

—Chapman, B. - Cross—

1 A. Yes. There are only two that I'm aware of.

2 Q. And essentially, there's the general rule that airports
3 aren't supposed to be out there subsidizing private airlines,
4 right?

5 A. I assume not.

6 Q. But the whole point of your program is that it's an
7 opportunity for smaller communities to actually provide
8 revenue guaranties and other forms of subsidies to airlines
9 to attract them, to incentivize them to come to that airport,
10 correct?

11 A. Correct.

12 Q. And that in your program -- things can be labeled revenue
13 guaranty, but in your program, you don't really make a
14 distinction between a revenue guaranty and a subsidy, right?

15 A. If they're -- they're one and of the same.

16 Q. Right. So a revenue guaranty in your program can be that
17 you're providing money per flight, you know, like if they're
18 losing money on that flight, but likewise, in this case, with
19 the subsidy, they can provide the money up front, correct?

20 A. No, they cannot.

21 Q. Well, have you actually read the agreement that they sent
22 to you?

23 A. I did read the agreement that they sent.

24 Q. Can I show it to you?

25 A. Okay.

—Chapman, B. - Cross—

1 basis what they're doing with the SCASDP program, correct?

2 A. Correct.

3 Q. And he notes that it's with TEM Enterprises doing
4 business as People Express, correct?

5 A. Correct.

6 Q. And again, this is in July, July 15 of 2013, correct?

7 A. Correct.

8 Q. And if we go back to A-25, that's just a couple weeks
9 after this check is cut for 565, correct?

10 A. Correct.

11 Q. And it's involving TEM Enterprises doing business as
12 People Express, correct?

13 A. Correct.

14 Q. And going back to Government F-7, one of the things
15 Mr. Spirito notes to you on -- or to your program on number 5
16 is the airport will not be seeking reimbursement from DOT
17 until the flights begin, correct?

18 A. Correct. You couldn't -- I mean you couldn't.

19 Q. Exactly. Right? If they had provided some incentives to
20 People Express doing business as TEM and yet if at that time
21 they never got off the ground in 2013, they'd have no basis
22 to seek reimbursement, correct?

23 A. They have to demonstrate flights and costs and revenues
24 lost.

25 Q. So if they didn't actually get off the ground, they would

Chapman, B. - Cross

1 have no basis for seeking reimbursement?

2 A. Correct.

3 Q. Okay. So, in fact, it would have violated the terms of
4 your program had they sought reimbursement for the 565,000
5 if, in fact, they hadn't gotten off the ground at that point,
6 right?

7 A. Correct.

8 Q. Okay. So by not submitting reimbursement, they were
9 complying, correct?

10 A. By not submitting reimbursement?

11 Q. Well, when they didn't seek reimbursement for 565, that
12 was actually complying with your rules, right? You have to
13 get off the ground before you can seek reimbursement.

14 A. They can only seek reimbursement for flights actually
15 flown.

16 Q. Exactly.

17 A. And profits actually lost.

18 Q. Exactly. So then, ultimately, there were some questions
19 about once they sought reimbursement, you had to get
20 paperwork from them to verify that there had been losses by
21 People Express, correct?

22 A. Correct. They'd only submitted the costing side. They
23 hadn't submitted the revenue side.

24 Q. And they also submitted that paperwork, and they got
25 reimbursed for that revenue guaranty, correct?

—Chapman, B. - Cross—

1 of money that you had paid them, correct?

2 A. Correct.

3 Q. Okay. But that's not the full 950,000, right?

4 A. Correct.

5 Q. And one reason for that is, again, you can't seek
6 reimbursement if they've stopped flying, correct?

7 A. There's lots of reasons why grants don't reach the
8 maximum allowable under the federal costing share, but not
9 completing a full project is one of them.

10 Q. Right. So when People Express ultimately stopped flying
11 in September, they weren't permitted to try to get any more
12 reimbursements past that point, correct?

13 A. Under that air service, yes.

14 Q. Under -- right, if they had found some completely
15 different airline, correct?

16 A. Correct. They don't have to close out their grant just
17 because one air carrier stops flying.

18 Q. So, in fact -- well, so there was a delta, in essence, of
19 money that they -- strike that.

20 This, as you stated, was a reimbursable grant,
21 correct?

22 A. This is a -- the SCASDP program is a reimbursable grant
23 program.

24 Q. And as you said, they have to put out their own money
25 ahead of time?

1 A. Correct.

2 Q. And then, in good faith, stay in compliance to get the
3 money, right?

4 A. They have to demonstrate all invoicing that falls within
5 allowable and allocable costs underneath the scope of a
6 grant, yes.

7 Q. Right. So before you reimburse them -- strike that.

8 The agreement, the SCASDP agreement, the point of it
9 is you're letting them know through that contract that if
10 they meet the terms of the contract, including all the
11 requirements for reimbursement, you will ultimately pay them
12 that money, correct?

13 A. Correct. If all the invoicing is allowable and allocable
14 under the terms of the grant and compliant with 2 CFR 200
15 under grant law, then, yes, we will make the payments.

16 Q. And so it's the nature of a reimbursement that sometimes
17 certain conditions simply won't come to exist that allows
18 them to get the reimbursement, right?

19 A. There's lots of things. Air carriers not flying is one
20 of them.

21 Q. Right. And so, ultimately -- even if they spend up to
22 \$950,000, ultimately -- if they only get reimbursed for part
23 of it, then, ultimately, that's the only amount that they can
24 get in reimbursement, right, the 738?

25 A. Well, in order to receive the full federal share, they

Chapman, B. - Redirect

1 have to also spend their full local share. If memory serves
2 me, this grant was somewhere around \$1.7 million.

3 Q. 1.6.

4 A. 1.6. So in order to receive a full 950,000, they
5 would've had to have spent, roughly, the
6 700-and-some-thousand dollars in local shares.

7 Q. Right. So they would have to spend 1.6-something
8 million, correct?

9 A. In order to receive the full 950,000.

10 Q. Right. But then if there comes a point, after spending
11 the money, that the airline ceases to exist, unfortunately,
12 then there's a certain amount of reimbursement that they
13 can't get back, correct?

14 A. Once the carrier stops flying, if they're not able to
15 procure another carrier, then yes.

16 Q. Exactly. So at that point, they may say that they spent
17 that money within your program, but unfortunately, they
18 didn't get reimbursed for it, right?

19 THE COURT: I think we've worked this chain of
20 questions over pretty thoroughly.

21 MR. KELLETER: No more questions.

22 MR. SAMUELS: Thank you, Judge.

23 REDIRECT EXAMINATION

24 BY MR. SAMUELS:

25 Q. Ms. Chapman, just to make sure I understand a couple of