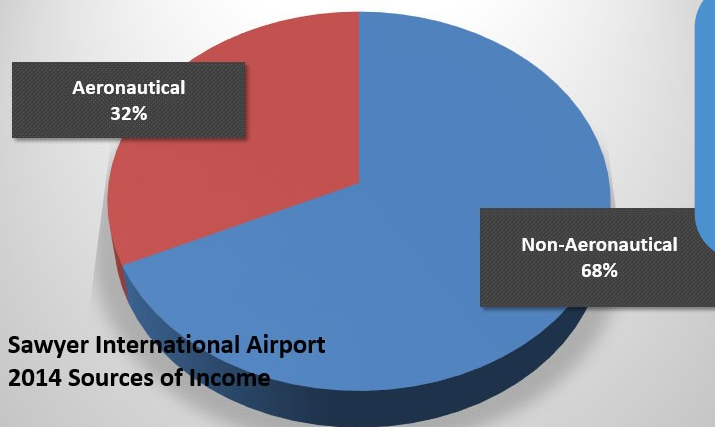


The contribution of passenger airlines to U.S. airports' operating revenue varies by hub size. Large and Medium hubs generate higher passenger-related revenue due to strong commercial air service representing 88% of total US enplanements. Conversely, Small and Non hubs with lower levels of commercial service, primarily source their revenue from rental car, ground transportation and parking facilities, as well as general aviation and military activities.

Notes: 2013 is the latest full fiscal year data available in FAA CATS database.

Figures used are median for each FAA hub category.

Source: FAA, CATS: Report 127



"Non-aeronautical revenue critically determines the financial viability of an airport, as these revenue sources tend to generate higher profit margins in comparison with aeronautical activities, which are mostly cost-recovery."

- Airports Council International

2015-2016 Marketing Strategy

Marketing Plan Executive Summary

Air Service Key Marketing Objectives:

- ◆ *Increase daily flights and destinations*
- ◆ *Increase market share from 38.37%*
- ◆ *Reduce passenger leakage from 24%*
- ◆ *Increase military aircraft operations*
- ◆ *Increase general aviation activities*
- ◆ *Explore additional taxes and fees*



In addition to commercial aviation passenger service, the Airport provides a general aviation terminal and services via its Fixed Base Operator (FBO) Boreal Aviation. Sawyer's income from general aviation is largely dependent on the marketing efforts and service quality of our FBO. Marquette County derives income from Boreal's lease; landing fees; and fuel fees. The FBO's efforts have a direct result on Sawyer's income. Sawyer contributes \$1500 match to Boreal Aviation's marketing efforts.

General Aviation Key Marketing Objectives:

- ◆ *Explore benefits and challenges of second and/or replacement FBO*
- ◆ *Increase Target Marketing and Investment from FBO*

Lastly, Marquette County has commercial real estate which it leases to a variety of tenants. This generates income in the form of lease revenue. In 2015, Sawyer is expected to lose approximately \$6400 in monthly lease revenue due to changes in lease terms and tenants vacating (Argonic's rent reduction pursuant to Lease; P&L lease expiration; North Country Disposal lease expiration; Cliff's lease expiration; Headlands potential lease expiration.)

Industrial Park Key Marketing Objectives:

- ◆ *Continue working with existing prospect and tenants on expansion*
- ◆ *Continue attraction efforts with Telkite Enterprises LLC*
- ◆ *Continue retention efforts with existing Tenants and local stakeholders*
- ◆ *Improve facilities to enhance marketability*

Sawyer International Airport and surrounding Telkite Technology Park plays a vital role in the overall economic health of our region. When assessing the economic impact of an airport on a community you must look at:

Direct Impact which is associated with providers of services at the airport, such as the airport operator, air carriers, fixed base operations, etc. The value of direct impact is the sum of all payroll, capital expenditures, operating and maintenance costs, taxes, and fees incurred by every provider of services.

Indirect Impact is associated with the users of airport services. These include both corporate and public users, government agencies, aviation and non-aviation businesses. The value of this impact is the sum of the fees and charges paid, time and cost savings, and expense related to food, lodging, ground transportation and similar outlays.

Induced Impact is the additional local economic impact that is generated specifically because of the airport's presence. Including related employment, payroll and employer expenditures. Induced impact also includes the successive rounds of spending caused by the direct and indirect impacts. This "multiplier effect" measures the extent to which the indirect and induced impacts flow from the direct impact.

Sawyer staff intends to conduct a comprehensive analysis of the airport's impact on the region utilizing the above criteria. The findings will serve as a basis for the marketing message.

2015-2016 Marketing Strategy

Mission Statement

It is Sawyer International Airport's mission to:

- 1) provide access to high-quality, safe air travel services for the citizens of the Upper Peninsula of Michigan;*
- 2) provide quality infrastructure and services necessary to benefit the general aviation market; and*
- 3) maximize the airport's economic impact on the region by providing real estate development and property management to attract quality business tenants in a variety of industries.*

2015 Goal

SIA operates at an annual deficit of \$300,000 which is offset by the Airport's Stabilization Fund. Since 2013, the County Board contributes approximately \$165,000 from its General Fund to the Airport's Stabilization Fund. This fund was established with the proceeds from various activities that occurred as a result of the base closure, such as the sale of the utility system to the public sector; sale of property to private entities; public equipment auctions, etc.

The number one goal for SIA in 2015 is to reduce the Annual Deficit by 5 to 10% and congruently the general fund subsidy by the same amount, while increasing the overall economic impact on the community.

There are basically only two ways to achieve this goal, increase income and reduce expenses. SIA operates very efficiently so cutting costs will result in little to no significant impact in reaching this goal. Therefore, generating additional income will be our sole focus.

The number one goal for Sawyer International Airport in 2015 is to reduce the annual deficit by 5 to 10% and congruently the general fund subsidy by the same amount.



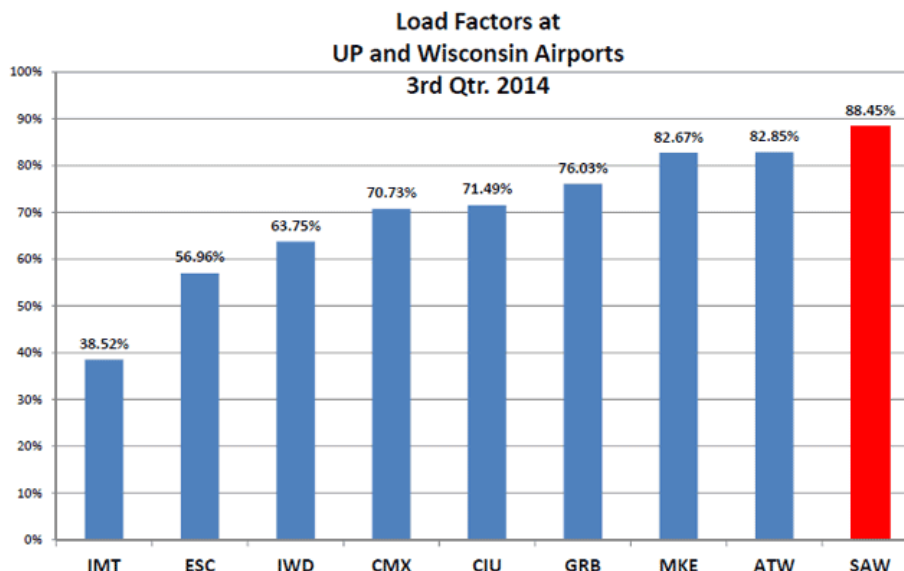
2015-2016 Marketing Strategy

Air Service Competition

The main competition for air services is Delta County Airport, Ford Airport in Kingsford and Houghton County Airport. Additionally, Brown County Airport (Green Bay) and the Milwaukee Airport also impact Sawyer's performance.

- 1) Surrounding Essential Air Service Airports are picking up the commercial passenger traffic overflow that Sawyer is unable to accommodate due to the current lack of capacity. Delta County reached their 10,000 passenger enplanement threshold this year and expects continued growth with their new EAS carrier SkyWest (an elite Delta partner). The Department of Transportation also awarded SkyWest as Houghton County Memorial's EAS carrier.
- 2) The Delta County Airport is the only U.P. airport that hosts Honor Flights in the Upper Peninsula. Enplanement numbers were positively affected by two flights last year.
- 3) Sault Ste. Marie's Port-of-Entry at Chippewa International Airport provides for international travel clearance.
- 4) Houghton County Memorial's casino charters/tours through Laughlin's Riverside Resorts via Sun Country Airlines operate at a greater frequency than Sawyer's S&S Casino Tours.
- 5) Delta County Airport has started providing repair services at a lower cost than Sawyer's fixed base operator.
- 6) Milwaukee, Appleton and Green Bay remain options driven by relative air fares and service options.

Passenger Service

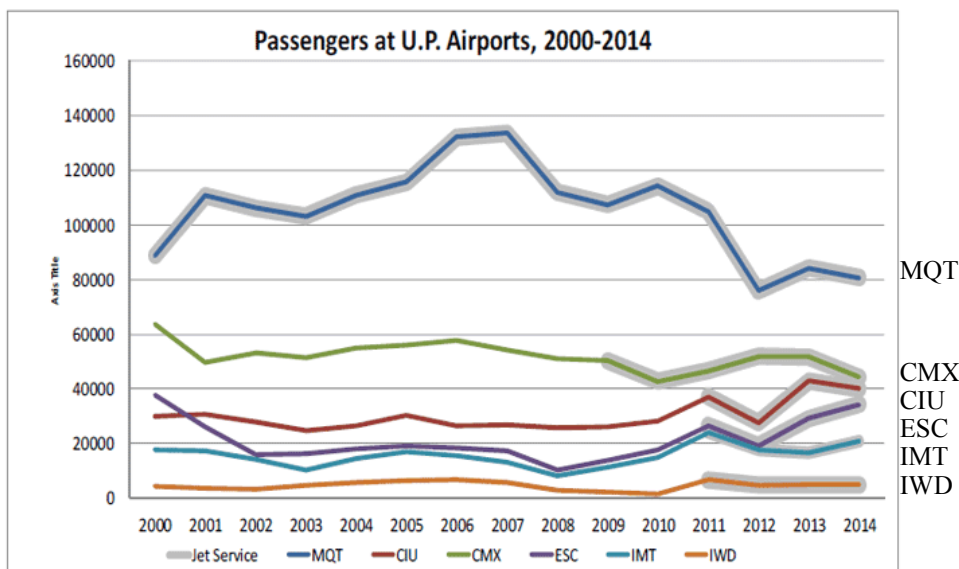


2015-2016 Marketing Strategy

Air Service Trends

- 1) *Prior to 2007, Sawyer was served by approximately 10 flights and 346 seats per day. Part of these seats were on “tagged” flights. Tagged Flights are flights include seats that are shared by other airports. Typically they are detrimental to an airport’s operation. The 37% traffic decline since 2007 has been primarily driven by reduced Delta and lost Midwest Connect service.*
- 2) *Almost half of the commercial passenger traffic booked from the area comes from Marquette County proper. Most of the Airport’s traffic leakage is not surprising given the short drive times to competing airports.*
- 3) *Capacity reductions have resulted in much higher load factors, particularly on Delta. High load factors are indicative of passenger loyalty.*
- 4) *Inbound traffic peaks during summer while outbound traffic mostly originates the rest of the year.*
- 5) *Capacity reductions since 2006 have led to significantly higher fares, less traffic and higher revenues for the air carrier, making it difficult to convince the carrier to add more diversity to its schedule.*
- 6) *The Airport’s passenger retention has improved to almost 76% in 2014 after dipping from almost 75% to 69% in 2012 and 2013. This number is relatively high compared to other markets in the region. Improvement is partially due to air service reductions in Green Bay and Milwaukee.*
- 7) *Other issues facing air service providers include pilot shortages, aircraft shortages and aging aircraft. Currently low fuel costs have relatively little impact on air service, however, as the cost of fuel rises, this could change.*

Passenger Service



2015-2016 Marketing Strategy

Industrial Park Competition

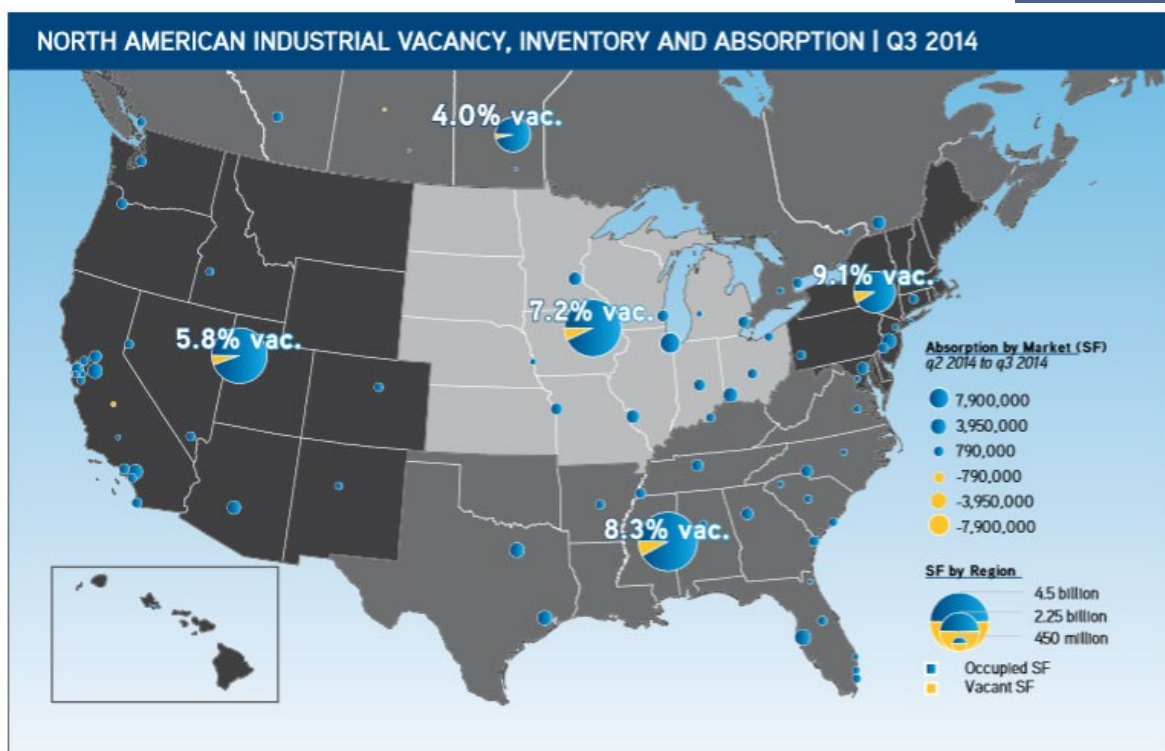
The competition for real estate is much greater than air service. Not only does Sawyer and the surrounding industrial park compete with all other locations in the Upper Peninsula, but in some cases it is competing with other states and countries.

This is reflected state-wide as well. In a recent report from Michigan Economic Development Corporation, of the 63 state-wide business development prospects the state has been courting since May of 2014, 32 were deleted due to the project not moving forward in Michigan. Another 13 are indicated as “cool” and only 8 have indicated that they will move forward in Michigan.

According to Colliers International, as of 4th quarter 2014 there was 14.3 billion square feet of industrial space available in the nation with approximately 7.8 million of that located in Chicago, where the largest constitution of industrial space can be found. While net absorption is increasing, there is an additional 40 to 60 million square feet under construction. The Midwest, which includes Michigan, contains 25.1% of the North American industry and 23.2% of the expected new supply.

Companies like Duke Lifepoint, MichiganWorks, Easy Ice, North Country Disposal and the Department of Environmental Quality who left or are planning on vacating Sawyer or chose another, more costly alternative during a competitive site search, did so because of proximity to its customer base, proximity to amenities and proximity to employees.

Industrial companies who are concerned with reducing overhead costs and increasing productivity seem to find Sawyer the most desirable.



2015-2016 Marketing Strategy

Industrial Park Trends

Generally speaking, the real estate market at Sawyer has held pretty well with the exception of the loss of the Michigan Department of Environmental Quality who vacated a 20,000 sf office building at Sawyer and Easy Ice's 4,000 sf vacancy. Both opted to relocate to Marquette.

With regard to office space, most tenants would rather pay a higher rent to be located in Marquette. The amenities, proximity to customer-base and drive-time seem to be the biggest draws. In 2014, Telkite submitted two proposals which were substantially less expensive than the Marquette option submitted, however the companies still chose Marquette although the space was comparable.

Most big box retail users choose their locations based on traffic. At this time, Sawyer and the surrounding area does not generate the volumes necessary to make it an enticing location for retail establishments.

Community leaders have often suggested Sawyer attempt to recruit air cargo and/or logistics companies. The challenges with cargo hubs in the Upper Peninsula are that it is land locked by large bodies of water, provides no interstates, and its industry does not produce adequate cargo volumes to make this a feasible investment. This may change given the evolving issues within the trucking industry. The industry is already experiencing a shortage of drivers for a variety of reasons and now the drive time restrictions are expected to be reduced 15%. This could lead to more rail usage. If that should happen, Sawyer and the surrounding industrial park should be well situated to meet that need.



Existing intermodal networks circle around the Upper Peninsula. Lack of interstates; insufficient volumes of cargo used or produced here; the geographic constraints of Lakes Superior and Michigan are some of the challenges faced when trying to recruit cargo warehouse hubs. As rail demand increases, this may change.

Marketing Strategy

Sub Goals

Air Service Sub-Goals:

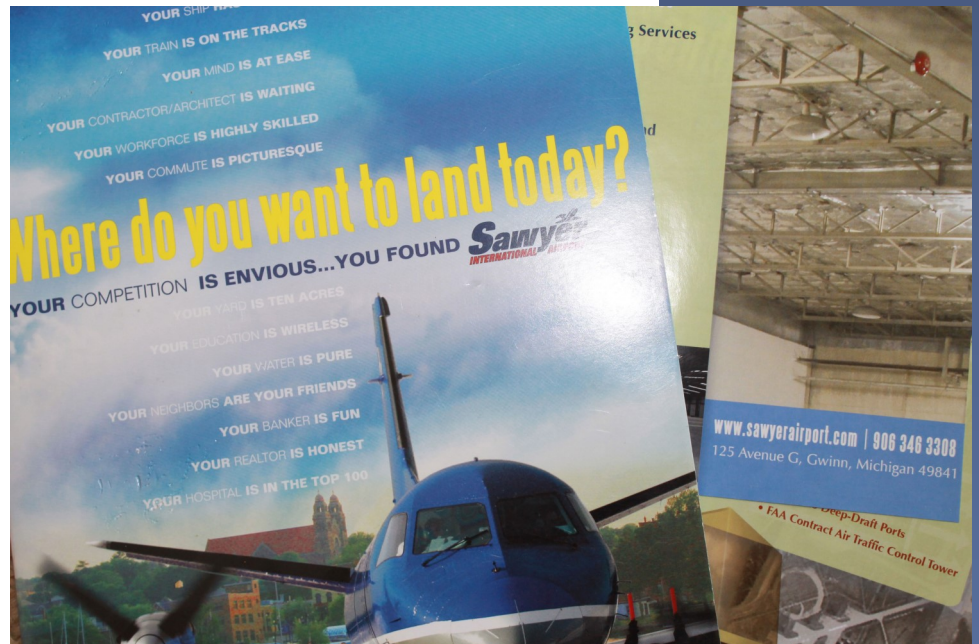
- 1) Air Service Development - increase daily flights and destinations.
- 2) Increase Market Share - currently 38.37% of the air travel in the Upper Peninsula flies through SIA
- 3) Reduce Passenger Leakage to Hubs - currently 24% of SIA's potential market travels to Green Bay, Milwaukee or surrounding airports.
- 4) Increase Military Aircraft Operations
- 5) Increase General Aviation Activities

Increase Tenant Base Sub-Goals:

- 1) Improve facility infrastructure through County-driven capital projects and/or private investment
- 2) Continue to monitor all potential funding sources, grants, tax credits etc. to benefit existing and future tenants
- 3) Maintain relationships with existing tenant base to ensure satisfaction and assist with potential growth
- 4) Continue with attraction activities and marketing campaign
- 5) Continue to work with existing prospects on potential projects

SIA and Industrial Park Image Sub-Goal:

- 1) Increase public awareness of the value of the airport and importance of maintaining this public asset.
- 2) Track and communicate the economic impact of SIA/IP to community
- 3) Track and communicate the tourism impact of SIA/IP to community
- 4) Track and communicate the impact SIA/IP has on logistics of goods and services
- 5) Track and communicate the impact of SIA/IP on the medical industry and other businesses throughout the Upper Peninsula.
- 6) Examine impact of additional taxes and/or fees on the public for utilizing SIA



Annual Report & Marketing Strategy

Action Steps

Air Service Action Steps Underway:

- 1) Efforts are underway to secure the return of airline service to Minneapolis via SkyWest. Staff has proposed a board-approved airline incentive package providing for a reduction in aircraft landing fees, and a waiver of passenger boarding bridge fees for a period of six (6) months.
- 2) Future discussions will address further incentives in the form of airport marketing funds to specifically market this service
- 3) A visit to Sky West's corporate office is necessary to determine the feasibility of this service
- 4) Establishment of the Air Service Task Force to reach out to community leaders to garner corporate and community support for air service.

Air Service Action Steps Planned:

- 1) Continue dialogue with Delta and American on service issues and react to those items as they arise
- 2) Continue outreach effort to attract additional air carriers — such as direct flights to specific markets or vacation tours.
- 3) Outreach efforts to attract more military touch-and-gos and refueling stops.
- 4) Continue to nurture relationships with military contractors in need of winter testing. Discuss other opportunities and respond to those opportunities as they arise.
- 5) Continue to work with Boreal Aviation, SIA's Fixed Base Operator on joint marketing campaigns to attract additional general aviation flights
- 6) Work to secure an Air Service Grant to assist with marketing.
- 7) Continue to work with Air Service Task Force to reach out to community leaders to support airport operations.

Increase Tenant Base Action Steps Underway:

- 1) Negotiating with two prospects from outside the area.
- 2) Negotiating with three existing tenants re: potential expansion.
- 3) Assisting with due diligence being conducted by Bison Oil LLC
- 4) Attending Aviation Week's Maintenance, Repair and Overhaul show with Delta County and Houghton County under UMGAC umbrella.
- 5) Working with existing tenant regarding aircraft demolition.
- 6) Working with Telkite on dormitory renovation.
- 7) Negotiating sale of 11 acres.

Increase Tenant Base Action Steps Planned:

- 1) Improve facility infrastructure through County-driven capital projects and/or private investment
- 2) Continue to monitor all potential funding sources, grants, tax credits etc. to benefit existing and future tenants
- 3) Maintain relationships with existing tenant base to ensure satisfaction and assist with potential growth
- 4) Continue with attraction activities and marketing campaign
- 5) Continue to work with existing prospects on potential projects

SIA & Industrial Park Image Action Steps Underway:

- 1) Newsletter production is ongoing.
- 2) Social media outreach is ongoing.

Annual Report & Marketing Strategy

Action Steps

- 3) Grass roots efforts via Gwinn Chamber, Lake Superior Community Partnership, Ishpeming/Negaunee Chamber of Commerce and Delta County Partnership are ongoing.
- 4) Participation on the Sawyer Community Alliance Board.

SIA and Industrial Park Image Action Steps Planned:

- 1) Conduct a comprehensive Economic Impact Study and develop message and campaign to distribute information.
- 2) Develop campaign around residential and business community success stories.
- 3) Identify and seek funding for beautification projects, such as demolition of blighted properties.
- 4) Work with Brownfield Authority to look for opportunities to improve blighted properties.



Annual Report & Marketing Strategy

2015 Marketing Budget

Air-Side Marketing Services Outside Existing Contractual Obligations with Telkite Enterprises (Economic Impact Study, Campaign Development, Air Service Development Assistance, Special Projects)	\$12,000
Aviation Week MRO Show (April 2016)	\$6,000
Regional Air Carriers Jump Start Conference (June 2016)	\$3,500
Air Cargo Americas Show (November 2015)	\$6,000
Web Site/Copies/Production of Materials	\$4,000
MEDC/MEDA/UPEDA Events	\$2,000
Hosting & Visiting Prospects (Sky West visit included)	\$4,000
Community Related Meetings/Support	\$3,000
LSCP and Ishpeming/Negaunee Annual Dinners	\$1,400
Mining Journal Progress Ad	\$2,000
Mining Journal Advertising Classified	\$2,000
UP Business Today Advertising	\$4,000
Local Television Advertising	\$7,000
Local Radio Advertising	\$4,000
Billboard Renewal	\$1,000
Newsletter & Postage	\$5,200
AT&T Yellow Page Advertising	\$1,500
Boreal Advertising Match (50/50)	\$1,500
Air Service Study Contribution (If study does not move forward, then this shall be reallocated)	\$5,000
SCASD Match (If grant not awarded, then this shall be reallocated)	\$5,000
Economic Impact Study	\$2,000
TOTAL EXPENDITURES (Note)	\$82,100

Note 1: Marquette County has applied for a \$20,000 (includes \$2,000 matching funds) grant for air service marketing. If received, it will reduce the above budget by \$18,000.

Note 2: These numbers fall within the Board Approved 2015 Budget of \$75,000