City of Manchester, NH
General Airport Revenue Bonds

Executive Summary

Kroll Bond Rating Agency (KBRA) has affirmed the following rating for the City of Manchester, NH General Airport Revenue Bonds. The rating applies to all of the Airport's outstanding airport revenue bonds. As of August 2, 2017, there was $150.4 million in outstanding general airport revenue bonds.

Ratings				
Issuer	**Series/Bond**	**Rating**	**Outlook**	**Action**
City of Manchester, NH	General Airport Revenue Bonds	A-	Stable	Affirm

The rating is based on KBRA's **U.S. General Airport Revenue Bond Rating Methodology**. KBRA's rating evaluation of the long-term credit quality of general airport revenue bonds focuses on six key rating determinants:

- Management
- Economics/Demographics
- Airport Utilization
- Airport Debt/Capital Needs
- Airport Finances
- Legal Mechanics and Security Provisions

In the process of affirming the rating, KBRA reviewed multiple sources of information and corresponded with airport management. Further information may be found in the October 2016 **City of Manchester, NH General Airport Revenue Bond** rating report.

Security

The GARBs are special obligations of the City, payable solely from and secured by a pledge of the net airport revenues of Manchester-Boston Regional Airport. Revenues are defined in the bond resolution to include all revenues, rentals, investment earnings and other moneys received by or on behalf of the City from or in connection with the ownership and operations of all or any part of the airport property. Specifically, revenues are defined as all tolls and charges, landing fees, terminal rentals, real property rentals, concession fees, parking receipts, and interest income. PFC revenues do not constitute pledged revenues, but they can be used to offset airport revenue bond debt service.

Key Rating Strengths
• Strong and experienced management team with proven ability to respond to significant challenges while maintaining adequate financial operations and debt service coverage levels
• Stable economic base with favorable demographic profile supporting a diverse O&D market for air travel
• Completed terminal facilities that have limited capital needs and can accommodate any future growth
• Strong level of revenue diversity and liquidity levels
• Strong legal provisions with a conservative rate covenant and fully funded debt service reserve fund

KBRA KROLL BOND RATING AGENCY

Key Rating Concerns

- Proximity to Boston Logan that has resulted in significant enplanement reductions and may limit potential for increased airline service
- High debt metrics and cost per enplanement
- Below average carrier yields

Rating Summary

MHT is owned and operated by the City of Manchester, New Hampshire. It is classified as a small-hub airport and is situated 5 miles south of downtown Manchester and 50 miles north of Boston, MA. The terminal has 14 passenger gates that can easily accommodate additional airline traffic if necessary. MHT is serviced by Southwest, American, Delta and United with regional service provided through partnerships with a number of regional carriers and affiliates. Southwest is the major airline serving MHT and regularly accounts for over half of enplanements. The Airport currently offers year-round nonstop service to Atlanta, Baltimore, Charlotte, Chicago (both Midway and O'Hare), Detroit, Newark, Orlando, Philadelphia and Washington D.C. as well as seasonal service to Fort Lauderdale and Las Vegas. The market for air travel is almost exclusively origination and destination passengers from within MHT's primary service area, which has a stable population base of 860,000. MHT also draws passengers from a larger secondary service area that covers most of New Hampshire and the area north of Boston above Massachusetts State Routes 2 and 128. The secondary service area has a population of 1.6 million. Income levels and employment trends are favorable in both the primary and secondary service areas.

The MHT management team is highly experienced. In KBRA's opinion, they employ forward thinking policies and procedures and have positive relations with airlines. They have also demonstrated a strong ability to manage airport operations and finances while facing significant challenges. These challenges include the significant enplanement losses that resulted when MHT's major airline, Southwest Airlines, diverted flights from MHT to nearby Boston's Logan International Airport (BOS). The diversions were part of Southwest's strategy to compete with a rival low-cost airline by entering the BOS market. This happened only a few years after MHT financed an expansion of its terminal facilities to accommodate additional Southwest traffic. Airline decisions reflect the inherent dynamic nature of the airline industry and KBRA notes that management has consistently maintained adequate financial operations and debt service coverage ratios as enplanements have fallen. With that said, MHT's enplanement trends and ongoing vulnerability to competition are concerns for KBRA that will continue to weigh prominently in our overall assessment of the rating.

The airport's near to medium term capital investment needs are limited and airport management forecasts that no bonded-debt will be required to finance the 2017-2021 CIP. Debt per enplanement in FY 2016 is estimated to be $154, slightly below the FY 2015 level of $164, which KBRA views as high. Operating expenses increased at a CAGR of 0.03% between FY 2012 and FY 2016 compared to an operating revenue CAGR of -0.52% over the same time period. Management remains focused on controlling expense growth while further growing and diversifying revenues. Since 2009, management has implemented a number of expense controls and efficiencies that have generated an estimated $5.3 million in average annual savings.

MHT has historically maintained substantial levels of available cash. As of June 30, 2017, available cash was sufficient to cover approximately 476 days of estimated FY 2017 operating expenses, which KBRA views as a strong reserve level for a hybrid cost recovery Agreement. The rate covenant sets forth a sum sufficient rate covenant and an excess coverage requirement of 1.25x annual debt service. The excess coverage requirement can be met with funds in an excess coverage account or from current revenues. Debt service coverage declined from 1.83x (1.52x less Coverage Account) in FY 2013 to 1.54x (1.25x) in FY 2016, which is still well above the 1.25x covenant. FY 2016 debt service coverage, inclusive of the coverage account, improved slightly to 1.54x. Bondholders also benefit from a restrictive additional bonds test and a cash funded debt service reserve fund. In KBRA's view, MHT's elevated cost per enplanement levels reduce flexibility given the high levels of debt and the competitive pressures from BOS.

Highlights of Important Ratios				
Issuer Name	***City of Manchester, New Hampshire***			
Name of Airport	***Manchester-Boston Regional Airport***			
FAA Code	MHT			
Primary Service Area	New Hampshire Counties of Hillsborough, Merrimack, and Rockingham			
	As of Calendar Year 2016			
Primary Service Area Population(1)	859,594			
Primary Service Area Personal Income Per Capita(1)	$59,044			
Primary Airline(2)	Southwest Airlines			
Primary Carrier Yield at MHT(2)	$0.14			
Primary Carrier Systemwide Yield	$0.16			
Primary Carrier Yield Relative to System(2)	-13.2%			
Total Available Seats(2)	1,247,063			
Total Available Seats - Primary Airline(2)	711,975			
	MHT	**Competing Airports****	**Small Hubs**	**U.S.**
Total Enplanements(3)	991,958	19,581,889	66,531,600	798,879,285
Enplanements 5 year CAGR	-5.9%	4.0%	0.2%	2.8%
	MHT	**Southwest**	**Competing Airports****	**Small Hubs**
Load Factor	84.4%	80.0%	81.5%	79.3%

(1) U.S. Bureau of Labor Statistics data | U.S. Bureau of Economic Activity
(2) U.S. Department of Transportation
(3) Federal Aviation Administration (FAA) data
** Competing airports are Portsmouth International, T.F. Green State, and Logan International.

Finances and Liquidity	
	FY 2016 Actual
Operating Revenue (in thousands)	$38,702
y/y Change	*-1.5%*
Operating Expenses (in thousands)	$25,292
y/y Change	*-1.1%*
Total Funds Available (in thousands)	$13,410
y/y Change	-2.3%
Cost Per Enplanement	$12.09
Liquidity (Days Cash On Hand)	442

Source: Manchester-Boston Regional Airport Presentation dated September 13, 2017

Debt Service Coverage Ratios	
	FY 2016 Actual
Total Funds Available for Debt Service inclusive of PFC Rev. (in thousands)	$23,391
	Senior Airport Rev Bonds
Bonds Outstanding	$150.4 million
Current Year Debt Service (in thousands)	$17.0 million
DSCR(1)	1.54x

Source: City of Manchester, Department of Aviation
(1)Coverage is calculted based on annual debt service net of applied PFCs.

Based on a review of the six KBRA Rating Determinants included in the KBRA Methodology for rating U.S. General Airport Revenue Bonds, KBRA has affirmed the following Rating Determinant ratings:

- Management: Favorable
- Economics/Demographics of the Service Area: A
- Airport Utilization: BBB
- Airport / Debt Capital Needs: A+
- Airport Finances: A+
- Legal Mechanics and Security Provisions: AA-

Outlook: Stable

The Stable outlook reflects KBRA's expectation that management will continue to temper the need for significant increases in airline payments by controlling airport operating costs and focusing on enhanced revenue diversity. It also reflects KBRA's expectation that enplanement levels will stabilize at their current level.

In KBRA's view, the following factors may contribute to a rating upgrade:

- Significant commercial and industrial development within the primary service area leading to a sustained trend of O&D traffic growth;
- A permanent reduction in competitive pressures resulting from market saturation and constrained operations at Boston-Logan International Airport (BOS).

In KBRA's view, the following factors may contribute to rating downgrade:

- Significant and sustained additional enplanement losses;
- Significant increase in airline operating costs resulting from an inability to adjust expenses in a declining enplanement environment;
- Unanticipated large capital requirements.

Key Rating Determinants

Rating Determinant 1: Governance and Management

KBRA's assessment of MHT's governance and management structure is substantially unchanged from the prior year. The management team is highly experienced, employs forward thinking policies and procedures, and has positive relations with airlines. They have also demonstrated a strong ability to manage airport operations and finances while maintaining adequate debt service coverage levels while facing significant challenges.

Ownership Structure & Management

The Manchester, N.H. Department of Aviation ("the DA") is responsible for the care, maintenance, and operation of MHT and its related facilities. The Airport Director is the head of the DA and as such, is responsible for the day-to-day operations and administration of MHT. The Airport Director is assisted by a five member executive staff. The DA also includes a seven-member Airport Authority that acts as an advisory board. Two of the Airport Authority members must be residents of the Town of Londonderry and two must have airmen's certificates or the military equivalent.

The Airport Director is appointed by the Mayor with required approval from the City of Manchester Board of Aldermen. Airport operations are accounted for within the City's Department of Aviation Enterprise Fund. The Airport budget is included within the larger City of Manchester budget and approved by the Mayor and

Board of Alderman. Once approved, the DA has the authority to set all rentals, fees, and other charges for use of the airport facilities without further action or approval by the Board, Mayor, and Aldermen.

Mark Brewer is the current Airport Director at MHT. Mr. Brewer has over 40 years of airport management experience and is recognized as a national leader within the airport industry. He has served as the executive chairman of the American Association of Airport Executives (AAAE) and been a member of the AAAE National Policy Review Committee. The Airport Director is supported by a staff of five senior members. Each has achieved a significant level of airport industry experience with four of the five having been employed at MHT for greater than 20 years.

Key Policies and Procedures

The DA has enacted various procedures to ensure that operations are maintained, potential risks are accounted for, and succession planning is addressed.

The key components of MHT's Succession Planning are (1) Identify key positions and ensure they are appropriately staffed and managed; (2) assess the airport's ability to fill positions from within the organization; (3) utilize the employee annual review process to identify opportunities for training and development; (4) review and update the airport's organizational chart to reflect current and future positions/needs. The key components of MHT's Risk Management practices are focused on the three major tenets of MHT's operations, which are safety, security, and customer service. Additionally, management focuses on long-term debt management, capital funding, cost control and maximizing revenues. MHT has Continuity of Operations Planning that identifies the resources required to perform essential airport functions. This plan also sets forth short-term and long-term strategies to safeguard critical resources and identifies who is authorized to make decisions or act on behalf of the department head and other key officials.

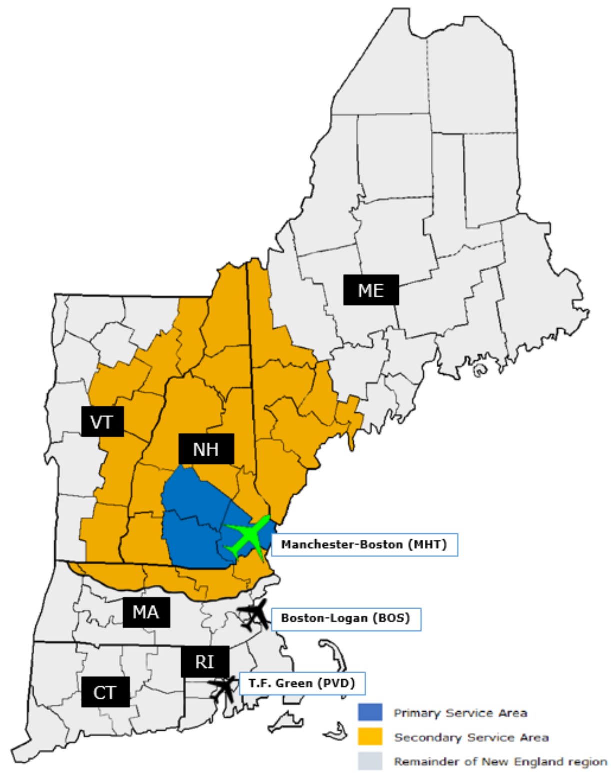
Budgetary Process

Annually, the Airport Chief Financial Officer prepares a preliminary estimate of revenues and expenses for the succeeding fiscal year. The estimate is forwarded to the respective signatory airlines for their review pursuant to the terms of the Airline Agreement. The estimate is also sent to the Mayor. The Mayor submits his budget, including the estimate for Airport Activity and Agreements, to the Board for review and appropriation pursuant to the City's budget and appropriation process. The Mayor's proposed budget is referred to a public hearing. Once the Airport's budget is approved, the Department of Aviation has authority to set all rentals, fees, and other charges for use of airport facilities without further action or approval of the Board, Mayor, and Aldermen. MHT holds annual meetings with the airlines in May to review and discuss how the budget will impact airline rates and charges. The City of Manchester FY 2018 budget was adopted on June 13th, 2017.

Based on the foregoing, KBRA views MHT's governance and management structure and policies as Favorable.

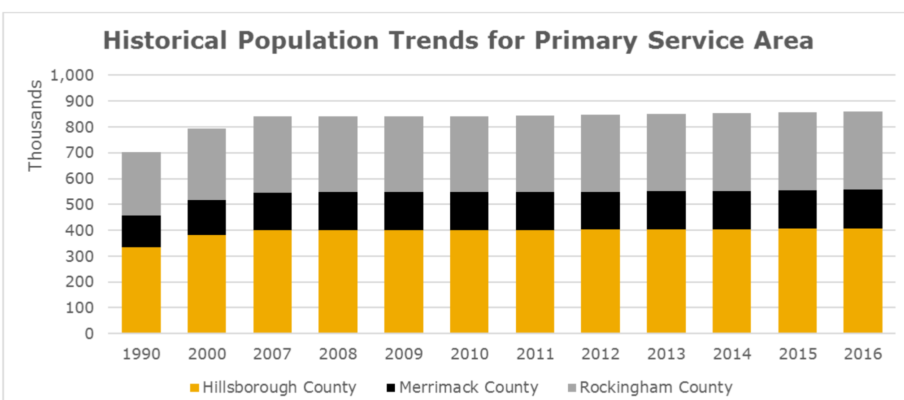
Rating Determinant 2: Economics/ Demographics of the Service Area

MHT is situated on a 1,200-acre site that overlaps both the City of Manchester, NH ("the City") and the Town of Londonderry, NH. The primary service area of the Airport consists of Hillsborough, Merrimack, and Rockingham counties in New Hampshire. The airport's secondary service area includes the remainder of the State of New Hampshire, southern Maine, eastern Vermont, and portions of northern Massachusetts. For purposes of demographic and economic analysis, this rating determinant generally focuses on the tri-county primary service area. KBRA's assessment of this rating determinant is stable relative to the prior year.



As evidenced by stable demographic and economic trends, MHT's primary service area lends strong support to O&D air travel to and from the region. The estimated population of the primary service area in 2016 was 859,594, which represents approximately 64.4% of the State's population. Between 2000 and 2016, the primary service area's population increased by approximately 8.2%, with the majority of that growth having occurred in the early part of the prior decade.

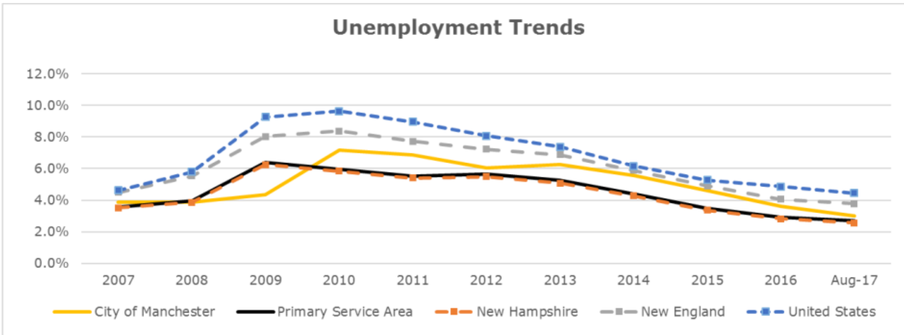
This level of growth equates to an annualized rate of approximately 0.49%, which is lower than the nationwide rate of 0.87% over the same period. The population of MHT's primary service area is highly educated, as reflected by 36.0% of the adult population having a bachelors or advanced degree. The region's poverty rate of 7.1% is also lower than the State and national rates of 7.3% and 12.7%, respectively. Both factors contribute positively to the demand for and the likelihood to spend on air travel.



Source: U.S. Census Bureau

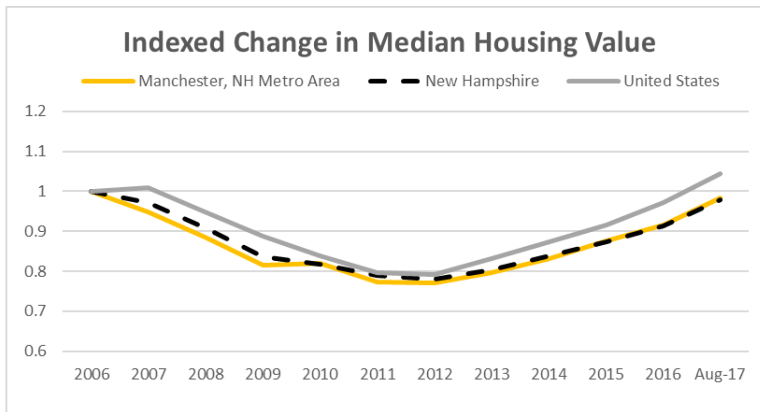
KBRA views the service area's wealth levels and employment base as strong. Wealth levels in the service area are high and driven by the stable, strong, and diverse regional economy. In 2015, the Primary Service Area's per capita personal income was $59,044, which was 21.9% higher than the national average of $48,451.

The service area's unemployment levels continue to improve and are stronger than regional and national levels. As of August 2017, the service area's unemployment rate was 2.7%, which is notably lower than the New England region and United States at 3.8% and 4.4%, respectively. The service area's labor force was not adversely affected to the same degree by the recent recessionary period. At its peak in 2009, the service area's annual unemployment rate was 6.4%, compared to the New England region peak of 8.4% and the United States peak of 9.6%.



Source: Bureau of Labor Statistics

Housing values in MHT's primary service area declined precipitously during the Great Recession and recent recessionary period and recovery has been gradual and below the national trend. According to Zillow, the median housing value in the Manchester, NH metro area declined from a high of $263,883 in 2006 to $203,250 in 2012. As of August 2017, the metro area's median housing value has recovered to $259,600, which represents a recovery rate of 91.6%. Over the same time period, the statewide and nationwide recovery rates were 91.4% and 96.3%, respectively.



Source: Zillow

Since 2012, the median housing value in the Manchester metro area has increased by 27.7%, compared to 31.9% nationwide. KBRA views this level of recovery as somewhat low, but expects the positive trend in housing values to continue.

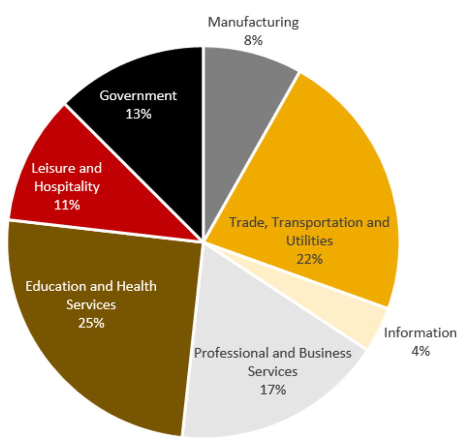
Diverse Business Environment Supports Air Travel

A substantial portion of the primary service area's economy is driven by the City of Manchester. The City is the most populous in the State of New Hampshire and is supported by a diverse industrial presence. The City is also home to nine postsecondary education institutions including the University of New Hampshire at Manchester and Southern New Hampshire University. Among others, the City has recently been recognized as having the best climate for small business and being one of the most affordable and livable cities in the country. Over the past twenty years, the City and regional economy has been revitalized with a significant small business presence centered around the tech industries. With no state income or sales taxes, KBRA views the State of New Hampshire as an attractive destination to live, start a business, or relocate.

Historically, the City's economy was driven by the manufacturing of textiles. Through the mid-20th century, the City was home to the largest production of textiles in the world. In recent years, small businesses and multi-use developers have repurposed old millyards into office spaces and other commercial enterprises. The area is now home to more than 30 tech company offices including Deka Research, Texas Instruments, Autodesk, and Alpha Loft High-Tech Incubator, among others. Growth of this sector has been accompanied by significant development over the last several years including plans to construct more than 500 rental housing units and more than 100 hotel rooms within the millyard and near the city's downtown. It was additionally announced over the last year that the millyards was selected by the Department of Defense as the location for the establishment of an Advanced Regenerative Manufacturing Institute, envisioned as the first step in the development of an industry focused on the biofabrication of human tissue and organs. The award consists of $80 million to be spend over five years with an additional $200 million in private, university, and non-profit investments expected over the same timeframe.

KBRA views the primary service area's employment diversity as strong. Driven by the large presence of small businesses, no one employer or employment sector represents a disproportionate component of the service area's employment base. The largest employment sector within the service area, as of 2016, was education and health services at 21.1%. This was followed by the trade, transportation, and utilities sector at 18.7%. Major employers in the service area include Fidelity Investments, various local health care providers, as well as state and local government institutions.

Employment Diversity - Primary Service Area



Source: Bureau of Labor Statistics

Top 15 Employers in MHT Primary Service Area as 2016

Employer	County	Service	# of Employees
State of New Hampshire	Merrimack	Government	6,054
Fidelity Investments	Hillsborough	Financial Services	6,000
Elliot Hospital	Hillsborough	Health Care Services	3,375
Capital Region Health Care	Merrimack	Health Care Services	3,230
BAE Systems North America	Hillsborough	Aerospace/Electronics	3,100
Southern NH Medical Center	Hillsborough	Health Care Services	2,217
Catholic Medical Center	Hillsborough	Health Care Services	2,100
Nashua School District	Hillsborough	Education	1,679
St. Joseph Hospital & Trauma Center	Hillsborough	Health Care Services	1,675
Eversource Energy	Hillsborough	Energy	1,500
Portsmouth Consular Center, US Dept of State	Rockingham	Passport, Visa Services	1,459
Fairpoint Communications	Hillsborough	Utility	1,300
Timberland Regional School District	Rockingham	Education	1,177
TD Bank	Hillsborough	Banking Services	1,100
PC Connections, Inc.	Hillsborough	Computer Resale	1,077

Source: New Hampshire Employment Security - Economic and Labor Market Information Bureau

The State of New Hampshire is also an attractive destination for tourism. Popular destinations include Mount Washington, the highest peak in the Northeastern United States, as well as a number of national parks, hiking trails, ski resorts, and golf courses. According to the New Hampshire Department of Resources and Economic Development, the State had 38.4 million visitor trips which generated approximately $5.4 billion in spending within the State economy in fiscal year 2015. This level of visitation and spending represents a 5.1% and 8.1% increase, respectively, over fiscal year 2014. KBRA believes that the State's significant and improving tourism industry is a positive contributor to MHT's O&D travel market.

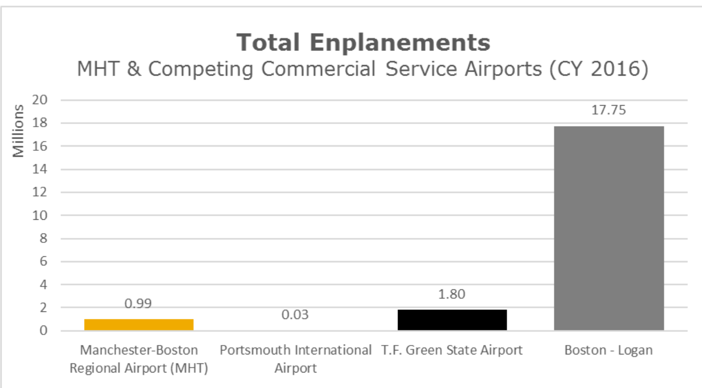
Geographically Competing Facilities

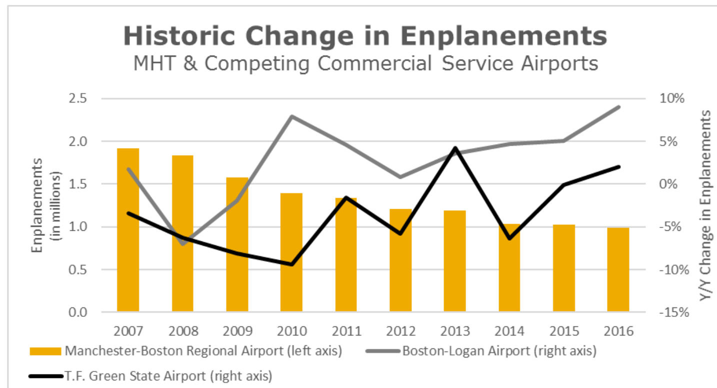
MHT is the largest commercial service airport within the primary service area and the State of New Hampshire. The closest airports to MHT with scheduled commercial service are Portsmouth International Airport at Pease (PSM), Boston Logan International Airport (BOS), and T.F. Green Airport (PVD).

PSM is a non-hub commercial service airport located 50 miles northeast of the City of Manchester in Rockingham County. The airport's scheduled commercial operations are extremely limited both in scale and destinations served. PSM had approximately 34,000 enplanements in calendar year 2016.

Boston Logan International Airport, located approximately 54 miles south of MHT, is a large-hub commercial airport and the largest in the New England region. Approximately 40 airlines offer nonstop commercial service from BOS to over 110 domestic and international destinations. BOS, which consists of four passenger terminals and six runways, had approximately 17.7 million enplanements in calendar year 2016 which makes it the 17th busiest airport in the United States.

PVD is a small-hub commercial service airport located in Warwick, RI, approximately 105 miles south of MHT. PVD is the largest airport in the State of Rhode Island and is considered a reliever airport to BOS. Nine airlines currently offer nonstop service from PVD to domestic destinations including New York City, Chicago, Washington D.C., Atlanta, Philadelphia, Fort Lauderdale, Tampa Bay, and Orlando, among others. PVD had approximately 1.8 million enplanements in calendar year 2016. Similar to MHT, PVD's enplanements declined from a high of 2.8 million in 2005, due to the scaling back of operations by Southwest Airlines and the subsequent shift of service from PVD and MHT to BOS.





Source: Federal Aviation Administration

Based on the foregoing, KBRA views the economics/demographics of MHT's primary service area as being consistent with an A rating determinant rating. This assessment is driven by the primary service area's increasing population, favorable income and employment trends, and growing and vibrant local economy, all of which contribute to a diverse O&D market for air travel. The primary service area's strengths are, to a significant degree, offset by the geographic proximity of Boston-Logan International Airport, which offers a far greater level of service in terms of frequency and destinations, and therefore provides a high level of competition.

Rating Determinant 3: Airport Utilization

MHT has 14 passenger gates and two runways that are large enough to accommodate the aircraft of most airline fleets. The airport additionally includes 11,000 parking spaces to accommodate its workforce and travels as well as a recently constructed rental car facility served by most major rental car brands. The market for air travel is almost exclusively origination and destination (O&D) passengers from within MHT's primary service area, which has a stable population base of nearly 860,000 people. MHT also draws passengers from a larger secondary service area.

MHT's enplanement trends are a concern for KBRA and negatively impact our assessment of the Airport Utilization rating determinant rating. KBRA notes the significant decline in enplanement levels at MHT and recognizes that 2016 enplanements are about 46% of the level they were during the peak enplanement year of 2005. KBRA also recognizes the ongoing competitive threat from nearby BOS and the potential for additional market erosion. In KBRA's view, these concerns are balanced against efforts taken by the MHT management team to preserve scheduled airline service and limit increases in airline rates and charges through enhanced efficiencies and expenditure control. KBRA notes that enplanement levels contracted by

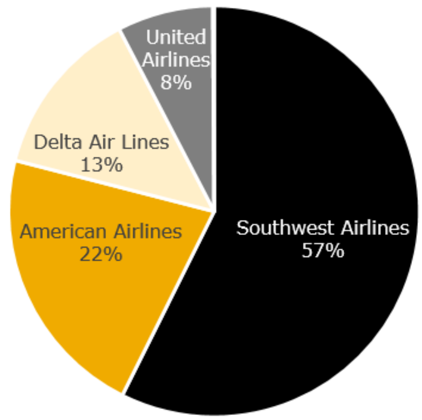
3.4% in CY 2016 and 0.6% in CY 2015 following much larger declines of 13.2% in 2014 and 9.8% in 2012. In KBRA's view these declines are mitigated by MHT's adequately maintained financial operations, limited capital needs, and stable debt service coverage as required under the indenture at current enplanement levels.

Share of Enplaned Passengers by Airline

Major airlines providing service at MHT include Southwest, American, and Delta. Regional service is provided primarily through Delta Connection and United Express. The regional service providers partner with a larger group of smaller regional carriers that include Republic Airlines, Air Wisconsin, and Shuttle America among others.

Operations are concentrated in Southwest, which accounted for 57.4% of enplaned passengers in 2016. Additional large carriers include American at 12.6%, Delta at 13.4%, and United at 7.1% with other carriers accounting for less than 0.1% of total enplanements in 2016. Airline market share trends among the largest carriers has been generally stable over the past three years.

Airline Market Share of Enplaned Passengers FY 2016

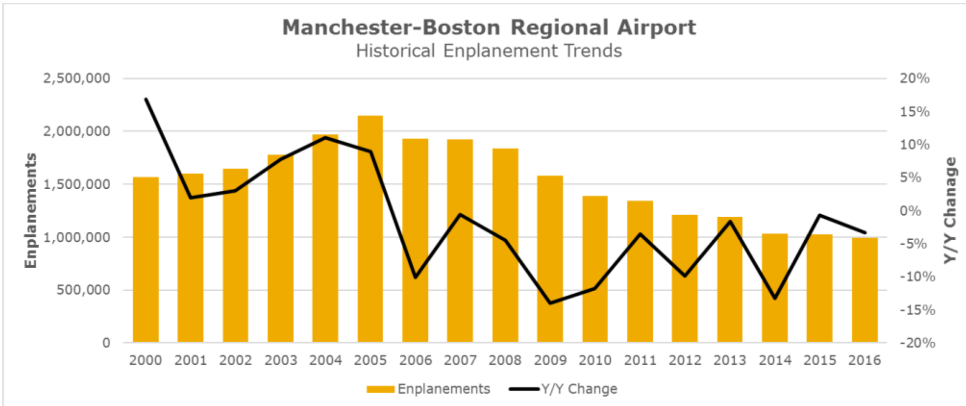


Source: Manchester-Boston Regional Airport 2016 Continuing Disclosure Statement

The airport offers a relatively limited number of destinations to domestic U.S. locations. In 2016, the average number of daily departures for all airlines totaled 38. Cargo operations, which accounted for slightly less than 30% of landed weight at the airport in FY 2016, is provided mainly by United Parcel Service and FedEx. MHT is currently the 3rd largest cargo airport in New England and KBRA understands from conversations with management that MHT has the infrastructure in place to accommodate additional cargo operations as BOS approaches capacity limitations.

Enplanement Trends

MHT is somewhat unique in that it has faced challenges stemming from both dramatic enplanement growth and subsequent decline over the last several decades. Airline activities increased sharply commencing with Southwest Airline's decision to serve MHT in 1998 resulting in robust enplanement growth through 2005. Enplanements however have declined consistently since this time reflecting a number of events and industry trends including the entry and rapid expansion of competing low-cost carriers at BOS and Southwest's elimination of a third of its 33 daily flights from MHT through 2009. This capacity was diverted to BOS by Southwest as part of an industry-wide strategic shift emphasizing filled seats, fuel conservation, and other enhanced efficiencies which has generally seen airlines shift service away from smaller facilities. These trends have continued as Southwest has subsequently reduced daily flights at MHT to 14 since 2014. The trend of consolidation in the airline business has also been a factor as United has cut daily service out of MHT from 12 to 6 daily flights since the United-Continental merger in 2010. Improved road access to Logan International Airport in Boston following the December 2007 completion of Boston's Central Artery/Tunnel Project known as the "Big Dig" may also be a factor in reduced structural demand for service out of MHT as management has indicated that the portion of enplaned passengers at MHT who are residents of Massachusetts has declined from 22% in 2008 to 8% as of 2014.



Source: Federal Aviation Administration

Enplanements at MHT have declined by a compound annual rate of 2.8% between 2000 and 2016 compared to a positive compound annual growth rate in median enplanements across all small-hub airports at 1.4%. Over the more recent period from 2009 to 2016 coinciding with the commencement of Southwest's system optimization and strategic shifts by other carriers, MHT enplanements have contracted at a compound annual rate of 6.4%.

Total enplanements for CY 2016 declined 2.7% y/y while more current data for January through July of 2017 indicate a decline in enplanements of 3.2% versus the same period in 2016 reflecting in part an increased number of winter weather events relative to the prior year. KBRA views the recent slowing in the rate of enplanement losses positively and notes that these figures in insolation likely understate the extent of the stabilization at MHT given that a disproportionately large percent of the total decline in enplanements in the first seven months of 2017 was associated with Republic Airlines (discussed below) and therefore reflective primarily of the restructuring activities of single, relatively small carrier.

KBRA notes that carrier yield levels achieved by Southwest at MHT are about 13.2% below their system-wide averages. In KBRA's view, this concern is mitigated by the load factors achieved by Southwest at MHT that have been consistently higher than their system-wide average over the past five years.

Recent Air Service Developments

In February 2016, Republic Airlines, a regional airline operating at MHT filed for Chapter 11 bankruptcy protection. Republic Airlines had historically operated at MHT as a partner providing regional service in cooperation with American Eagle and United Express, accounting in 2015, the last full calendar year of operation prior to the filing, for 13.0% of total MHT enplanements. Management has indicated that the actions taken following the filling have focused primarily on reorganizing the company and eliminating unprofitable routes served by the portion of its fleet consisting of smaller 50-seat aircraft. As Republic has not historically operated this category of aircraft out of MHT, the impact of the restructuring at MHT was not anticipated to be significant. Enplanement figures for CY 2016 however indicate a fairly sizable contraction in Republic Airline enplanements out of MHT of 35.0% while YTD enplanement figures through July 2017 show a contraction in market share to 8.5%. KBRA notes that Republic Airline flights at MHT serve major market routes for which any reduction in service is likely to be offset over time by increased activity by competitors. Indeed, YTD 2017 data through July evidence notable partially offsetting enplanement growth from both GoJet in partnership with Delta and Piedmont in partnership with U.S. Air. Nevertheless, KBRA believes that restructuring activity at Republic Airlines has weighted negatively on overall enplanement activity since the February 2016 bankruptcy filing. KBRA will continue to monitor actions taken by Republic Airlines as they relate to MHT utilization.

Based on the foregoing, KBRA views MHT's Airport Utilization as consistent with a BBB rating determinant rating.

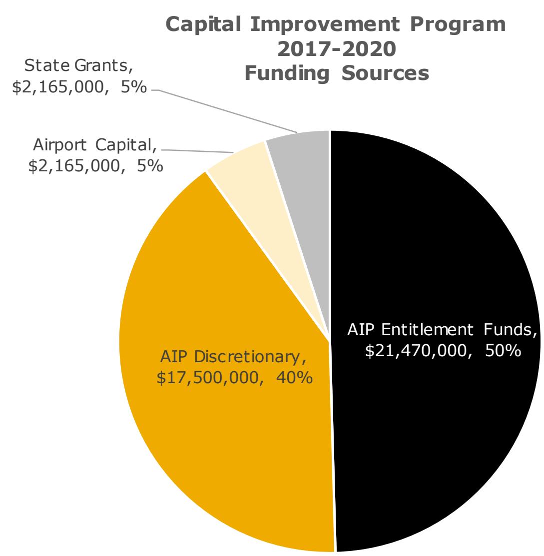
Rating Determinant 4: Airport Debt/ Capital Needs

Assuming no significant changes to MHT's scope and scale of operations, the airport's near to medium term capital investment needs are limited. The airport's major facilities have significant capacity to accommodate future growth. The Airport's five-year capital improvement program (CIP) addresses the necessary maintenance and upgrades required for airport facilities. Airport management indicates that no bonded debt will be required to finance the 2017-2022 CIP.

Prior to the current CIP, MHT management embarked on a number of capital projects to improve efficiency across the airport. In June 2016, MHT opened a new 11,000 square foot consolidated rental car facility which is currently home to eight car rental brands. The new facility, which was financed using customer facility charge (CFC) revenues, allows the airport and rental car companies to operate more efficiently. Additionally, in November 2016 the airport opened a newly constructed six-lane security checkpoint designed to facilitate a far more efficient flow of passengers through security screenings. The project was financed primarily with Federal Aviation Administration (FAA) grants and State matching funds.

Capital Improvement Program: 2017-2022

MHT's five-year CIP addresses necessary maintenance and capital upgrades at the airport. Total estimated spending over the five-year term is approximately $43.3 million. Funding of the airport's CIP are available through AIP entitlement grants, AIP discretionary grants, state grants and airport capital funds. The 2017-2022 CIP continues to place focus on the "mill & overlay" of airport taxiways, purchase upgraded Safety and Rescue Equipment (SRE) and Aircraft Rescue and Firefighting Equipment (ARFF), and other additional miscellaneous projects/improvements related to the airfield and the replacement of four airport heating, ventilation, and air conditioning systems. Passenger Facility Charge (PFC) revenues collected by the airport are applied directly to debt service, they are not available as a funding component of the airport's CIP.



Source: City of Manchester - Department of Aviation

MHT Debt Obligations

Pursuant to a 1998 general airport revenue bond resolution, the City of Manchester has historically financed a significant portion of MHT's capital improvements through the issuance of GARBs. The City's GARBs are secured by a pledge of general airport revenues, net of operating expenses. Approximately 85.0% of the City's outstanding GARBs are further secured by a cash-funded debt service reserve fund (DSRF).

As of August 2, 2017, the City of Manchester had approximately $150.4 million of outstanding GARBs. All of the City's outstanding GARBs are fixed rate with no exposure to swaps or financial derivatives. The City's 2013A, 2014A, and 2015A GARBs were issued as direct placement fixed rate refunding bonds with commercial banks, all of which resulted in significant present value and cash flow savings for the City.

KBRA views MHT's debt levels as high. MHT's debt per enplanement in FY 2016 is estimated to be $154, slightly below the FY 2015 level of $164. Given the airport's limited near to medium term borrowing needs, KBRA expects the airport's debt metrics to improve on both a nominal and relative basis.

MHT Outstanding GARBs

Series	Tax Status	Final Maturity	Original Par Amount ($'000)	Principal Outstanding ($'000) August 2, 2017
2009A	Non-AMT	1/1/2030	$63,095	$53,045
2012A	Non-AMT	1/1/2032	$59,215	$59,215
2012B	AMT	1/1/2020	$25,725	$16,665
2013A	AMT	1/1/2022	$21,800	$9,072
2014A	Non-AMT	1/1/2027	$10,000	$9,948
2015A	Non-AMT	1/1/2027	$2,630	$2,440
Total				**$150,385**

Source: City of Manchester - Department of Aviation

MHT's debt service requirements decline gradually from a high of $16.7 million in FY 2017 to $6.3 million in 2029. The airport's maximum annual debt service (MADS) per enplanement of $16.07 in FY 2016 is high, but somewhat mitigated by MHT's declining debt service requirements and favorable projected enplanement trends. There are no majority-in-interest provisions within MHT's airline agreements that require airline approval of capital projects.

Based on the foregoing, KBRA views MHT's debt and capital needs as being consistent with an A+ rating determinant rating. This assessment is based on the airport's clearly defined CIP, significant airside and landside capacity to accommodate future growth, fixed rate debt structure, and 95% grant-funded CIP with no need for bond financing in the near to medium term. The airport's debt level relative to enplanements and financial operations is high; mitigating this, to some extent, are the airport's declining debt service requirements, limited potential for additional borrowing, projected stability in enplanement activity and management's focus on expenditure control.

Rating Determinant 5: Airport Finances

MHT's financial operations are governed in large part by the City of Manchester, NH General Airport Revenue Bond Resolution ("the Resolution"), which was adopted on October 1, 1998. The Resolution establishes the flow of funds and the rate covenant, among its provisions. MHT operations are also a function of the airline operating agreement and terminal building lease ("the Agreement"), dated July 1, 2005. The Agreement has been extended and renewed on multiple occasions and is currently set to expire on June 30, 2020. The Agreement lays out the financial obligations of both the airport and airlines, and determines the airport's rate setting and cost recovery mechanism. KBRA's assessment of the airport finances rating determinant is substantially unchanged relative to that of the prior year.

In order to assist airlines in controlling costs, the Agreement contains a revenue sharing component which is credited to the landing fee calculation for the following fiscal year. Airline rates and charges are evaluated on an annual basis prior to the following fiscal year. In the unlikely scenario that current rates and charges generate insufficient revenues to meet provisions set forth in the Resolution, the Airport has the ability to adjust fees to remain in compliance with financial covenants.

Historic Financial Performance

After the City's most recent issuance of GARBs in 2012, debt service coverage (less coverage account) declined from 1.83x (1.52x) in FY 2013 to 1.54x (1.25x) in FY 2016. This level of coverage is still well above the 1.25x rate covenant. Declines in enplanements have also resulted in lower PFC revenues applied to debt service. Inclusive of coverage account proceeds, debt service coverage in FY 2017 is estimated at 1.50x. Operating expenses increased at a CAGR of 0.03% between FY 2012 and FY 2016 compared to an operating revenue CAGR of -0.52% over the same period. Management remains focused on controlling expense growth while further increasing and diversifying revenues. Since 2009, management has implemented several expense control and efficiency strategies that have generated an estimated $5.3 million in average annual savings.

Calculation of Debt Service Coverage

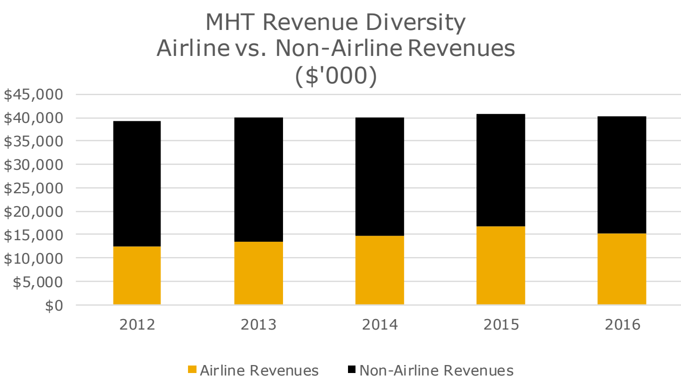
Fiscal Year	2012	2013	2014	2015	2016
Total Revenues	$39,346,192	$39,970,021	$40,109,455	$40,681,868	$40,269,254
Trasfer from Revenue Credit Account	$2,024,000	$979,000	$1,410,000	$43,000	$500,000
Coverage Amount	$3,275,222	$3,275,222	$3,275,222	$3,298,279	$3,298,279
Operating and Maintenance Expenses	($24,629,125)	($24,613,776)	($25,781,498)	($25,250,914)	($25,243,788)
Revenues Available for Bond Debt Service	**$20,016,289**	**$19,610,467**	**$19,013,179**	**$18,772,233**	**$18,823,745**
Debt Service Requirement	$17,762,740	$15,800,000	$17,605,769	$17,189,218	$16,999,965
PFC Revenue Applied to Debt Service	($5,532,708)	($5,081,280)	($4,834,872)	($3,996,102)	($4,812,912)
Net Debt Service	**$12,230,032**	**$10,718,720**	**$12,770,897**	**$13,193,116**	**$12,187,053**
Debt Service Coverage Ratio	**1.64**	**1.83**	**1.49**	**1.42**	**1.54**
Debt Service Coverage Ratio (less Coverage Account)	***1.37***	***1.52***	***1.23***	***1.17***	***1.27***

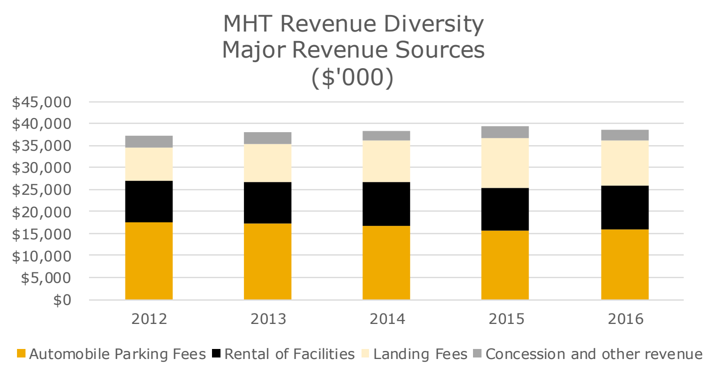
Source: City of Manchester, Department of Aviation

Revenue Diversity

In FY 2016, airline revenues represented approximately 38% of total revenues, which is a relatively smaller component of the revenue base compared to airports of a similar scale. Non-airline revenue performance has been very strong, with FY 2016 revenues representing approximately $24.2 per enplanement. MHT management utilizes CFC revenues to offset operations at the airport's car rental facilities.

MHT's largest revenue source is automobile parking fees. In FY 2016, parking charges represented roughly 41% of total operating airport revenues, down from roughly 46% in FY 2011. This decline can largely be attributed to the airport's slight declines in passenger traffic as well as increased landing fees that now represent a slightly larger share of revenues. Despite this decline, MHT's revenue diversity is a strength that provides management with additional flexibility as it relates to airline relations and financial management.





Source: City of Manchester, Department of Aviation

On the operating side, management has successfully contained expense growth to offset declines in enplanement activity. In FY 2016, operating expenses per enplaned passenger were approximately $24.3, which KBRA views as high. Offsetting this expense level, to some extent, are MHT's limited capital needs in the near to medium term, projected stabilization of enplanement trends, and management's proven track record of containing expense growth.

Historical Financial Performance

Fiscal Year	2012	2013	2014	2015	2016
Airline Revenues					
Landing Fees	$7,607,046	$8,712,199	$9,448,778	$11,314,331	$10,353,369
Apron Fees	$257,751	$276,240	$317,403	$308,253	$305,162
Terminal Building Rentals [1]	$4,603,822	$4,468,628	$5,023,037	$5,016,539	$4,467,991
Total Airline Revenue	**$12,468,619**	**$13,457,067**	**$14,789,218**	**$16,639,123**	**$15,126,522**
Non-Airline Revenues					
Airfield	$456,292	$620,797	$508,461	$476,053	$322,375
Terminal Building [2]	$7,378,477	$7,236,611	$6,934,850	$6,763,835	$7,119,417
Parking	$17,002,148	$16,648,319	$16,100,303	$14,996,294	$15,306,733
Other Building and Areas	$990,567	$1,018,406	$1,145,107	$1,258,685	$1,617,136
Other Revenues	$1,050,739	$988,821	$571,952	$755,242	$777,071
Total Non-Airline Revenues	**$26,878,223**	**$26,512,954**	**$25,260,673**	**$24,250,109**	**$25,142,732**
Total Revenues	**$39,346,842**	**$39,970,021**	**$40,049,891**	**$40,889,232**	**$40,269,254**
Operating Expenses					
Salaries, wages, and fringe benefits	$7,671,173	$7,886,415	$8,208,131	$8,594,330	$8,554,356
Enforcement and fire protection	$4,154,411	$4,211,902	$4,295,160	$4,251,118	$4,055,408
Purchased property services	$11,278,493	$11,002,283	$11,764,961	$11,176,489	$11,381,407
General and administrative	$1,525,048	$1,513,176	$1,513,246	$1,517,017	$1,267,588
Reimburse City of Manchester	$39,746	$41,267	$43,471	$35,364	$33,387
Total Operating Expenses	**$24,668,871**	**$24,655,043**	**$25,824,969**	**$25,574,318**	**$25,292,146**
Net Income (before Depreciation/Interest Expense)	**$14,677,971**	**$15,314,978**	**$14,224,922**	**$15,314,914**	**$14,977,108**
Operating Margin	**37.3%**	**38.3%**	**35.5%**	**37.5%**	**37.2%**
Enplanements	**1,301,135**	**1,218,695**	**1,135,757**	**1,028,695**	**1,040,442**
Airline Cost per Enplaned Passenger [3]	**$7.93**	**$8.98**	**$10.62**	**$13.22**	**$12.09**

[1] Terminal rental revenue from airlines

[2] Terminal rental revenue from concession activity

[3] Cost per enplaned passenger net of 40.0% airline share of surplus revenues

Source: City of Manchester, Department of Aviation

Airline Cost Per Enplanement (CPE)

Airline costs at MHT have steadily increased but remain in the moderate range, averaging $10.57 per enplaned passenger between FY 2012 – FY 2016. FY 2016 CPE was $12.09, which KBRA views as moderately high. This increase is largely attributed to the continuing decline in enplanements. Airport management projects airline costs to remain stable in the near term and ultimately decline due to reduced debt service requirements and continued growth of non-airline revenues. In KBRA's view, MHT's elevated cost per enplanement levels reduce flexibility given the high levels of debt and the competitive pressures from BOS.

System Liquidity

MHT has historically maintained substantial levels of available cash. As of June 30, 2017, available cash was sufficient to cover approximately 476 days of estimated FY 2017 operating expenses, which KBRA views as a strong reserve level for a hybrid cost recovery Agreement. Reflecting MHT's relatively high, albeit declining debt level, the Airport's FY 2016 ratio of debt to available cash is high for a small hub airport.

Retirement Benefits

All eligible employees of the City participate in the City of Manchester Employees' Contributory Retirement System (MECRS). MECRS is a single-employer defined benefit employee retirement system that provides pension benefits to eligible City employees. As of June 30, 2016, the City's Department of Aviation has a total of 32 retirees and 69 active members that participated in MECRS.

By policy, MECRS requires an annual actuarial valuation report that determines City contributions. The City's annual contribution has historically been based on actuarially determined requirements. The Department of Aviation's FY 2016 contribution to MECRS was $1.1 million, which is equal to its proportionate share of the actuarially required amount. As of December 31, 2015, the Department of Aviation's allocable share of the MECRS net pension liability was approximately $12.0 million.

Based on the foregoing, KBRA views MHT's finances as being consistent with an A+ rating determinant rating. This assessment is based on the Airport's strong historical debt service coverage in excess of financial covenants, ample liquidity levels, and diverse revenues which are not reliant solely on airline payments. Offsetting these strengths, are MHT's elevated level of expenses relative to enplanements and high debt level relative to its available financial resources.

Rating Determinant 6: Legal Mechanics and Security Provisions

Bond Security

The GARBs are special obligations of the City, payable solely from and secured by a pledge of the net airport revenues of Manchester Boston Airport. Revenues are defined in the bond resolution to include all revenues, rentals, investment earnings and other moneys received by or on behalf of the City from or in connection with the ownership and operations of all or any part of the Airport Property. Specifically, revenues are defined as all tolls and charges, landing fees, terminal rentals, real property rentals, concessions fees, parking receipts, and interest income. PFC revenues are not defined in the resolution as airport revenues but are used to offset airport revenue bond debt service.

The Bond Resolution establishes a senior and subordinate lien. Other than order of payment priority, there is very little distinction between the two lien structures.

Rate Covenant

KBRA views the rate covenant as providing strong levels of bondholder protection. The covenant addresses debt service revenue sufficiency in two ways. Firstly, it obligates management to set rates and charges from recurring airport revenues at levels that are at least sufficient to pay all operating expenses and to make all required debt service account deposits. Secondly, it obligates management to provide for 1.25x excess coverage of required annual debt service deposits. This obligation can be satisfied with revenues held in a designated Coverage Account or from current rates and charges if the Coverage Account is insufficient.

For purposes of rate covenant calculations, required debt service account deposits are offset by capitalized interest, if any, investment earnings from monies held in the Project Fund, if any, and, at MHT's discretion, by revenues from any Letter of Intent (LOI) grant receipts or from PFC revenues. The City has applied a significant portion of its PFC Revenues to offset debt service in past years but it is not obligated to do so and may elect to apply PFC Revenues in any other manner permitted by federal law. For illustrative purposes, the follow table provides a summarized version of the City's statement of rate coverage compliance, as prepared by the airport consultant pursuant to the Bond Resolution.

Compliance With Rate Covenant and Coverage Requirement Fiscal Year 2016			
Revenues Available for Bond DS	**2016 Actual**	**Rate Covenant (Test 1)**	
Revenues	40,269,254	Revenues Available for Bond DS	$14,477,108
Transfer from Revenue Credit Account*	$500,000	Required DSRF and DSFR Deposit	$12,432,425
O&M Expenses	25,292,146	**Revenues Bond DSCR**	**1.16**
Revenues Available for Bond DS	**$14,477,108**	**Rate Covenant DSC Requirement**	**1.00**
Total Debt Service Requirement	16,999,965	**Rate Covenant (Test 2)**	
Less: Transfer from the PFC Revenue Account	(4,567,540)	Revenues Available for Bond Debt Service	$14,477,108
Total required DSRF Deposits	**$12,432,425**	Coverage Amount	$3,298,279
Required DSRF Deposits	$0	Revenues Available for Bond DS plus Coverage Amount	$17,775,387
		Revenues Bond DSCR	**1.43**
Revenues Available for Bond DS	**$14,477,108**	**Rate Covenant DSC Requirement**	**1.25**

Source: City of Manchester, Department of Aviation

*Revenues from the Revenue Credit Account are surplus revenues from the previous fiscal year. They are applied within the first half of the fiscal year as a credit against current year Airline rates and charges.

The rate covenant also obligates management to set rates and charges at levels sufficient to make required deposits into an operating and maintenance reserve fund, a renewal and replacement fund, an insurance reserve fund, and a rebate fund. These deposits are sequentially made from net airport revenues immediately following all required debt service account deposits. The following table outlines the additional deposit requirements included within the rate covenant. It also includes their stated required deposit amounts and the account balance as of the most recent audited financial statement.

Account Name	Operation & Maintenance Reserve Fund	Renewal and Replacement Fund	Insurance Reserve Fund	Rebate Fund
Stated Account Deposit Requirement	Amount equal to next three months operating budget.	1/12 the difference between amount on deposit on the 1st day of current fiscal year and the Renewal and Replacement Reserve Requirement*.	1/12 amount on deposit in such fund on the first day of the current fiscal year and the Insurance Reserve Requirement of the current fiscal year*.	Any required arbitrage rebate payments.
Balance as of June 30,2016	**$9,832,000**	**$250,000**	**N.A**	**N.A.**

*The Renewal and Replacement Requirement shall be the amount set forth within the annual operating budget.

*The Insurance Reserve Fund Requirement shall be the amount recommended to the City by an independent engineer or an insurance consultant as necessary to adequately reserve against risks for which the City does not currently maintain insurance in compliance with resolution provisions.

Source: City of Manchester, Department of Aviation

KBRA views the City's obligation to include the funding of additional reserves from recurring revenues as a positive credit factor.

Debt Service Reserve Fund

The aggregate debt service reserve fund requirement shall be held in an amount equal to the lesser of (i) the sum of 10% of the aggregate original net proceeds of each series of bonds outstanding, (ii) 125% of the average aggregate Debt Service on such Bonds, or (iii) the maximum aggregate amount of Debt Service due on such Bonds in any succeeding year. On June 30, 2016 the bond reserve account held a cash balance of $15.2 million.

For detailed discussion of the additional bonds test and flow of funds please see the previous **City of Manchester, NH General Airport Revenue Bond** rating report that was published in October of 2016.

Based on the foregoing, KBRA views the legal mechanics and security provisions of the City's outstanding GARBs as being consistent with a AA- rating determinant rating.

Bankruptcy Assessment

KBRA has consulted outside counsel and it is KBRA's understanding that the City is a municipality under New Hampshire state law as well as under the U.S. Bankruptcy Code. To be a debtor under the municipal bankruptcy provisions of the U.S. Bankruptcy Code (Chapter 9), a local governmental entity must, among other things, qualify under the definition of "municipality" in the Bankruptcy Code, and must also be specifically authorized to file a bankruptcy petition by the State in which it is located. KBRA understands that New Hampshire law does not currently permit municipalities in the State to file for protection under the U.S. Bankruptcy Code. Of course, state law can be amended generally, or a specific bill can be passed to permit a particular municipal issuer to seek Chapter 9 relief, so New Hampshire law could change in the future.

The Airport is owned and operated by the City, under its Department of Aviation. As a department of the City, the Airport cannot itself file for bankruptcy protection. In addition, because it is not a separate entity from the City, the Airport and its bond issuances would be implicated in a bankruptcy proceeding of the City.

Because the Pledged Revenues pledged for payment of the Bonds are generated by revenue from the Airport's various airline fees, parking fees, and other revenues of the Airport, KBRA understands, based on consultation with external counsel, that the revenues would likely qualify as "special revenues" as that term is defined in the Bankruptcy Code. Thus, to KBRA's understanding, even if the City were authorized to file for protection under Chapter 9, assuming there is no shortfall of funds to make debt service such filing should have little to no effect on the payment of the Bonds during a bankruptcy case of the City, since the Bonds are secured by a pledge of special revenues. That stated, there are several additional issues that arise. KBRA understands that in determining necessary operating expenses for the Airport, in a Chapter 9 case the bankruptcy court may not be limited by the provisions defining construction or operational expenses, or otherwise governing the flow of funds, in the Resolution or other bond issuance documents. In addition, KBRA understands that while there is no case law from which to make a definitive judgment, it is possible that, in the context of confirming a plan of adjustment in a Chapter 9 case where the plan has not received the requisite consent of the holders of the Bonds, a bankruptcy court may confirm a plan that adjusts the timing of payments on the Bonds or the interest rate or other terms of the Bonds, provided that (i) the bondholders retain their lien on the special revenues and (ii) the payment stream has a present value equal to the value of the special revenues subject to the lien.

Given that a substantial portion of the Revenues to be deposited in accordance with the Resolution is derived from rentals, fees and charges imposed upon the Signatory Airlines pursuant to the Airline Agreement, the bankruptcy of a Signatory Airline could have an effect on the ability of the City to make debt service. KBRA understands that in the event a bankruptcy case is filed with respect to an airline operating at the Airport, the Airline Agreements, lease or permit governing such airline's use of Airport space would constitute an executory contract or unexpired lease pursuant to the United States Bankruptcy Code. In Chapter 11 cases, the debtor in possession or a trustee, if one is appointed, has 120 days from the date of filing of the bankruptcy petition to decide whether to keep ("assume") or jettison ("reject") a nonresidential lease, such as the Airline Agreement. The 120-day period may be extended by court order for an additional 90 days for cause. Any additional extensions are prohibited unless the debtor airline or trustee obtains the City's consent and a court order.

KBRA understands that under the Bankruptcy Code, were a bankruptcy trustee or the airline as debtor in possession to elect to reject an executory contract or unexpired lease of non-residential real property, the rejection is deemed to be a default immediately before the date of the filing of the bankruptcy petition. Under the Bankruptcy Code, upon rejection of an unexpired lease the airline debtor must surrender the relevant non-residential real property to the lessor. KBRA understands that as a result, rejection of an unexpired lease by an airline debtor may result in the City unexpectedly regaining control of the applicable facilities (including gates and boarding areas). The City could then lease or permit such facilities to other airlines. The City's ability to lease such facilities to other airlines may of course depend on the state of the airline industry in general, on the nature and extent of the increased capacity at the Airport resulting from the departure of the debtor airline, and on the need for such facilities.

KBRA understands that under the Bankruptcy Code, any rejection of a lease or other agreement could also result in a claim by the City for rejection damages against the debtor airline. Such claim would be in addition to all pre-bankruptcy amounts owed by the debtor airline. With respect to leases, a rejection damages claim for the rent due under a lease is capped under the Bankruptcy Code at the greater of one year, or 15%, not to exceed three years, of the remaining term of the lease. KBRA understands that rejection damages claims are generally treated as a general unsecured claim of the airline debtor, and could be considerably less than the cap. However, the City may have rights against any faithful performance bond or letter of credit required of an airline to secure its obligations under the Airline Agreements and/or the right to set off against credits owed to the airline under relevant agreements.

Alternatively, KBRA understands that under the Bankruptcy Code an airline debtor can "assume" its executory contracts and unexpired leases. The Bankruptcy Code further provides for an airline debtor to assume and assign its executory contracts and leases to a third party, subject to certain conditions. KBRA understands that if the bankruptcy trustee or the airline assumes its executory contracts or unexpired leases as part of reorganization, the airline debtor must "cure" or provide adequate assurance that the airline debtor will promptly cure its prepetition defaults, including arrearages in amounts owed. Even if all such amounts owed are eventually paid, the City could experience delays of many months or more in collecting them.

Conclusion

Overall, KBRA has assigned a long-term rating of **A-** with a **Stable Outlook** to the City of Manchester, NH General Airport Revenue Bonds.

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Related Publications:

- **City of Manchester, NH General Airport Revenue Bond Rating Report dated October 11, 2016**