Responses to Questions Related to the Request for Proposals to Provide a Direct Placement

for

MANCHESTER-BOSTON REGIONAL AIRPORT

(provided on August 6, 2018)

The City of Manchester, New Hampshire received numerous questions related to the Request for Proposals it issued recently inviting banks to submit a direct placement for Manchester-Boston Regional Airport ("MHT" or "the Airport"). The Airport has provided responses below to as many of the questions as possible, based on the time and information currently available. The bank selected as the winner in the process will have an opportunity to undertake additional due diligence with the Airport.

1. Will all questions/answers be posted?

Yes, all questions and answers are incorporated in this addendum. This addendum has been distributed to all parties receiving the RFP and will also be posted to the City's website at manchesternh.gov.

2. Will this DP be part of the Debt Service Reserve Pool and not part of the excluded group?

Yes, currently the City expects the direct placement to be secured by the common account in the Airport's debt service reserve fund.

3. Is the City of Manchester in any way backing the Airport's debt as currently structured?

No, Airport debt is secured by Airport Revenues, subject to the prior payment of Operation and Maintenance Expenses. Airport debt is not a general obligation of the City, nor is the full faith and credit of the City pledged.

4. Please provide a copy of the Airports standard Airline Agreement.

Please see Attachments 1-3.

5. Please confirm the current maturity date for each existing airline agreement.

The agreements expire on 6/30/2020. At MHT's annual rates and charges meeting with the airlines in June the existing agreement was discussed. The airlines were very positive about their relationship with MHT and it was agreed to go into detail on the new agreement at the June 2019 meeting.

6. What is the process and timing for renewals of the existing airline agreements?

They will be discussed in more detail at the next annual meeting in June 2019.

7. Do you anticipate any events that would have either a positive or negative impact on current enplanement levels?

No, traffic has been relatively stable and the City is not aware of any event that would be expected to have a materially positive or negative impact on current enplanement levels.

8. Is there any planned or projected increase or expansion of current cargo operations?

Not currently, however, cargo operations at MHT are quite robust. MHT is the third largest cargo airport in New England. The airport processed 170 million pounds of cargo during FY 2017 (an increase from 160 million pounds during FY 2016); more cargo than Portsmouth, Portland, Bangor, Burlington, Worcester and Providence combined. For the first 6 months of 2018, cargo is up 12% in comparison with the prior year.

9. Do the three largest cargo operators have contracts with the Airport? If so, can we get a copy? If not, what ensures they continue to land at Manchester Airport?

Yes they do have contracts, those contracts also expire on June 30, 2020. The cargo airlines are also attendees at the annual rates and charges meeting and will be involved in the contract discussions as well. Please see Attachment 4, a copy of the Federal Express agreement attached.

10. Please provide a more detailed description/calculation of DSC.

Please see Attachment 5, backup for the calculation for FY 2017.

11. **Based upon scheduled debt service payments compared to actual FY17 net revenues available for debt service, it looks like pro-forma DSC is estimated to fall below the 1.25x covenanted level? If not, would you provide a schedule showing compliance, of so, is there a mechanism in place to ensure compliance?**

MHT does not budget or intend to fall below 1.25x. If there were ever an instance when that could happen there is extraordinary coverage protection in the first amendment to the airline agreement that would prevent that from happening.

12. **Is a forecast available for the loan term (assume 10 years) that provides DSC and other covenant compliance?**

No such forecast is available, however, DSC is expected to continue to meet and exceed DSC requirements. A new airline agreement or additional revenues could increase that ratio.

13. **Amounts in the Coverage Account are required to be equal to 125% of Maximum Annual Debt Service however the balance of $14.6MM as of FYE17 falls below MADS of $17MM. Is maximum annual debt service, for purposes of this calculation, shown net of PFC revenue transfers and if so, is a schedule available?**

The Airport maintains a "common" Debt Service Reserve Fund ("DSRF") which secures all of its outstanding parity bonds, unless a series has been specifically excluded from sharing in the DSRF. The Series 2009A and Series 2012A-B are secured by the common DSRF. The Series 2013A, 2014A, and 2015A Bonds are excluded from the DSRF.

As of June 30, 2017, the balance in the DSRF was approximately $14.6 million.

In determining the Aggregate Debt Service Reserve Requirement for the series participating in the common DSRF, the "lesser of the three-part test" is applied on an aggregate basis for all series participating in the common DSRF. Based on the City's most recent calculation of the Aggregate Debt Service Reserve Requirement, where such requirement was determined based on MADS of approximately $14.6 million for the series participating in the reserve, the DSRF is adequately funded.

The City currently contemplates that this direct placement will have a claim on the common DSRF.

Please note that per the Airline Agreement, the City also maintains a separate Coverage Account within the General Fund. All remaining amounts after satisfying the flow of funds established in the General Airport Revenue Bond Resolution are deposited into the General Fund. Amounts in the General Fund are to be used by the City for any lawful purpose. Per the Airline Agreement, the Coverage Account is funded to an amount equal to the 25% of the annual debt service requirement (such requirement is net of amounts paid with PFCs).

14. Can you give some color as to the why the existing amortization is structured with the two large principal reductions due in FY27 and FY28?

When issued, the Series 2009A Bonds were "wrapped" around outstanding debt service of the Airport and structured to achieve approximately level annual aggregate debt service on all outstanding bonds. The Airport's current aggregate annual debt service is shown on Page B-4 of Attachment B to the RFP.

15. Please provide a monthly cash flow for the airport, including 12 months historical and 12 months projected, with revenue and expenditure detail broken down.

Please see Attachment 6, end of month balances for calculation of days cash on hand. These end of month balances reflect the impact that monthly cash flows for the last 12 months have had on operating balances. Current estimates (with interest income not posted yet for April –June) show cash on hand at 536 days as of 6/30/2018. MHT projects to continue with strong cash balances for the next 12 months. Preliminary year end data for 6/30/2018 indicates higher net income than the FY before.

16. Please provide 3-year historical debt service coverage calculation, separating out the appropriate revenue streams, reserves, and applicable debt service payments.

Please see Attachment 7.

17. Is a swap permitted and if so, would the Department be open to the option?

No.

18. Should an airline go bankrupt, can the airport fully lease the airline's gates?

The airlines are obligated to pay until the current lease term expires on June 30, 2020. The airport can reserve the right to lease to another airline if that were to occur.

19. Could you please elaborate on the cause of the enplanement decreases?

There are multiple causes for the decline. MHT is in the shadow of Logan airport. The rise of new low cost carrier competition into that airport started the decline. Additionally the economic recession, fuel crisis, mergers and acquisitions, and recent pilot and plane shortages have contributed to the decline. The airport has had a stable operating budget throughout the decline and has made reductions in expenses during that time as well. The airport has also been successful in generating additional nonairline revenues during this time as well. In addition to the stable operating budget, the enplanements numbers have stabilized as well. If you look at the airport from the period of FY 1998 to FY 2017, enplanements have experienced a compounded annual growth rate of approximately 2.5% despite the activity fluctuations that have occurred over that period.

20. Can you please send us the latest rating reports for Manchester Airport?

Please see Attachments 8-10.