

Fifth scheme to keep QMA open until November elections. Altus City Council Special Meeting. More QMA funding and Mark Arcerio's promises, while Arciero was already stealing employee payroll withholding.

**ALTUS CITY COUNCIL
SPECIAL MEETING
MINUTES
SEPTEMBER 2, 2008**

1. CALL TO ORDER

The City Council met in a Special Session Tuesday, September 2, 2008 at 10:50 a.m. in the City Council Chambers. The Mayor called the meeting to order.

2. ROLL CALL

The Secretary's roll call indicated the following members present:

T.L. Gramling-Mayor
Presiding

Don Johnson	Bob Beers
David Brown	David Webb
Donald Jouett	Peggy Risinger
Sid Willis	Dean Garrett

Absent: None

Also Present: Michael Nettles, Catherine Coke, Matt Coppock, Joe Don Dunham, LaJune White, Donita Beers, Linda Walker, Dan Scott, Phil Beauchamp, Greg Camp, Holmes Willis, David Braddock, Henry Hartsell, Dr. June Knight, Rick Steen, Nub Smith, Butch Smiley, Lindsey Kasson, Jean Billman and other public.

3. CONSIDER, DISCUSS AND VOTE ON AGENDA ITEM NO. 3 FROM THE AUGUST 29, 2008 AMA MEETING AS CONTINUED (25 O.S.A. SECTION 304 (6)).

BACKGROUND: A special called meeting of both the AMA and the City Council were posted for Friday, August 29, 2008. The result was that both the AMA and the City Council meeting agendas were continued until Tuesday, September 2, 2008 at 10:00 a.m. to finish agenda item number 3 on both agendas. During the AMA meeting on August 29th, the Authority voted to deny the original request from Quartz Mountain Aerospace for a temporary loan (90 days) of up to one million dollars (\$1,000,000.00) dollars and instead voted to continue the meeting to Tuesday, September 2, 2008 at 10:00 a.m. to consider a lesser amount (\$200,000.00) and have staff prepare documentation to finalize this reduced amount.

4. COMMENTS FROM THE AUDIENCE

Butch Smiley voiced his concerns about several different areas of the agenda item.

Mark Arciero, CEO Quartz Mt. Aerospace reiterated his request for a loan in the amount of \$200,000 dollars to help with a portion of the bridge to help maintain the business. There are 140 employees from Altus.

Questions were then asked from the audience, as well as the Council members.

Lindsey Kassin, a previous employee of Quartz Mountain Aerospace had several questions for Mr. Arciero.

Councilman Garrett questioned Dr. June Knight, SW Area Vo-Tech, about any support they might could give since they are a big supplier of the workers at Quartz Mt. Aerospace.

Dr. Knight stated that they are a public institution, tax supported, with very rigid regulations on what their revenue can do. She stated they did not have any revenue streams available for this type of thing. Revenue is available for training the students, but that is all.

Councilman Garrett asked Mr. Arciero what hard evidence could he show the Council that would support the request for the loan.

Mr. Arciero stated that Don Anderson, is in New York now, finalizing the PPM (Private Place Memorandum), this is the preliminary private place memorandum that he is finalizing. This is a key critical component of the finalizing process.

Councilman Webb asked Mr. Arciero if he would commit to a purchase of the stock held by the City.

Mr. Arciero answered that he would need to evaluate that.

Councilman Willis wanted to know if the \$120 million was a debenture capital.

Mr. Arciero stated that it was all bonds, bond insurance.

Councilman Willis asked if he was having to give up any kind of ownership.

Mr. Arciero said "that's the beauty of this process, No."

Councilman Webb wanted to know about the collateral. He stated there were a list of secured parties for equipment and other things. The Council had talked about that previously. He wanted to know how Altus would fare as far as a secured party in the equipment.

Attorney Coke stated that there have been two (2.250 million) filed by First State Bank in Nevada in 2008 and the OIFA still has their 1.08 million dollar UCC thats filed in Oklahoma.

Mr. Arciero stated that's on equipment and inventory for First State Bank and we swapped the equipment over for the building on OFIA.

Mr. Arciero stated there is 5.6 million dollars in assets at Quartz Mt. Aerospace.

Councilman Garrett wanted to know how much of that is pledged against that.

Mr. Arciero answered about 2.3 million with about \$ 266,000 on top of that with First National Bank.

A lengthy discussion continued.

Mr. Nettles stated that he had a few comments to make. He stated that he had done some research over the weekend and as mentioned before, the sales tax can not be used for this. The end of the summer is when the City pays the highest electric bill. We also have over 800 thousand dollars in storm related damage that we are waiting reimbursement on. Even if the Council wanted to, we could not loan a million dollars this morning. We do not have it. Any money that we would lend, would be money that we would normally spend on our own capital equipment purchase that we do throughout the year. If a decision is made to loan anything, we would have to realize that those things that we would purchase, we would have to delay, because that's the only place that we have that we could expend some funds for a loan.

Questioned were answered from the audience.

Councilperson Risinger stated that in the meeting held on Friday, we discussed a lesser amount that would maybe meet some immediate needs. She then made the motion to approve the lesser amount of the \$200,000 as an interim solution.

Attorney Coke, then stated that for her motion she would need to make a motion to approve a Resolution for the \$200,00.00 and with that resolution if approved they would need to show proof that their board has authorized this loan and that there would be no money paid to them until we get the subordination from First State Bank. Ms. Coke also included is a history of their financing statements because she wan not sure that First State is first.

Attorney Coke stated that you would be voting on a one time amount of \$200,000.00. At the Friday meeting Mr. Arciero stated that that he had \$158,000 every two weeks for payroll and another

\$100,000 every two weeks. The \$200,000.00 is the amount the City felt they could afford. She also stated, "now whether you are in a good position if they don't pay, is another question. I think only you can evaluate, if you feel like it's a good deal or a gamble."

Councilman Willis questioned the terms of the loan.

Attorney Coke, said if you look at the note, it's purposed that they pay this at 6 percent interest and they pay this withing 90 days or December 15, 2008.

Motion made by **RISINGER** and seconded by **WILLIS** to approve **Resolution No. 2008-35** approving the temporary loan (90 days) of funds to Quartz Mountain Aerospace, Inc. in an amount not to exceed \$200,00.00; to include the requirements outlined in Section 3 (Payment of Funds) which states : The Authority is hereby authorized to make payment to the Company (Quartz Mountain Aerospace) upon the receipt of the following, to wit: (1) a copy of a Company resolution authorizing the loan; (2) execution by the company of the Note and the Security Agreement; (3) the receipt from FSB Development Cap, LLC of sufficient executed Subordination documentation of its prior equipment UCC Financing Statements filed in Nevada and Oklahoma.

The Mayor questioned Mr. Arciero asking if we have a resolution from QMA authorizing you to sign this.

Mr. Arciero stated that "I have not talked to the board about that, but on Friday those board members were all here."

The Mayor stated that we need something in writing. Anyone could come in and sign that note.

Mr. Arciero said that he'd be more than happy to put something in there.

Councilman Webb asked Mr. Arciero if they could actually produce enough airplanes at the Altus facility to break even without the plant in Coffeerville.

Mr. Arciero said "No, absolutely not."

Councilman Webb, stated "so, without Coffeerville, there would be no QMA in Altus?"

Mr. Arciero said that he couldn't produce enough folks to learn quickly enough to produce enough aircraft here in Altus. That's one of the main reasons we went to Coffeerville. The experience is there. Folks couldn't come down here and we need to be able to break even.

The questioned was asked to Mr. Arciero, "Do you plan on moving the facility in Altus?"

He answered "No, absolutely not."

The Mayor stated, " I think that's a big question that the citizens have. That's an Altus project from the beginning and you took those up to Coffeerville without notifying us until after the fact. I was upset about that and the City Administrator was upset, that you planned that about 6 months before it ever happened. Those are Altus jobs, I want you to remember that. We've gone a long ways with this organization and here we have a motion and a second to go further. Now, are you going to come back in two weeks and want another payroll? What's going to happen after this two weeks? After this \$200,000.00? What's going to happen to the QMA?"

Mr. Arcico stated that they are continually addressing every avenue possible to keep them going.

The Mayor then said "OK, I want the Council to understand that."

Mr. Nettles, City Administrator, then addressed issues concerning other companies the City has worked with financially in the past to bring businesses into town.

The Chairman called for the vote recorded as follows:

AYE: Willis, Webb, Risinger, Garrett, Johnson
Nay: Jouett, Brown, Beers
Motioned carried: 5-3

Motion made by BEERS and seconded by Johnson to adjourn the meeting at 10:50 a.m. The Chairman called for the vote recorded as follows:

AYE: Jouett, Brown, Beers, Willis, Webb, Risinger, Garrett, Johnson
Nay: None
Motioned carried: 8-0

T.L. Gramling, Mayor

LaJune White, City Clerk/Treasurer