

Sky Harbour Capital
Quarterly Financial Report
(Unaudited)
Quarter Ending December 31, 2022

Prepared by:
Sky Harbour Capital LLC



136 Tower Road
Suite 205
West Harrison, New York 10604

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

Table of Contents

	<u>Page Number</u>
Consolidated Balance Sheets as of December 31, 2022	3
Consolidated Statements of Operations for the three and twelve months ended December 31, 2022	4
Consolidated Statements of Changes in Member's Equity for the year ended December 31, 2022	5
Consolidated Statements of Cash Flows for the year ended December 31, 2022	6
Other Required Exhibits	7

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

	December 31, 2022 (unaudited)	December 31, 2021 (audited)
Assets		
Restricted cash	\$ 39,121	\$ 197,130
Restricted investments	114,648	-
Receivables from affiliates	908	202
Prepaid expenses and other assets	818	394
Cost of construction	47,152	25,433
Constructed assets, net	39,709	14,500
Right-of-use assets	55,830	56,797
Long-lived assets, net	1,123	201
Total assets	\$ 299,309	\$ 294,657
Liabilities and members' equity		
Accounts payable, accrued expenses and other liabilities	\$ 6,794	\$ 3,872
Accrued interest payable	3,470	2,063
Accounts payable to affiliates	3,314	1,169
Bonds payable, net of debt issuance costs and premiums	162,210	160,679
Operating lease liabilities	62,155	61,219
Total liabilities	\$ 237,943	\$ 229,002
Member's equity	61,366	65,655
Total liabilities and member's equity	\$ 299,309	\$ 294,657

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

	Three months ended December 31, 2022 (Actual)	Three months ended December 31, 2022 (Budget)	Variance	Variance %
Revenues:				
Rental revenue	\$ 609	\$ 585	\$ 24	4.1 %
Total revenue	\$ 609	\$ 585	\$ 24	4.1 %
Expenses:				
Operating	\$ 1,456	\$ 1,494	\$ (38)	(2.5) %
Depreciation	246	181	65	35.7
General and administrative	48	169	(121)	(71.6)
Total expenses	\$ 1,750	\$ 1,844	\$ (94)	(5.1) %
Net loss	\$ (1,141)	\$ (1,259)	\$ 118	(9.4) %

	Twelve months ended December 31, 2022 (Actual)	Twelve months ended December 31, 2022 (Budget)	Variance	Variance %
Revenues:				
Rental revenue	\$ 1,845	\$ 1,755	\$ 90	5.1 %
Total revenue	\$ 1,845	\$ 1,755	\$ 90	5.1 %
Expenses:				
Operating	\$ 5,236	\$ 5,079	\$ 157	3.1 %
Depreciation	684	616	68	11.0
General and administrative	214	574	(360)	(62.7)
Total expenses	\$ 6,134	\$ 6,269	\$ (135)	(2.1) %
Net loss	\$ (4,289)	\$ (4,514)	\$ 225	(5.0) %

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

	Twelve months ended December 31, 2022
Balance, December 31, 2021	\$ 65,655
Net loss	(4,289)
Balance, December 31, 2022	<u>\$ 61,366</u>

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

**Twelve months ended
December 31, 2022**

Cash flows from operating activities:	
Net loss	\$ (4,289)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	684
Straight-line rent receivable	10
Non-cash lease expense	1,903
Changes in operating assets and liabilities:	
Receivables from affiliates	(648)
Prepaid expenses and other assets	(443)
Accounts payable, accrued interest and expenses, and other liabilities	430
Accounts payable to affiliates	2,076
Net cash used in operating activities	\$ (277)
Cash flows from investing activities:	
Purchases on long-lived assets	(1,031)
Payments for cost of construction	(43,254)
Purchases of held-to-maturity investments	(193,822)
Proceeds from held-to-maturity investments	79,126
Cash used in investing activities	\$ (158,981)
Cash flows from financing activities:	
Refund of debt issuance costs	1,249
Cash provided by financing activities	\$ 1,249
Net (decrease) increase in cash and restricted cash	(158,009)
Cash and restricted cash, at beginning of period	197,130
Cash and restricted cash, at end of period	\$ 39,121
Supplemental disclosures of noncash investing and financing activities:	
Cost of construction included in accounts payable, accrued expenses, and other liabilities	5,286
Cost of construction included in accrued interest payable	3,470
Debt issuance costs and premium amortized to cost of construction	282
Right-of-use assets obtained in exchange for operating lease liabilities	384
Reconciliation of cash and restricted cash reported within the consolidated balance sheets:	
Cash, at beginning of period	\$ -
Restricted cash, at beginning of period	197,130
Cash and restricted cash, at beginning of period	\$ 197,130
Cash, at end of period	-
Restricted cash, at end of period	39,121
Cash and restricted cash, at end of period	\$ 39,121

SKY HARBOUR LLC AND SUBSIDIARIES
OTHER REQUIRED EXHIBITS
(UNAUDITED)

Note 1. Occupancy Report & Subleasing and rental information for each Project as of December 31, 2022

Facilities Summary Data	Ground Lessor	Lessor Details	Ground Lease Commencement	Ground Lease Term	# of Hangars	Leasable SF (000s)	Status	Leased	Preleased¹	Contracted SF (000s)	CBRE Forecast 2025 Net Revs (\$mm)
SGR Phase I	City of Sugar Land, TX	-	2/6/2019	30 years	7	66.1	Operating	100%	-	66.1	\$2.2
SGR Phase II	City of Sugar Land, TX	-	2/6/2019	30 years ²	4	58.4	Predevelopment	-	-	-	
OPF Phase I	OPF Hangars Landlord, LLC ⁵	Holder of leasehold interest under ground lease from Miami- Dade County	7/10/2019	50 years ³	12	160.1	Under GMP, In Construction	58%	-	92.9	6.9
OPF Phase II	OPF Hangars Landlord, LLC ⁵	Holder of leasehold interest under ground lease from Miami- Dade County	7/10/2019	50 years ³	7	99.4	Predevelopment	-	-	-	
BNA	Metropolitan Nashville Airport Authority	-	1/22/2020	50 years ³	10	149.1	Completed	45%	9%	80.5	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 II	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 ⁴	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 ⁴	9	103.4	Predevelopment	-	-	-	
Total					74	990.9				324.7	\$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.

²The Sugar Land Ground Lease provides that if construction of SGR Phase II is not commenced by October 15, 2020, the Sugar Land Ground Lease with parcels comprising the SGR Phase II Project Site will automatically terminate. The City of Sugar Land and Sky Harbour Sugar Land have executed an amendment to the Sugar Land Ground Lease extending the deadline to October 31, 2023. Sky Harbour Sugar Land reasonably expects that it will request and receive an additional extension to accommodate the expected construction schedule.

³Includes two 5-year term extensions.

⁴Includes first term extension option of 15 years and second term extension option of 20 years.

⁵Ground Lessor is OPF Hangars Landlord LLC, a subsidiary of the Member, effective April 29, 2022

SKY HARBOUR 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. Management and Development Agreements

On September 28, 2022, the Company announced at a scheduled bondholder investor meeting that Sky Harbour Services LLC (the “Manager”), a wholly-owned subsidiary of the Member, had announced its intention to amend certain the Company’s obligations (the “Amendment”) under the Home Based Aircraft Management and Development Agreement between the Manager and each of the Company’s wholly-owned subsidiaries other than the Company itself in the Obligated Group (collectively, the “Management Agreements”). Under the terms of the proposed Amendment, the Manager intends to waive the 5% development fee, the 4% property management fee, and 2% asset management fee it is entitled to during the construction period of each such phase of the Company’s initial facilities.

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 \$114,648 on December 31, 2022, of which \$94,421 will mature in one year or less, and \$20,227 will mature in one through five years.