

Date July 23, 2007

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF SPECIAL FACILITY REVENUE BONDS (ELLIOTT AVIATION PROJECT) IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$6,000,000 AND AUTHORIZING THE EXECUTION OF DOCUMENTS RELATING THERETO

WHEREAS, the City of Des Moines, Iowa (the "Issuer") is a municipal corporation and political subdivision organized and existing under the Constitution and laws of the State of Iowa, and is authorized and empowered by Chapter 419 of the Code of Iowa (the "Act"), to issue revenue bonds and loan the proceeds from the sale of said bonds to one or more parties to be used to defray all or a portion of the cost of acquiring, constructing, improving and equipping a "project," as that term is defined in the Act, including a national, regional, or divisional headquarters facility of a company that does multistate business and to retire any existing indebtedness and refund any outstanding bonds issued under the Act; and

WHEREAS, the Issuer has been requested by the Elliott Aviation of Des Moines, Inc., an Iowa corporation (the "Borrower"), to authorize and issue its Special Facility Revenue Bonds in an amount not to exceed \$6,000,000 (the "Bonds") pursuant to the provisions of the Act for the purpose of financing costs of (i) a regional headquarters facility to be used by Borrower, consisting of three aircraft hangars, and a general aviation terminal and a supporting office area with certain other directly related improvements (the "Project"), (ii) funding a reserve fund, and (iii) paying costs of issuance and related costs; and

WHEREAS, the proceeds from the sale of the Bonds are to be loaned by the Issuer to the Borrower pursuant to the provisions of a Loan and Trust Agreement (the "Agreement") between the Issuer, the Borrower and U.S. Bank National Association, as trustee (the "Trustee"); and

WHEREAS, a notice of hearing on the proposal to issue not to exceed \$6,000,000 aggregate principal amount of Special Facility Revenue Bonds (Elliott Aviation Project) of the Issuer has been published as required by law; and

WHEREAS, a public hearing was held on June 18, 2007 at the time and place as specified in said notice of hearing and any and all objections or other comments relating to the Bonds have been heard and it is deemed to be in the best interests of the Issuer that the Bonds be issued as proposed; and

WHEREAS, the Issuer proposes to sell the Bonds to Piper Jaffray & Co., as the underwriter (the "Underwriter"); and

Date July 23, 2007

WHEREAS, the Borrower has arranged for the sale of the Bonds to the Underwriter pursuant to a Bond Purchase Agreement among the Borrower, the Issuer and the Underwriter (the "Bond Purchase Agreement").

NOW, THEREFORE, Be It Resolved by the City Council of the Issuer as follows:

Section 1. (A) That it is hereby determined that it is necessary and advisable that the Issuer proceed with the issuance of its Special Facility Revenue Bonds (Elliott Aviation Project) to be issued in the aggregate principal amount of not to exceed \$6,000,000, as authorized and permitted by the Act, and loan (the "Loan") the proceeds of the sale of the Bonds to the Borrower to finance the costs of the Project.

(B) Pursuant to the Agreement to be entered into between the Issuer, the Borrower and the Trustee, the Borrower agrees to repay the Loan in specified amounts and at specified times sufficient to pay in full when due the principal of, premium, if any, and interest on the Bonds. In addition, the Agreement contains provisions relating to the completion of the Project, the maintenance and operation of the Project, indemnification, insurance, and other agreements and covenants which are required or permitted by the Act and which the Issuer and the Borrower deem necessary or desirable for the financing of the Project. A draft of the Agreement has been submitted to the City Council for its review.

(C) The sale of the Bonds to the Underwriter pursuant to the Bond Purchase Agreement relating to the Bonds by and among the Issuer, the Borrower and the Underwriter, in substantially the form as has been presented to this Council and containing substantially the terms and provisions set forth therein, but with such changes therein as shall be approved by the officers executing such Bond Purchase Agreement on behalf of the Issuer. A draft of the Bond Purchase Agreement has been submitted to the City Council for its review.

(D) The use by the Underwriter of the Preliminary Official Statement and the final Official Statement (together the "Official Statement") with respect to the Bonds, with such changes and additions as are necessary to reflect the final terms of the transactions in connection with the purchase of the Bonds is hereby authorized and approved; provided such authorization and approval shall not be deemed to include authorization and approval of information contained in the Official Statement other than information describing the Issuer, but nothing contained in this Resolution shall be construed as prohibiting or limiting the Underwriter and the Borrower from including such information as they deem appropriate. The Preliminary Official Statement as of its date is deemed final by the Issuer within the meaning of Rule 15c2-12(b)(1) of the Securities and Exchange Commission. A draft of the Preliminary Official Statement has been submitted to the City Council for its review.

Date July 23, 2007

(E) U.S. Bank National Association is hereby appointed Trustee under the Agreement and the assignment of the Issuer's rights and interest in and to the Agreement (with certain exceptions as stated in the Agreement), is in all respects authorized, approved and confirmed.

(F) The Issuer and the Borrower shall set forth certain representations and certifications with respect to maintaining the tax-exempt status of the Bonds as required by the Internal Revenue Code of 1986, as amended, in the Tax Certificate and Agreement (the "Tax Agreement"). A draft of the Tax Agreement has been submitted to the City Council for its review.

(G) The Bonds will be special limited obligations of the Issuer payable solely from payments derived pursuant to the Agreement. The Bonds shall not be payable from or charged upon any funds other than the revenues pledged to the payment thereof, nor shall the Issuer be subject to any liability thereon. No holder of the Bonds shall ever have the right to compel any exercise of the taxing power of the Issuer to pay the Bonds or the interest thereon, nor to enforce payment thereof against any property of the Issuer. The Bonds shall never constitute a debt of the Issuer within the meaning of any constitutional or statutory limitation and shall never constitute or give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing power. A draft of the Bonds has been submitted to the City Council for its review.

Section 2. In order to provide for the financing of the Project, the Issuer hereby authorizes the issuance of the Bonds in the aggregate principal amount of not to exceed \$6,000,000. The Bonds shall be in substantially the form submitted to the City Council and shall mature in the years and amounts, be subject to redemption, and bear interest at a variable rate not to exceed 10% per annum, as adjusted from time to time as set forth therein.

Section 3. The Agreement, the Bond Purchase Agreement, the Tax Agreement, the Bonds and the Official Statement are hereby made a part of this Resolution as though fully set forth herein and are hereby approved in substantially the forms presented to the City Council. The Mayor and the City Clerk are authorized and directed to execute, acknowledge and deliver said documents on behalf of the Issuer with such changes, insertions and omissions therein as such officers may hereafter deem appropriate and approved by bond counsel, such execution to be conclusive evidence of approval of such documents in accordance with the terms hereof.

Section 4. The Mayor and the City Clerk are authorized and directed to execute and deliver all other documents which may be required under the terms of the Agreement, or by bond counsel, and to take any other action as may be required or deemed appropriate for the performance of the duties imposed thereby to carry out the purposes thereof.

★ **Roll Call Number**

**Agenda Item Number**

56

**Date** July 23, 2007

Section 5. The Mayor, City Clerk and other officers of the Issuer are authorized to furnish to the Underwriter, the Borrower and bond counsel certified copies of all proceedings and records of the Issuer relating to the Bonds, and such other affidavits and certificates as may be required to show the facts relating to the legality and marketability of the Bonds as such facts appear from the books and records in the officer's custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the Issuer as to the truth of all statements contained therein.

Section 6. All Resolutions and Orders or parts thereof, in conflict herewith are, to the extent of such conflict, hereby repealed and this Resolution shall be in full force and effect immediately upon its adoption.

Moved by: \_\_\_\_\_ to adopt.

Form approved: \_\_\_\_\_  
Deputy City Attorney

**(Council Communication No. 07-444 )**

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
HENSLEY				
KIERNAN				
MAHAFFEY				
MEYER				
VLASSIS				
<b>TOTAL</b>				

**CERTIFICATE**

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

-4-

MOTION CARRIED

APPROVED

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Clerk



**The PFM Group**

Public Financial Management, Inc.  
PFM Asset Management LLC  
PFM Advisors

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2600 Grand Avenue  
Des Moines, IA 50312

515 243-2600  
515 243-6994 fax

July 16, 2007

Mr. Allen McKinley  
Finance Director  
City of Des Moines, Iowa  
400 Robert D. Ray Drive  
Des Moines, Iowa 50309

RE: Proposed City of Des Moines \$6,000,000 Special Facility Revenue Bonds (Elliot Aviation)

Dear Mr. KcKinley,

This letter summarizes Public Financial Management's ("PFM") review of the proposed City of Des Moines (the "Issuer") \$6,000,000 Special Facility Revenue Bonds, Series 2007 (the "Bonds") to be loaned to Elliott Aviation of Des Moines, Inc. (the "Borrower"). The Bonds are being issued to finance a regional headquarters facility to be used by the Borrower, consisting of three aircraft hangars, and a general aviation terminal and a supporting office area with certain other directly related improvements, fund a debt reserve fund and pay costs of issuance and related costs (the "Project").

Initially, the Bonds will be variable rate demand obligations with the interest rate reset on a weekly basis by Piper Jaffrey & Co. (the "Underwriter/Remarketing Agent"). Interest will be paid monthly while in variable rate mode. The Bonds shall be limited obligations of the Issuer, and shall not constitute nor give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers, and the principal of, interest and premium, if any, on the Bonds shall be payable solely out of the revenues derived from the Loan and Trust Agreement (the "Trust Agreement") and the Project to be financed by the Bonds.

The Trust Agreement specifies that the Borrower will make loan payments on each principal and interest payment date. In the event that the Borrower fails to make the necessary payments, U.S. Bank National Association (the "Trustee") is authorized to draw the necessary funds from the Credit Facility provided by U.S. Bank National Association (the "Letter of Credit Provider").

Under the Reimbursement Agreement between the Borrower and the Letter of Credit Provider, the Letter of Credit Provider has placed financial covenants on the Borrower. A sample of those financial covenants is listed as follows:

- 1) Fixed Charge Coverage Ratio of 1.20 to 1
- 2) Minimum Net Working Capital of \$8 million

PFM has not completed a comprehensive review of the financial capacity of the Borrower. However, we have reviewed the cash flow analysis provided by Mr. Jeff Hyland, CFO of Elliott Aviation of Des Moines, Inc. which was included with the application to the Issuer. Although this cash flow analysis is deemed confidential, the analysis indicates that additional rents and operational income will be derived by the Project which will produce net income plus interest expense, taxes and depreciation ("EBITDA") of approximately 1.20 times.

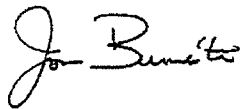
In addition, the Letter of Credit Provider performed a thorough and comprehensive analysis of the financial capacity of Elliott Aviation of Des Moines, Inc. and the Bonds will carry the long term credit ratings of the Letter of Credit Provider. Currently, the Letter of Credit provider's credit ratings are A1 from Moody's Investor Service, AA from Standard and Poor's and AA from Fitch Ratings as of February 2007.

Conclusion

Based on a comprehensive review of the financial capabilities of Elliott Aviation of Des Moines, Inc by the Letter of Credit Provider, they have agreed to secure the Bonds with an irrevocable direct-pay Letter of Credit requiring them to guarantee the payment of the Bonds. To protect their financial interests, the Letter of Credit Provider has placed financial covenants on the Borrower. In addition, the preliminary cash flow analysis provided by the Borrower suggests additional rents and operational income from the Project will adequately service the debt service payments on the Bonds.

Call me at 243-2600 ext 224 if you have any questions or comments. PFM will continue to monitor the transaction until it has been finalized.

Sincerely,  
PUBLIC FINANCIAL MANAGEMENT



Jon Burmeister, CFA  
Managing Director