

Sky Harbour Capital
Quarterly Financial Report
(Unaudited)
Quarter Ending March 31, 2023

Prepared by:
Sky Harbour Capital LLC



136 Tower Road
Suite 205
West Harrison, New York 10604

Date Issued:
May 30, 2023

**SKY HARBOUR CAPITAL LLC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

Table of Contents

	<u>Page Number</u>
Consolidated Balance Sheets as of March 31, 2023	3
Consolidated Statements of Operations for the three months ended March 31, 2023	4
Consolidated Statements of Changes in Member's Equity for the three months ended March 31, 2023	5
Consolidated Statements of Cash Flows for the three months ended March 31, 2023	6
Other Required Exhibits	7

SKY HARBOUR CAPITAL LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 2023 (unaudited)	December 31, 2022 (audited)
Assets		
Restricted cash	\$ 70,313	\$ 39,121
Restricted investments	74,594	114,648
Receivables from affiliates	815	710
Prepaid expenses and other assets	1,355	818
Cost of construction	17,568	47,152
Constructed assets, net	78,519	39,709
Right-of-use assets	56,345	55,830
Long-lived assets, net	1,268	1,123
Total assets	\$ 300,777	\$ 299,111
Liabilities and members' equity		
Accounts payable, accrued expenses and other liabilities	\$ 8,303	\$ 6,794
Accrued interest payable	1,735	3,470
Accounts payable to affiliates	3,435	3,116
Bonds payable, net of debt issuance costs and premiums	162,263	162,210
Operating lease liabilities	53,636	62,155
Total liabilities	\$ 229,372	\$ 237,745
Member's equity	71,405	61,366
Total liabilities and member's equity	\$ 300,777	\$ 299,111

SKY HARBOUR CAPITAL LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)
(UNAUDITED)

	Three months ended March 31, 2023 (Actual)	Three months ended March 31, 2023 (Budget)	Variance	Variance %
Revenues:				
Rental revenue	\$ 1,107	\$ 775	\$ 332	42.8 %
Total revenue	\$ 1,107	\$ 775	\$ 332	42.8 %
Expenses:				
Operating	\$ 1,892	\$ 1,820	\$ 72	4.0 %
Depreciation	447	435	12	2.8
General and administrative	110	60	50	83.3
Total expenses	\$ 2,449	\$ 2,315	\$ 134	5.8 %
Other Income (Expense)	9	-	9	100 %
Net loss	\$ (1,333)	\$ (1,540)	\$ 207	13.4 %

SKY HARBOUR CAPITAL LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN MEMBER'S EQUITY
(in thousands)
(UNAUDITED)

	Three months ended March 31, 2023
Balance, December 31, 2022	\$ 61,366
Contributions ¹	11,372
Net loss	(1,333)
Balance, March 31, 2023	\$ 71,405

¹ Contributions include approximately \$1.2 million of cash contributed by Sky Harbour LLC (the “Member”) and the historical cost of the net assets of Sky Harbour Addison LLC and OPF Hangars Landlord LLC of approximately \$10.1 million, both of which were contributed by the Member to Sky Harbour Capital LLC in March 2023.

SKY HARBOUR CAPITAL LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)
(UNAUDITED)

**Three months ended
March 31, 2023**

Cash flows from operating activities:	
Net loss	\$ (1,333)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	447
Straight-line rent receivable	(25)
Non-cash lease expense	536
Changes in operating assets and liabilities:	
Receivables from affiliates	4
Prepaid expenses and other assets	84
Accounts payable, accrued interest and expenses, and other liabilities	720
Accounts payable to affiliates	(1,461)
Net cash used in operating activities	\$ (1,028)
Cash flows from investing activities:	
Purchases on long-lived assets	(170)
Payments for cost of construction	(8,855)
Proceeds from held-to-maturity investments	40,045
Cash used in investing activities	\$ 31,020
Cash flows from financing activities:	
Proceeds from capital contribution	1,200
Cash provided by financing activities	\$ 1,200
Net (decrease) increase in cash and restricted cash	31,192
Cash and restricted cash, at beginning of period	39,121
Cash and restricted cash, at end of period	\$ 70,313
Supplemental disclosures of noncash investing and financing activities:	
Cost of construction included in accounts payable, accrued expenses, and other liabilities	3,307
Cost of construction included in accrued interest payable	1,735
Debt issuance costs and premium amortized to cost of construction	53
Right-of-use assets obtained in exchange for operating lease liabilities	168
Non-cash equity contribution: historical cost of net assets contributed	10,172
Reconciliation of cash and restricted cash reported within the consolidated balance sheets:	
Cash, at beginning of period	\$ -
Restricted cash, at beginning of period	39,121
Cash and restricted cash, at beginning of period	\$ 39,121
Cash, at end of period	-
Restricted cash, at end of period	70,313
Cash and restricted cash, at end of period	\$ 70,313

SKY HARBOUR CAPITAL LLC AND SUBSIDIARIES
OTHER REQUIRED EXHIBITS
(UNAUDITED)

Note 1. Occupancy Report & Subleasing and rental information for each Project as of March 31, 2023

Facilities Summary											CBRE Forecast 2025 Net Revs (\$mm)
Facility	Ground Lessor	Lessor Details	Ground Lease Commencement	Ground Lease Term	# of Hangars	Leasable SF (000s)	Status	Leased	Preleased¹	Contracted SF (000s)	
SGR Phase I	City of Sugar Land, TX	-	2/6/2019	30 years	7	66.1	Operating	94%	-	62.1	\$2.2
SGR Phase II⁴	City of Sugar Land, TX	-	2/6/2019	30 years	4	58.4	Predevelopment	-	-	-	
OPF Phase I	OPF Hangars Landlord, LLC	Holder of leasehold interest under ground lease from Miami- Dade County	7/10/2019	50 years ²	12	160.1	Completed	50%	25%	120.1	6.9
OPF Phase II	OPF Hangars Landlord, LLC	Holder of leasehold interest under ground lease from Miami- Dade County	7/10/2019	50 years ²	7	102.1	Predevelopment	-	-	-	
BNA	Metropolitan Nashville Airport Authority	-	1/22/2020	50 years ²	10	149.1	Completed	55%	-	82.0	3.1
DVT Phase I	City of Phoenix, AZ	-	5/4/2021	40 years	8	115.9	Under GMP, In Construction	-	75%	85.2	4.4
DVT Phase II⁴	City of Phoenix, AZ	-	5/4/2021	40 years	8	105.0	Predevelopment	-	-	-	
APA Phase I	Sunborne XVI, Ltd.	Holder of leasehold interest under ground lease from Arapahoe County	12/30/2020	76 years ³	9	133.5	Under GMP, In Construction	-	-	-	6.3
APA Phase II	Sunborne XVI, Ltd.	Holder of leasehold interest under ground lease from Arapahoe County	12/30/2020	76 years ³	9	103.4	Predevelopment	-	-	-	
ADS Phase I	Town of Addison, TX		TBD	40 Years	6	119.8	In Development	-	-	-	
Total					80	1,113.4				349.4	\$22.9

¹Preleased status is defined as space which has yet to be delivered and has received a signed non-binding Letter of Intent or a signed lease subsequent to the reporting date. will request and receive an additional extension to accommodate the expected construction schedule.

² Includes two 5-year term extensions.

³ Includes first term extension option of 15 years and second term extension option of 20 years.

⁴ SGR Phase II and DVT Phase II will now be financed outside of the Obligated Group following the project modification completed in March 2023.

SKY HARBOUR CAPITAL LLC AND SUBSIDIARIES
OTHER REQUIRED EXHIBITS
(UNAUDITED)

Note 2. Calculation of required ratios

Pursuant to the terms of the Rate Covenant section of the Master Indenture Agreement associated with the Senior Special Facility Revenue Bonds (Aviation Facilities Project), Series 2021, Sky Harbour Capital LLC (the “Company”) will begin testing its compliance with Rate Covenant quarterly, as of the end of each quarter of the fiscal year commencing with the quarter ending December 31, 2024, and annually, as of the end of each fiscal year commencing with the fiscal year ending December 31, 2024.

Note 3. Series 2021 Bonds scope modification

On March 22, 2023, the Company elected to modify the scope of its Series 2021 Bonds pursuant to the terms of the Master Indenture, in order to reallocate a portion of the proceeds of the Series 2021 Bonds to a project site located at Addison Airport in Addison, Texas (the “ADS Project”).

In connection with the election to modify the scope of the Series 2021 Bonds to include the ADS Project, (i) Addison Hangars LLC (“Sky Harbour Addison”) and OPF Hangars Landlord LLC (“OPF Hangars”), wholly-owned subsidiaries of the Member, joined as members of the Obligated Group, (ii) Sky Harbour Holdings LLC contributed its membership interest in OPF Hangars to the Company, (iii) the Company pledged its equity interest in each of Sky Harbour Addison and OPF Hangars to the Master Trustee as security for the obligations under the Series 2021 PABs, (iv) Sky Harbour Addison granted to the Master Trustee a mortgage on its leasehold interest in the real property comprising the ADS Project, (v) OPF Hangars granted the Master Trustee a mortgage on its leasehold interest in the real estate comprising the project located in Opa Locka, Florida, and (vi) the Manager agreed to waive all management fees and development fees during the construction period of the projects associated with the Series 2021 Bonds.

Note 4. Restricted Investments

Pursuant to provisions within the Master Indenture Agreement, the Company invests the funds held in the restricted trust bank accounts in various U.S. Treasury securities. Therefore, such investments are reported as “Restricted investments” in the accompanying consolidated balance sheet.

The Company has the ability and intent to hold these restricted investments until maturity, and as a result, the Company would not expect the value of these investments to decline significantly due to a sudden change in market interest rates. The held-to-maturity restricted investments are carried on the consolidated balance sheet at amortized cost. The carrying amount of such investments was \$74,594 on March 31, 2023, of which \$54,370 will mature in one year or less, and \$20,224 will mature in one through five years.