

PiperJaffray

3900 Ingersoll Ave. Suite 110, Des Moines, IA 50312

Tel: 515-247-2358

Tel: 800-333-6008

Fax: 515-280-7567

Piper Jaffray & Co. Since 1895. Member SIPC and FINRA

September 30, 2009

Honorable Jim Hancock, Chair
Members of the Board of Directors
Scott County
600 West 4th St.
Davenport, IA 52801-1030

RE: Request by Carver AERO regarding the issuance of tax exempt bond

Ladies and Gentlemen:

We are assisting Carver Aero in its pursuit of long-term financing for the construction of a new business jet terminal at the Davenport airport.

Carver Aero intends to pursue a tax-free bond issue, in the approximate amount of \$3,000,000. Carver AERO is eligible for tax exempt debt financing as a result of the Heartland Disaster Tax Relief Act of 2008, which granted the right to issue tax exempt debt by for-profit persons who had been impacted by the flooding and tornadoes in 2008, or persons who were building projects that would replace flooded or damaged property. Under the Act, much of Iowa, and the western portion of Illinois, among others, was defined as affected areas that qualify for the issuance of tax-exempt bonds. Each state was granted a special allocation of tax exempt industrial development bonds that may be used by for profit persons to develop for profit projects. Iowa was granted \$2.6 billion of this type of bond capacity.

Carver Aero qualifies, among other reasons, as a result of one of its partners owning several properties in Iowa and Illinois that were directly or indirectly affected by flooding.

The Iowa statute requires that a city, county or the State issue tax exempt bonds on behalf of any non governmental borrower in order to qualify for tax exempt financing. The benefit of issuing tax exempt bonds to Carver Aero is that these bonds should bear an interest rate far lower than a conventional commercial real estate loan. This is the reason that the borrower is asking the County to act as issuer for the bonds.

The bonds to be issued are not an obligation of the County in any fashion. The bonds are only an obligation of the borrower and its guarantor. The bonds do not count against the County's constitutional debt limit, and as the bonds do not qualify to be considered "bank qualified," the bonds do not count against the County's annual bank qualification limit. The bonds will not be an item affecting the rating on the County's existing or future debt. If the County decides to act as issuer, the County is simply a "conduit" for the borrower. The bank issuing the letter of credit to secure the bonds has evaluated the credit of the borrower its sole credit support. They have not evaluated the credit of the County.

Honorable Jim Hancock
Page Two
September 30, 2009

The borrower will reimburse the County for the County's costs incurred. The borrower is aware that it will be liable for the costs for Counsel to the County and costs related to the public hearing. The borrower has selected Dorsey & Whitney to act as bond counsel, and we understand that Dorsey also will act as Counsel to the County. The borrower and the letter of credit bank will each have separate legal representation, neither of which will be Dorsey.

We look forward to presenting the request in person at the October 13 committee of the whole meeting. In the mean time, if there are questions or comments, please feel free to contact either myself at (800)333-6008 or timothy.j.oswald@pjc.com, or Rodney Blackwell at 324-9898 or rodblackwell@yahoo.com.

Very truly yours,

Timothy J. Oswald
Managing Director
TJO:

c: David Claypool, Esq.
Rodney Blackwell