

Diversified Municipal Finance Corporation

"Serving the leasing needs of government for over 40 years"

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August 20, 2007

Board of Aviation Commissioners
City Council
City of Greensburg, Indiana
City Hall
Greensburg, Indiana

Re: A Modified Proposal for the Acquisition and Development of the
Greensburg Municipal Airport

On the attached pages you will find a proposal totaling \$11,200,000 for the acquisition and full development of the Greensburg Municipal Airport. You will no doubt note the amount of funds we are allocating for this project. The reason for computing all of the funds required is to enable the Board of Aviation Commissioners and the City of Greensburg to eventually develop a facility that can accommodate business jets.

The "Usage of Funds" has been adjusted to reflect the use of the funds. Our previous submittal drew an erroneous conclusion about what was to be acquired with the initial purchase funds. That has been corrected.

The bottom line of the "Usage of Funds" shows that a outstanding balance of \$3,600,000 could exist at the end of the disbursements. This was presented in this manner to try to establish the maximum liability that would be developed.

In order to present figures reflecting the effects of earning interest on the undistributed funds with have developed to additional pages. The two pages attached "show net interest charges based on possible draws and reimbursements". One page assumes that the FAA will only reimburse about \$700,000 on the airport acquisition. Following that to the conclusion would indicate that the liability for repayment would be reduced to \$2,388,214 with an annual payment of \$119,411 (does not include a principal payment).

The second page assumes that FAA will fully reimburse for the property acquisition. Following that to its conclusion would indicate that the liability for repayment would be reduced to \$1,575,092 with an annual payment of \$78,755 (does not include a principal payment).

You will note that the ability to "rest" the unused funds in money market accounts with a rate very close to the 5% we are projecting for the use of the funds, allows this transaction to function very similar to a line of credit. Yes, there will be some additional interest charges over those received, but as long as the funds are on deposit there will be limited differential. When funds are drawn, such as those for the acquisition of the

airport, interest will be charged on the withdrawal and when a reimbursement is obtained from the FAA and the State of Indiana, those funds will go to pay down the principal balance and reduce the outstanding charges subject to interest charges.

The lease-purchase structure is usable under IC 8-22-2 which governs the Board of Aviation Commissioners. The verbiage used does require that the City of Greensburg to make up any shortfall, but only on an annual appropriation basis. Current projections show adequate income above expenses to cover the lease payments when they begin.

We are looking forward to working with both entities over the next several years in order to insure that the project moves forward on a viable basis.

Sincerely,

H.J. Vaughn

PROJECT DESCRIPTION

This proposed Certificate of Participation financing in the amount of \$11,200,000 is to be used by the City of Greensburg, Indiana, through its Board of Aviation Commissioners for the acquisition and development of the existing Greensburg Airport.

The funds will be used for the following:

1. Acquisition of 20 acres land east of and adjacent to the existing 3600' x 45' concrete paved runway with taxiway access. There are present on the grounds "T" Hangars for 40 single engine or light twin engine aircraft. There also some other buildings and facilities that could allow encourage the establishment of a fixed base operator who could provide fueling, repair and maintenance facilities for based aircraft.

2. Acquisition of additional acres needed for the alignment and development of a new runway. If the amount budgeted is not adequate, the reimbursed funds may be reused to acquire additional acreage.

3. Engineering and design of a new concrete runway, complete with all required electronics to accommodate the average business jet.

4. Construction of the new concrete runway stressed to handle the jet traffic along with the necessary runway lighting and approach electronics to allow operation except in the most adverse conditions.

5. Design and construction of 10 new T Hangars to accommodate aircraft presently based on the airfield or to be relocated to the airfield. A firm interest, with a deposit, shall be obtained on at least 8 units prior to the start of construction.

6. All legal fees, placement fees, interest during the development period, and a debt service reserve are funded with the proceeds.

The need for this expansion is occasioned by the development of a new automobile manufacturing facility by Honda Motor Car Company that will change the City of Greensburg's business base. Suppliers relocating in the area have indicated a desire to have facilities to accommodate the use of small business jets. When fully developed with appropriate electronics and field control, Honda itself, as well as many other jet operators could use this field located only 2.5 miles from the Honda facility.

There is a committed participation from the Federal Aviation Administration (“FAA”) and the Indiana Aeronautical Commission (“IAC”). Qualified items are worthy of 90% reimbursement from the FAA and an additional 5% from the IAC.

The exact listing of items and participation can be found on the sheet following this page

GREENSBURG AIRPORT PROJECT

USAGE OF FUNDS

August 19, 2007

| Usage | Estimated Costs | FAA 90% | State 5% | BOAC Obligation |
|---|---------------------|---------------------|-------------------|---------------------|
| Acquisition of the airport including residual reversion rights found is a quit claim deed to the Board of Aviation Commissioners | \$ 1,625,000 | \$ 630,000 | \$ 35,000 | \$ 35,000 |
| Acquire Additional Acres that have a reimbursement from FAA and State of Indiana. May be used as a revolving fund if budget is inadequate to acquire all necessary lands. | \$ 2,000,000 | \$ 1,800,000 | \$ 100,000 | \$ 100,000 |
| New runway, connecting taxiway, lighting, electronics, misc. | \$ 5,000,000 | \$ 4,500,000 | \$ 250,000 | \$ 250,000 |
| Engineering and design fees | \$ 300,000 | \$ 270,000 | \$ 15,000 | \$ 15,000 |
| 10 New T-Hangars w/paved aprons | \$ 400,000 | 0000.00 | 0000.00 | \$ 400,000 |
| Bond Counsel /Trustee Fees | \$ 84,250 | 0000.00 | 0000.00 | \$ 60,000 |
| SUBTOTAL: | \$ 9,409,250 | \$ 7,200,000 | \$ 400,000 | \$ 1,920,000 |
| Lessor Fee – 1 ½ % of total - Estimated | \$ 166,500 | 0000.00 | 0000.00 | \$ 166,500 |
| Placement Agent/Underwriter Fee 1 ½% of total | \$ 166,500 | 0000.00 | 0000.00 | \$ 166,500 |
| 18 mos. of interest so there is no payment due from operations until 24 mos. @ 5 ¼% per annum | \$ 875,000 | 0000.00 | 0000.00 | \$ 875,000 |
| Debt Service Reserve Fund – 1 year's lease payment | \$ 582,750 | 0000.00 | 0000.00 | \$ 582,750 |
| ESTIMATED TOTAL: | \$11,200,000 | \$ 7,200,000 | \$ 400,000 | \$ 3,600,000 |

The above anticipates that the FAA portion of any expenditure, and the State portion of an expenditure would be available within the same federal fiscal year in which the obligation for the expenditure was paid and an invoice submitted for reimbursement. It is not possible to compute the actual amount of interest that will be expended since it is so dependent upon the paying out of the funds. So, for simplicity, we have anticipated that all interest due on the BOAC obligation would be paid by the BOAC and would then be adjusted as principal was reduced by the reimbursement amounts.

ESTIMATED ANNUAL PAYMENT ON BOAC OBLIGATIONS BEGINNING AFTER 24 MONTHS HAVE ELAPSED AND WITH ADJUSTMENTS FOR CONTINUED USE OF DISCRETIONARY FUNDS:

\$187,726

Projected Funds for payments:

| | |
|--|-------------------|
| Year two Operating profits from operations: | \$ 85,000 |
| Year two Discretionary FAA Funds | \$ 100,000 |
| Interest on Debt Service Reserve Fund | \$ 29,000 |
| Interest on Debt Interest Account | \$ 45,937 |
| First year return on new T hangars | \$ 22,500 |
| Minimum Total Available at 1st pmt. date | \$ 304,937 |

Year three operating profits should be increased since the new runway will allow additional business jet operations. Most of the FAA and State funds should be recovered by the end of the 3rd year, thereby reducing the amount of interest required for those items. There will no longer be funds from the interest on the debt interest account since those would be reduced to zero by the end of 3rd year. However, additional fuel sales and other activities would more than make up for the lack of those funds.

All indications are that full operations will commence in the 3rd year and that an actual appropriation by the City of Greensburg to cover any shortfalls would be highly unlikely.

The above calculations are based on a best efforts interpretation of information provided by the Greensburg Board of Aviation Commissioners. The figures are subject to change as the speed of development accelerates or slows. However, they are believed to be a reasonable representation of the factual information.

**H.J. Vaughn
Diversified Municipal Finance Corporation
Indianapolis, Indiana**

GREENSBURG AIRPORT

8/19/2007

Showing interest charges based on possible draws and reimbursements

All funds except Debt Service Reserve Funds expended by 9/15/2010

Original Outstanding Certificates of Participation:

\$11,200,000

| | 9/14/2007 | 2007 | Balance | 2008 | Balances | 2009 | Balances |
|---------------------------------|------------|---|------------|-----------|------------|------------------|--------------|
| | | Drawdown | 12/31/2007 | Draw-down | 12/31/2008 | Draw-down | 12/31/2009 |
| Budget: | | | | | | | |
| Existing buildings/equip | 1,625,000 | 1,625,000 | 0 | 0 | 0 | 0 | 0 |
| Additional Acreage | 2,000,000 | 0 | 2,000,000 | 2,000,000 | 0 | 0 | 0 |
| New Runway/electronics | 5,000,000 | 0 | 5,000,000 | 0 | 5,000,000 | 5,000,000 | 0 |
| Engineering/design fees | 300,000 | 0 | 300,000 | 300,000 | 0 | 0 | 0 |
| 10 New T-hangars | 400,000 | 0 | 400,000 | 0 | 400,000 | 400,000 | 0 |
| Bond Counsel/Trustee fees | 87,250 | 87,250 | 0 | 0 | 0 | 0 | 0 |
| Lessor/Placement fees | 330,000 | 330,000 | 0 | 0 | 0 | 0 | 0 |
| 18 mos. interest | 875,000 | | 823,880 | | 537,112 | | 214,036 |
| Debt Service Reserve | 582,750 | 0 | 582,750 | 0 | 582,750 | 0 | 582,750 |
| Total drawdown | | 2,042,250 | | 2,300,000 | | 5,400,000 | |
| Total Funds Available | 11,200,000 | 9,157,750 | 9,106,630 | 6,806,630 | 6,519,862 | 1,119,862 | 796,786 |
| FAA/State Reimburse | | 700,000 | | 2,185,000 | | 5,130,000 | |
| Days to reimbursement | | 60 | | 90 | | 75 | |
| Int Charge on advance | | 5,753 | | 26,938 | | 52,705 | |
| Estimated earnings at | 4% | 80,130 | | 238,232 | | 39,195 | |
| Estimated interest charges | 5% | 131,250 | | 525,000 | | 415,750 | |
| Draw down from pmt acct. | | 51,120 | | 286,768 | | 323,076 | |
| Outstanding Certificate Balance | 11,200,000 | 10,500,000 | | 8,315,000 | | 3,185,000 | 5.0% 159,250 |
| | | <u>If estimated remaining interest is applied</u> | | | | <u>2,388,214</u> | 5.0% 119,411 |

At end of fiscal 2009 - shows remaining funds in payment account that could be used to further reduce the debt balance
Certificate Payment in amount of \$121,177, as well as future years to be paid from operating funds

The interest earnings would have to be less than 1% on average before the payment reserve account would be empty.

WITH FULL REIMBURSEMENT **GREENSBURG AIRPORT**
ON LAND ACQUISITION

Showing interest charges based on possible draws and reimbursements
All funds except Debt Service Reserve Funds expended by 9/15/2010

Original Outstanding Certificates of Participation:
\$11,200,000

| | 9/14/2007 | 2007 | Balance | 2008 | Balances | 2009 | Balances |
|---------------------------------|------------|---|------------|-----------|------------|------------------|--------------|
| | | Drawdown | 12/31/2007 | Draw-down | 12/31/2008 | Draw-down | 12/31/2009 |
| Budget: | | | | | | | |
| Existing buildings/equip | 1,625,000 | 1,625,000 | 0 | 0 | 0 | 0 | 0 |
| Additional Acreage | 2,000,000 | 0 | 2,000,000 | 2,000,000 | 0 | 0 | 0 |
| New Runway/electronics | 5,000,000 | 0 | 5,000,000 | 0 | 5,000,000 | 5,000,000 | 0 |
| Engineering/design fees | 300,000 | 0 | 300,000 | 300,000 | 0 | 0 | 0 |
| 10 New T-hangars | 400,000 | 0 | 400,000 | 0 | 400,000 | 400,000 | 0 |
| Bond Counsel/Trustee fees | 87,250 | 87,250 | 0 | 0 | 0 | 0 | 0 |
| Lessor/Placement fees | 330,000 | 330,000 | 0 | 0 | 0 | 0 | 0 |
| 18 mos. interest | 875,000 | | 754,288 | | 507,234 | | 184,158 |
| Debt Service Reserve | 582,750 | 0 | 582,750 | 0 | 582,750 | 0 | 582,750 |
| Drawdowns | | 2,042,250 | | 2,300,000 | | 5,400,000 | |
| Total Funds Available | 11,200,000 | 9,157,750 | 9,037,038 | 6,737,038 | 6,489,984 | 1,089,984 | 766,908 |
| FAA/State Reimburse | | 1,543,000 | | 2,185,000 | | 5,130,000 | |
| Days to reimbursement | | 60 | | 90 | | 75 | |
| Int Charge on advance | | 12,682 | | 26,938 | | 52,705 | |
| Estimated earnings at | 4% | 80,130 | | 235,796 | | 38,149 | |
| Estimated interest charges | 5% | 200,843 | | 482,850 | | 373,600 | |
| Draw down from pmt acct. | | 120,713 | | 247,054 | | 323,076 | |
| Outstanding Certificate Balance | 11,200,000 | 9,657,000 | | 7,472,000 | | 2,342,000 | 5.0% 117,100 |
| | | <u>If estimated remaining interest is applied</u> | | | | <u>1,575,092</u> | 5.0% 78,755 |

At end of fiscal 2009 - shows remaining funds in payment account that could be used to further reduce the debt balance
Certificate Payment in amount of \$121,177, as well as future years to be paid from operating funds

The interest earnings would have to be less than 1% on average before the payment reserve account would be empty.