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February 24, 2010

HAND-DELIVERED

Mayor Michael Winters
City of Great Falls
Great Falls, MT 59401

Re: Great Falls Airport Authority

Dear Mayor Winters:

Thank you for your attention to this matter. As you know, this office represents Cynthia Schultz, the Great Falls International Airport Authority Director. Ms. Schultz has tried to remedy her numerous concerns about the actions of the Board from within, out of a concern for the reaction that she and her staff would receive as a result of her bringing these to light. During the independent audit of the Airport Authority last fall, her concerns reached a level where Ms. Schultz felt she had to report them. She reported her issues to the auditors and then the Cascade County attorney and City of Great Falls attorney. Unfortunately, as she suspected, as a result of her disclosure, she is paying for her disclosure, the board voted not to renew her contract, despite her stellar performance during her tenure.

There have been numerous instances where the Airport Authority Board has declined comment, because of Ms. Schultz's earlier assertions of her employee privacy interests. Please be advised that Ms. Schultz affirmatively waives her employee privacy interests as to the issues raised in this letter, so that an open and frank discussion and investigation of the issues can be held.

To provide you with an idea of the nature of the complaints, and the history of the strength of the Airport, I have attached copies of documents which were provided to

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the City attorney. Ms. Schultz is concerned that there is a problem with board members having, or disregarding, significant conflicts of interest and acting in private, without public scrutiny. We believe that Federal, State, City and County laws and regulations prohibit this conduct.

Conflict problems on the board were the subject of an investigation in 1999. At the time, a quorum of General Aviation tenants was seated on the board. Afterward, the City and County agreed on proper procedures regarding seating of board members, which, if implemented and maintained, would provide a valid, non-conflicted board. This obviously is in the public's best interest and is necessary to ensure that all decisions made are in the public interest not just the interests of a private few. Afterward, the commissions avoided conflicts for several years. However, possible conflict and open meeting violations arose again, presumably as a result of corporate memory losses. This has occurred despite Ms. Schultz's raising concerns about these issues.

Some of Ms. Schultz's concerns include:

1. Board Member Humble's having an undisclosed significant subcontract with a general contractor on a runway project which has resulted in litigation. (See Exh. C attached.)
 - a. During this litigation, Board Member Humble lobbied for a board meeting with the General Contractor's president, where staff or counsel would not be present. At the time, staff did not know that her company was a supplier on the contract.
 - b. The mediation of this runway litigation occurred on September 15, 2009. Board Chair Mangan was unable to attend, and instead sent Board Member Humble (despite the fact that her company had the subcontract I referenced above on the project). This substitution was done without the approval of the board and without the appropriate conflict abstention. Board Member Humble attended the mediation on behalf of the board, in litigation regarding one of her primary customers.

The legal liability on this dispute is approximately \$4 Million dollars. This lawsuit includes the Montana Air National Guard. They attended the mediation and were fully aware of Board Member's Humble's conflict and Ms. Schultz's concerns. (See Exh. D attached.)

- c. Subsequently, Board Member Humble was challenged on the conflict in a board meeting. She reluctantly acknowledged the conflict but then chose to remain in the room to hear a litigation update from the attorney and proceeded to participate in the discussion anyway. No other board member took action to exclude her from the litigation, discussion although the conflict was known.
2. Ms. Schultz is particularly sensitive to this because of past history of another board member's actions. Then board member, now Chair, Mangan participated in private discussion with Airport counsel regarding the Airport's litigation strategy in litigation between the County and the Airport a couple of years ago. These discussions occurred despite Board Member Mangan's failure to disclose that he had a \$250,000 contract with the County. This was learned later during the discovery phase of the contract, where the contract with Board Member Mangan's company with the County was produced to the Airport. This contract was not disclosed by Board Member Mangan until litigation had begun, and when it was disclosed he denied that any conflict existed.
3. Board Member Mangan obtained counsel in February 2009 through present, where an attempt was made to shift legal administration to being a board role rather than the Director's role. A Director is typically hired to handle administrative day to day decisions and the contract between the Board and the current Director calls for that typical role. In May 2009 the board acted to leave legal administration to the director. Mangan however, continued administering legal counsel independently, which resulted in the Airport's incurring legal fees far beyond those budgeted, and apparently receiving conflicting legal advice.

Despite numerous requests, the documentation evidencing the substance of the legal advice resulting in those legal fees is not included in the Airport's records as required for any public government. Mangan received an opinion letter from his hired counsel in this regard. (See Exh. E attached.)

4. Without board action, Board Member Mangan has committed to providing utility extensions at no cost to general aviation. Tenant board member JC Kantorowicz, Chair of the committee, leases hangar space from the beneficiary

of the free utility extension. There is at least an appearance that the action was taken to benefit Mr. Kantorowicz as it does so. (See Exh. F attached.)

5. Board Member Humble voted against AvMax Phase 3 when her company was the second low bidder for that contract. (See Exh. G attached.) If her company was bidding on the contract, she should have recused herself from the process, and especially the vote. Again, the appearance is that she would use her position to help or hinder others, depending upon how her company fared in bidding.
6. Committee reassignment of bidding and procurement has been occurring outside of the open board meetings. Board Member Humble, along with other members, have actively attempted to change established and federally recognized bidding and procurement procedures that had been drafted earlier by staff. Board member Humble is an active bidder on most of the contracts bid by the airport. (See Exh. H attached.)
7. Board Member Humble invited some, but not all, of the structural engineers in town who do business with her company, to a committee meeting she chaired to protest their not receiving the Airport's work. Most of the invited engineers were believed generally to be unqualified to bid on airport work because of their lack of expertise.

(One of these engineers invited to the meeting is named as an expert witness for the general contractor the airport is in litigation against, where Humble participated in the mediation mentioned earlier.) (See Exh. I attached.)

8. Board Members Humble and Robinson are paid board members on the Airport's bank's board. (See Exh. J attached.) The bank bids against other banks and investment agencies to provide investments to the Authority. The bank also bids on bond projects. Then the Airport board members decide which bank is chosen from those bids. I believe that these two members have participated in such votes, again appearing to create possibly biased votes. This bank recently apparently allowed Chair Mangan to obtain a cashier's check on the Airport account to pay for legal fees, although he did not have single signatory authority.

9. Recently, Board Member Humble's company used information, which should have remained private, to challenge the Airport's architect's consideration of the low bidder during the bid process for the car wash at the Airport. Her company submitted a bid in conjunction with the second low bidder. (See Exh. K attached.)
10. Earlier in 2009, the board materially altered policies contrary to Ms. Schultz's existing contract by changing the long-standing Board Roles, Policies and Procedures developed as a result of the City and County investigation in 1999 and attempted to change her job description which is set by contract. This effort began with a board retreat at Board Member Robinson's private business, which staff was not allowed to attend. The retreat resulted in changes to Ms. Schultz's position, and her contracted role.

This led to the board's hiring counsel and creating committees to change policies to allow the Board to alter roles which had previously been defined in retreats led by public government consultants recommended by the City after the public government failures in 1999. (See Exh. L attached.)

Most importantly, Board Chair Mangan's attorney has determined that he is vested with the administration of the airport, rather than the Airport Director. This is just one of the fundamental changes which could negatively impact the public interest. The airport would then have a temporary political appointee administering the airport, rather than having a professional manager, with the requisite education, licensing and training necessary to do so.

11. Airport Authorities are created to isolate the business of the airport from political influences. The goal is to operate the airport as a public corporation to gain independence from local tax dollars. The Airport tenants attend these meetings and know board performance better than most. Two of them, Dwight Holman and Jim Hantz, FAA Tower Chief, have expressed their concern regarding the dysfunctional operation of the board at the annual retreat, and received adverse action or comment from the Board. (See Exh. M attached.)
12. There is currently a tenant serving on the airport; JC Kantorowicz. Airport staff manages airport tenants every day. Tenants as board members present incompatible positions and potential conflicts between public and private

interest. Board Member Kantorowicz has challenged the authority of the FAA locally, regionally and nationally, TSA, Airport Public Safety Officer and the design of the airfield. There are numerous examples of Board Member Kantorowicz's disruptive behavior including a misdemeanor arrest at the State Aeronautics Conference only two weeks into his term, where the Great Falls Airport received the Airport of the Year Award. (See Exh. N attached.)

13. Last year, outside of the process required by the U.S. government for federal procurement, board members were in contact with an unqualified local consultant. Based upon this contact, staff's and the FAA's Wildlife Hazard assessment recommendation was delayed in favor of this local consultant. The next, there was a near miss between a flock of geese and an F-15 (the subject of the Wildlife Hazard assessment.) At which point, the staff again raised the issue of urgency and the obligation to employ dollars available to mitigate the hazard immediately. Then, via e-mail, the Board Chair solicited discussion regarding the recommendation. The Board Chair listed seven topic areas requesting response in an e-mail format, outside of open meeting. Director Schultz responded that this was an issue that should be addressed in a public format. E-mail deliberations and discussions such as this provide concerns about how much business of this board is being conducted outside of the public forum, thereby dismissing public input into final decisions made by the board.
14. Just yesterday, Chair Mangan put out a press release which contained, at best, misleading statements regarding the reason for the current search. The release states: "This Board would not agree to renew the existing employment contract. It was made very clear to the Board Director Schultz would not consider a new contract. Because of the Director's position, the Board was only left with one option, to open the process and invite all potential applicants, including Director Schultz, to apply ." (See attached Exh. P.) The statement is untrue.

Recently Chair Mangan indicated to a news reporter that his attorney informed the board they "could not rewrite" the director's contract. However, contrary to that statement, are the recommendations of their counsel, including negotiation of the contract terms as an option. (See attached Exh. Q.) That was the purported basis for having to spend \$30,000 on a search for a new director. Of course, this is contrary to the Board's prior unilateral modification to the existing contract when the board made the chair the

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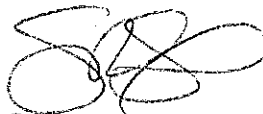
airport administrator and revoked some of the director's roles and duties. Again, the appearance, if not the substance, is that pointing out substantial and apparent conflicts of interest caused retaliation by the Board.

In May 2009, Director Schultz expressed a willingness to re-negotiate her contract for renewal in July 2010. (See attached Exh. R.) Later, Director Schultz approached the Board for renewal or negotiation of her contract in September 2009, in writing and agreed to freeze her salary for two years because of the economic situation of the country. (See attached Exh. S.) Director Schultz had no response to her request to negotiate or renew her contract until October 27, 2009, when she was informed at the Board meeting a search for a new director would be undertaken. The Board refused to negotiate at all. Board member Robinson informed a television reporter at that time that this decision had nothing to do with Director Schultz's performance or actions. Chair Mangan now is wrongly attempting to attach blame to Director Schultz.

In spite of the board dysfunction and hostility toward staff, the Airport continues to function at a very high level. The Airport staff's goal is to ensure this continues for the public's sake. To continue that endeavor the City and County Commission need to understand and be involved in ensuring quality leadership and staff, and maintain board members who do not have conflicts and are willing to deliberate in public so that public funds are used wisely to continue to promote growth and stability. Thank you.

Very truly,

Marra, Sexe, Evenson & Bell, P.C.



Sara R. Sexe

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SRS/lmd
Enclosures

cc w/o encls: Cynthia Schultz

Chad Parker, City Attorney (w/ only encl. Exh. P-S.)