July 20, 2017

Kevin Smith, General Manager
TRUCKEE TAHOE AIRPORT DISTRICT
10356 Truckee Airport Road
Truckee, CA 96161

[Via Electronic Transmittal]

RE: ANALYSIS OF INSTALLMENT PURCHASE AND SALE AGREEMENT

Dear Kevin;

Lewis Young Robertson & Burningham, Inc. ("LYRB") was retained by the Truckee Tahoe Airport District (the "District") to serve as an Independent Financial Consultant in connection with the District's efforts to secure financing for the construction of new hangars (the "2017 Project" or "Project") at an estimated cost of $7,800,000. LYRB undertook this assignment in the capacity of a fiduciary to the District in order to provide the District with an impartial analysis of the structure of the financing proposed by Municipal Finance Corporation (the "Corporation") as detailed in the Installment Purchase and Sale Agreement (the "Agreement") to be dated as of approximately August 8, 2017.

Outline of the terms of the Installment Purchase and Sale Agreement:

The Agreement is structured as a lease-purchase financing agreement (the "Financing") wherein the Corporation, acting on behalf of Citizens Business Bank (the "Assignee"), will provide financing for the Project for a term of 20 years at a fixed interest rate of 3.50% with level amortization which results in annual payments of principal and interest equal to $548,816. Prepayment of the Financing may be made on any date on or after the fourth anniversary of the closing date related to the Financing at a price equal to the principal amount to be prepaid plus accrued interest but without any premium. Additionally, prepayment can be made at any time of up to $2,000,000 from unspent construction proceeds.

Certain other terms such as required debt service coverage levels and the District's ability to issue additional parity debt are contained in the Agreement and will be discussed in greater detail in the Analysis section of this document.

Scope of Review Pertaining to the Financing:

As a fiduciary to the District, LYRB's focus is on insuring that the terms of the Agreement and Financing are in the best interest of the District; that the District is receiving a fair market interest rate consistent with such factors as the District's financial strength, as reflected in the revenue sources pledged as security for the loan, and the long-term operating history and goals of the District.

While each financing inevitably contains some unique aspects, it is still useful to compare the Financing to market and industry standards based on such factors as the security provisions for the Financing, the proven reliability of past revenues and the assessment of future additional revenues resulting from the Project. While these factors, and others, are typically incorporated into a public bond rating, the Financing will not be a rated transaction. As such, LYRB has compared the Financing terms to other tax-exempt transactions of similar credit characteristics in which LYRB has had a similar fiduciary role.

Generally speaking, a public offering or sale of a tax-exempt bond via a public underwriting will result in a lower interest rate than financings structured as a direct purchase by a financial institution but if factors such as pre-payment flexibility and bond issuance costs are considered then a direct purchase can often be competitive and attractive to the borrower. Other factors such as those listed in the table below are also taken into consideration by LYRB in analyzing this Financing:

Structuring Considerations	Public Sale (underwriting)	Direct Purchase
Interest Rate	Generally lower than direct purchase	Generally higher than public sale
Fixed vs. Variable	Usually fixed for entire term	Usually only fixed for 10-15 years
Issuance costs	Higher than direct purchase	Lower than public sale
Prepayment flexibility	Typically 10-years non-callable	Usually very flexible – negotiated
Debt Service Reserve Fund	Usually required for revenue-based financings	Generally not required
Bond Rating	Usually required	Not required
Revenue Coverage Test	Usually 1.25 – 1.50 times	Negotiable (1.15x in this case)

ANALYSIS:

SECURITY FOR THE LOAN: The Financing is secured, per the Agreement, by a pledge of all District revenues, including property taxes received by the District as well as other revenues, including hangar rental revenues. A pledge of property tax revenues is generally considered the best security for bonds and usually results in lower interest rates relative to other potential revenue streams such as fees for services (i.e. electric, water, sewer, etc.) which are under the control of the local governmental entity, or sales and franchise taxes which are usually fairly stable and predictable but cannot be directly controlled by the local governmental entity.

Based on the revenue pledge outlined in the Agreement, the Financing would be very comparable to a general obligation bond and should receive a relatively low interest rate. While LYRB understands that the District intends to repay the Financing from the projected hangar rental charges, the pledge language of the Agreement gives the Assignee a comfort level greater than if the District had pledged only the hangar rentals, which LYRB believes greatly enhances the overall credit strength of the Financing and reduces the risk of the District not making timely payment of principal and interest on the Financing..

INTEREST RATE: The rate set out in the Agreement, 3.50% is, in the judgement of LYRB, a competitive market rate in view of the fact that it is fixed for the entire 20-year term of the Financing. In most instances, when financing is secured through a bank in a direct purchase transaction, the interest rate is only fixed for between 10 and 15 years. If financing is required for more than 15 years, the loan is usually subject to some sort of interest rate reset (usually at 5-year intervals) which is tied by a formula to some publicly available index. This interest rate reset feature of loans greater than 15 years subjects the borrower to future interest rate risk. The fact that the District has secured a fixed interest rate for the full 20 years of the Financing eliminates any interest rate risk.

Based on the current yield curve as shown in the Municipal Market Data Yield Curve as of July 19, 2017, considering the municipal markets' trading perception of California credits compared to national credits, and a District assumed A-rated investment grade credit rating, LYRB is of the opinion that a public market offering would result in an all-inclusive-cost (AIC%) of **3.45%**. It should be noted, however, the ability to approach the public market requires engagement of an underwriter, obtaining a credit rating or credit enhancement, and marketing efforts to institutional and retail investors, which will require a minimum of 2 months.

Based on these considerations, the Financing in comparison to the public market option appears to be competitive and offers the District other strategic and beneficial conditions, including prepayment flexibility and timing sensitivity. Outlined in the attached **Exhibit A** is a debt service comparison of the Financing to a public market transaction.

ISSUANCE COSTS: LYRB does not have information regarding the exact compensation structure for either the Corporation or the Assignee. Generally speaking, the industry acceptable and standard fees related to these types of transactions would consist of a purchaser's fee of between 25 basis points (1/4 of 1.0%) and 50 basis points (1/2 of 1.0%) and a purchaser's legal counsel fee of about $5,000. A structuring agent fee for the Corporation of up to 50 basis points (1/2 of 1.0%) would, in LYRB's estimation be reasonable and fair. Bond Counsel's fee would be expected

to be within a range of $15,000 to $35,000, depending on the complexity of the financing. Other miscellaneous fees and costs incurred by the District in connection with the issuance of the Financing would be estimated in amount of approximately $10,000 - $20,000.

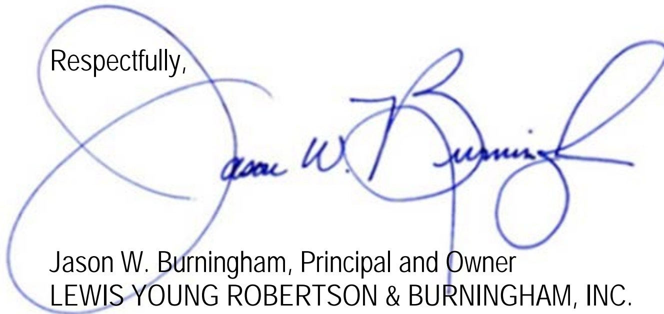
PREPAYMENT: In most public sales, the loan or bonds are not subject to prepayment during the first ten years but are callable, at the option of the issuer, thereafter at a price of par plus accrued interest to the redemption date.

Prepayment options on direct purchase loans are more a matter of negotiation between the issuer and the purchaser and usually represent a compromise between the issuer's desire for unlimited flexibility and the purchaser's desire to have the loan remain outstanding for the full term if possible. How valuable full prepayment flexibility is depends on (a) the issuer's projections of when they might be in a position to pay off the loan or (b) how likely future interest rates are to be low enough to allow the loan to be refunded. In the District's case, the ability to pay off the Financing at any time after the fourth anniversary date gives the District a very reasonable amount of flexibility in light of future District revenues. Any prepayment after the fourth anniversary would, per the Agreement, not incur any extra charge or "premium" which would leave the District free to pay down all or part of the Financing in the future without incurring any penalty charges for doing so. Additionally, the Agreement gives the District the ability to use unspent construction proceeds to redeem up to $2,000,000 of the Financing at any time in the event that the District is able to complete the Project at a lower cost or elects to scale back the scope of the Project.

ADVISORY OPINION

Based on the terms of the Agreement, when compared to substantially similar transactions, LYRB is of the professional opinion that the structure and terms of the Financing are reasonable and advantageous to the District. We recommend that the District proceed with the timetable contemplated in the Agreement in order to secure the 3.50% interest rate and other favorable terms as outlined therein.

Respectfully,



Jason W. Burningham, Principal and Owner
LEWIS YOUNG ROBERTSON & BURNINGHAM, INC.

WE PROVIDE SOLUTIONS

EXHIBIT A: COMPARISON OF PUBLIS BOND SALE TO DIRECT PLACEMENT

Comparison Metric	Public Bonds Sale	Direct Purchase
Par Amount of Bonds	$7,925,000	$7,800,000
Total Debt Service	$10,887,547	$10,976,328
Average Annual Debt Service	$544,377	$548,816
Net Available for Construction	$7,751,500	$7,751,500
True Interest Cost (TIC %)	3.27%	3.47%
All Inclusive Cost (AIC %)	3.45%	3.54%
Cost of Issuance (estimated)	$173,500	$48,500
Call Features	Non-callable for 10 years	Callable after 4 years
Bond Rating	Assumed to be "A"	Not rated