

NEW ISSUE-BOOK-ENTRY ONLY**Ratings: See "RATINGS"**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City, under existing statutes and court decisions, and assuming compliance with certain tax covenants described herein, (i) interest on the Series 2009 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) interest on the Series 2009A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax, and (iii) interest on the Series 2009B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the City, under existing statutes, interest on the Series 2009 Bonds is exempt from the New Hampshire personal income tax on interest. See "TAX MATTERS" for a description of certain other provisions of the Code that may affect the tax treatment of interest on the Series 2009 Bonds for certain bondholders.

\$85,535,000**CITY OF MANCHESTER, NEW HAMPSHIRE****General Airport Revenue Bonds****\$64,830,000****Refunding Series 2009A****\$20,705,000****Refunding Series 2009B****Dated:** Date of Delivery**Due:** January 1, as shown on the inside cover

The City of Manchester, New Hampshire, General Airport Revenue Bonds, Refunding Series 2009A (the "Series 2009A Bonds") and Refunding Series 2009B (the "Series 2009B Bonds" and, together with the Series 2009A Bonds, the "Series 2009 Bonds") are issuable only as fully registered bonds without coupons, and, when issued, will be registered in the name of Cede & Co., as bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. Purchases of beneficial interests in the Series 2009 Bonds will be made in book-entry only form, in authorized denominations. Purchasers of beneficial interests will not receive certificates representing their interests in the Series 2009 Bonds. See "BOOK-ENTRY ONLY SYSTEM."

The Series 2009 Bonds are being issued by the City of Manchester, New Hampshire (the "City") to provide funds to refund certain Outstanding Bonds (as defined herein) issued with respect to Manchester-Boston Regional Airport (the "Airport") and certain other related purposes, as described in "PLAN OF FINANCE."

The Series 2009 Bonds shall bear interest payable on July 1, 2010 and semi-annually on each January 1 and July 1 thereafter until maturity or earlier redemption as set forth herein. The Series 2009 Bonds are subject to optional redemption prior to maturity, as more fully described herein.

The Series 2009 Bonds shall be fully registered bonds in minimum denominations of \$5,000 and integral multiples of \$5,000 in excess thereof.

Principal and redemption or purchase price, if any, of and interest on the Series 2009 Bonds will be paid directly to DTC by The Bank of New York Mellon, Boston, Massachusetts, as Trustee, so long as DTC or its nominee, Cede & Co., is the bondowner. Disbursement of such payments to the DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of the DTC participants and the indirect participants, as more fully described herein.

The scheduled payment of principal of and interest on the Series 2009A Bonds maturing in the years 2016, 2019 through 2021, inclusive, the \$3,810,000 term bonds due January 1, 2024 with a coupon of 4.500%, and the \$26,895,000 term bonds due January 1, 2030 with a coupon of 5.125% (collectively, the "Insured Bonds"), when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Insured Bonds by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.). See "BOND INSURANCE."

The Series 2009 Bonds are special obligations of the City, payable solely from Revenues (as defined herein) of the City derived from the ownership and operation of the Airport, subject to the prior payment of Operation and Maintenance Expenses (as defined herein), on a parity with Outstanding Bonds and any additional Bonds (as defined herein) which may hereafter be issued by the City for Airport purposes and other obligations, as provided in the Resolution (as defined herein). The Series 2009 Bonds are not general obligations of the City. Neither the full faith and credit nor the taxing power of the City, the State of New Hampshire or any political subdivision or agency of the State of New Hampshire is pledged to the payment of the Series 2009 Bonds.

This cover page contains certain information for quick reference only. Investors must read the entire Official Statement to obtain information essential to the making of any informed investment decision.

The Series 2009 Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts and for the City by the City Solicitor. Fullerton & Friar, Inc., Largo, Florida, serves as Financial Advisor to the City. It is expected that the Series 2009 Bonds in definitive form will be available for delivery through the facilities of DTC or its custodial agent on or about December 22, 2009.

J.P. Morgan**Citi**

Dated: December 8, 2009

\$85,535,000
City of Manchester, New Hampshire
General Airport Revenue Bonds

\$64,830,000
Refunding Series 2009A

Dated: Date of Issuance

Due: January 1, as shown below

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP Number</u> [†]	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP Number</u> [†]
2011	\$555,000	5.000%	2.000%	562334EB4	2016 [‡]	\$2,295,000	4.000%	3.700%	562334ES7
2012	300,000	3.000	2.310	562334EC2	2017	2,365,000	5.000	4.100	562334EG3
2012	280,000	5.000	2.310	562334ER9	2018	2,440,000	4.000	4.330	562334EH1
2013	600,000	5.000	2.650	562334ED0	2019 [‡]	2,505,000	4.000	4.230	562334ET5
2014	615,000	3.000	3.100	562334EE8	2020 [‡]	2,575,000	4.125	4.330	562334EL2
2015	550,000	4.000	3.570	562334EF5	2021 [‡]	2,645,000	4.250	4.430	562334EM0
2015	4,225,000	5.000	3.570	562334EQ1					

\$4,675,000 4.875% Term Bonds due January 1, 2024 ; Yield: 5.000% CUSIP: 562334EJ7[†]

\$3,810,000 4.500% Term Bonds due January 1, 2024[‡] ; Yield: 4.720% CUSIP: 562334EN8[†]

\$7,500,000 5.250% Term Bonds due January 1, 2030 ; Yield: 5.310% CUSIP: 562334EK4[†]

\$26,895,000 5.125% Term Bonds due January 1, 2030[‡] ; Yield: 5.150% CUSIP: 562334EP3[†]

\$20,705,000
Refunding Series 2009B

Dated: Date of Issuance

Due: January 1, as shown below

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP Number</u> [†]	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP Number</u> [†]
2011	\$3,910,000	5.000%	2.000%	562334EY4	2014	\$5,365,000	5.000%	3.100%	562334EW8
2012	4,855,000	5.000	2.310	562334EU2	2015	1,470,000	5.000	3.570	562334EX6
2013	5,105,000	5.000	2.650	562334EVO					

[†] Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2009 Bonds as a result of various subsequent actions.

[‡] Insured by a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (collectively, the "Insured Bonds"). See "BOND INSURANCE" herein.

Subject to optional redemption on January 1, 2019 at a redemption price of 100%. See "DESCRIPTION OF THE SERIES 2009 BONDS—Redemption Provisions for the Series 2009 Bonds" herein.

CITY OF MANCHESTER, NEW HAMPSHIRE

MAYOR

Frank C. Guinta

BOARD OF ALDERMEN

Ward 1.....	Mark E. Roy	Ward 7.....	William P. Shea
Ward 2.....	Theodore L. Gatsas*	Ward 8.....	Betsi De Vries
Ward 3.....	Peter M. Sullivan	Ward 9.....	Michael Garrity
Ward 4.....	Jim Roy	Ward 10.....	George Smith
Ward 5.....	Ed Osborne	Ward 11.....	Russ Ouellette
Ward 6.....	Real R. Pinard	Ward 12.....	Patrick J. Arnold, Jr.
At Large	Michael Lopez	At Large	Daniel P. O’Neil

* Mayor elect.

CITY ADMINISTRATION

William Sanders, Finance Officer
Guy Beloin, Assistant Director – Accounting & Reporting
Sharon Wickens, Assistant Director – Treasury
Matthew Normand, City Clerk
Thomas R. Clark, City Solicitor

MANCHESTER-BOSTON REGIONAL AIRPORT

Mark P. Brewer, Director

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

FINANCIAL ADVISOR

Fullerton & Friar, Inc.
Largo, Florida

The information set forth herein has been obtained from the City, the Depository Trust Company, Assured Guaranty Municipal Corp., and other sources that are deemed to be reliable, but, as to information from sources other than the City, it is not to be construed as a representation of the City. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2009 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the City or the Airport since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Series 2009 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement contains forecasts, projections and estimates that are based on current expectations. In light of the important factors that may materially affect the financial condition of the Airport and the airline industry generally and other economic and financial matters, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the City or the Underwriters that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (“Assured Guaranty”) makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading “BOND INSURANCE” and “Appendix F - Specimen Municipal Bond Insurance Policy”.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS TO STABILIZE OR MAINTAIN THE MARKET PRICES OR YIELDS OF THE SERIES 2009 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

FOR NEW HAMPSHIRE RESIDENTS: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

\$85,535,000
CITY OF MANCHESTER, NEW HAMPSHIRE
GENERAL AIRPORT REVENUE BONDS

\$64,830,000
REFUNDING SERIES 2009A

\$20,705,000
REFUNDING SERIES 2009B

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, inside cover page and appendices, is to provide certain information concerning the City of Manchester, New Hampshire (the "City") and the Manchester-Boston Regional Airport (the "Airport") in connection with the sale and delivery by the City of its \$64,830,000 principal amount of General Airport Revenue Bonds, Refunding Series 2009A (the "Series 2009A Bonds") and \$20,705,000 principal amount of General Airport Revenue Bonds, Refunding Series 2009B (the "Series 2009B Bonds" and together with the Series 2009A Bonds, the "Series 2009 Bonds").

The Series 2009 Bonds are authorized to be issued pursuant to certain proceedings of the City, Chapter 33-B of the New Hampshire Revised Statutes (the "Act") and the General Airport Revenue Bond Resolution of the City of Manchester, New Hampshire, adopted by the City as of October 1, 1998, as amended (the "General Resolution"), and as supplemented by the Ninth Supplemental Resolution authorizing the Series 2009 Bonds (the "Ninth Supplemental Resolution") to be adopted by the City prior to the issuance of the Series 2009 Bonds. The General Resolution, as supplemented to and including the date of issuance of the Series 2009 Bonds, is herein referred to as the "Resolution." The bonds issued under the Resolution, including the Series 2009 Bonds and all bonds of the City hereafter issued pursuant to the Resolution on parity therewith are referred to herein as the "Bonds."

The Series 2009 Bonds are being issued for the purpose of refunding on a current basis certain Outstanding Bonds and making or reimbursing the City for a payment related to the termination of a related interest rate swap agreement. See "PLAN OF FINANCE." As described herein, the City may incur other obligations on parity with the Bonds. Upon the issuance of the Series 2009 Bonds, the City will have \$235,705,000 aggregate principal amount of Bonds Outstanding under the Resolution. Unless otherwise defined in this Official Statement, all capitalized terms used will have the definitions set forth in the Resolution, many of which are summarized under "Appendix B - Summary of Certain Provisions of the Resolution - Definitions."

The City

The City is located on the Merrimack River in south central New Hampshire approximately fifty-eight miles north of Boston, Massachusetts. The City had an estimated 2008 population of 108,154 and occupies a land area of 33.9 square miles. It is the largest city in northern New England. The City is governed by the Board of Mayor and Aldermen (the "Board"). On November 3, 2009, an election was held in the City and a new Mayor and Board of Aldermen were elected. The Mayor-elect and Aldermen-elect will take office on January 5, 2010. See "THE CITY."

The Airport

The City owns and, through its Department of Aviation, operates the Airport. The 1,200 acre Airport is located in both the City and the Town of Londonderry, New Hampshire, approximately six miles south of the downtown area of the City in both Hillsborough and Rockingham Counties. The primary service region of the Airport consists of Hillsborough, Merrimack and Rockingham counties in New Hampshire with a 2008 population of approximately 843,160. The Airport is the largest commercial passenger and air cargo airport in northern New

England. The Airport is currently served by six major air carriers and/or their regional affiliates and four all-cargo carriers. See "THE AIRPORT" and "AIRPORT ACTIVITY AND AGREEMENTS."

Purpose of the Series 2009 Bonds

Proceeds of the Series 2009 Bonds are being used by the City to fund an escrow account, which will be used to refund on a current basis the Outstanding Bonds listed in "PLAN OF FINANCE" below (the "Refunded Bonds"), to make or reimburse the City for a payment in connection with the termination of a related interest rate swap agreement, to fund a required deposit to the Debt Service Reserve Fund and to pay costs of issuance of the Series 2009 Bonds. See "PLAN OF FINANCE."

Security for the Series 2009 Bonds

Upon issuance of the Series 2009 Bonds, the Series 2009 Bonds will be secured by a pledge of and lien on Revenues, subject to the payment of Operation and Maintenance Expenses, and the provisions of the Resolution regarding the application of Revenues. Revenues consist of all receipts, revenues, rentals, investment earnings, income and other moneys received by or on behalf of the City from or in connection with the ownership or operation of all or any part of the Airport Property, including without limitation, landing fees, terminal rentals, real property rentals, concession fees, parking receipts and earnings from the investment of Revenues, as further defined in the Resolution. Revenues do not include passenger facility charge ("PFC") revenues or Grant Receipts. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "Appendix B - Summary of Certain Provisions of the Resolution - Definitions."

The Series 2009 Bonds are special obligations of the City, payable solely from Revenues derived from the ownership and operation of the Airport, subject to the prior payment of Operation and Maintenance Expenses, as described herein, on a parity with Outstanding Bonds, any additional Bonds which may hereafter be issued by the City for Airport purposes, and other parity obligations described herein, as provided in the Resolution. The Series 2009 Bonds are not general obligations of the City. Neither the full faith and credit nor the taxing power of the City, the State of New Hampshire (the "State") or any political subdivision or agency of the State is pledged to the payment of the Series 2009 Bonds.

Airline Agreements

The current Airline Operating Agreements and Terminal Building Leases (the "Airline Agreements") between the City and the signatory airlines serving the Airport will expire on June 30, 2010. The Airport has negotiated a First Amendment to the Airline Operating Agreement and Terminal Building Lease (the "Amendment") to extend the term of the Airline Agreements to June 30, 2015. The Amendment has not yet been executed by any airline. It is expected that the extensions to the Airline Agreements will be executed prior to June 30, 2010. The signatory airlines that are parties to the Airline Agreements are: Air Canada, Continental, Delta Air Lines, Southwest Airlines, United Airlines and US Airways and/or their regional affiliates. The airlines that are parties to the Airline Agreements and their affiliates accounted for approximately 99.95% of fiscal year 2009 enplanements at the Airport.

The City expects to negotiate separate operating agreements and leases with the cargo airlines currently serving the Airport with operating provisions that are substantially the same as those contained in the Airline Agreements. See "THE AIRPORT - Governing Body," "AIRPORT ACTIVITY AND AGREEMENTS - Airline Agreements," and "Appendix C - Summary of Certain Provisions of the Airline Agreements" for additional information concerning the Airline Agreements.

For a description of Airport concessions and other significant contracts for Airport services, see "THE AIRPORT - Airport Services" and "AIRPORT ACTIVITY AND AGREEMENTS - Airport Concessions and Other Contracts."

Continuing Disclosure

The City will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) for the benefit of the owners and beneficial owners of the Series 2009 Bonds, pursuant to which the City will agree to provide annually certain Airport financial information and operating data to certain information repositories, and to provide notice to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format prescribed by the MSRB of certain enumerated events, pursuant to the requirements of Rule 15c2-12 of the Securities and Exchange Commission. See “CONTINUING DISCLOSURE” and “Appendix E - Form of Continuing Disclosure Agreement.”

Additional Information

Brief descriptions of the Series 2009 Bonds, the City, the Airport, the Resolution and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, report or other instrument. The audited financial statements of the City’s Department of Aviation included as Appendix A are for the fiscal year ended June 30, 2008. All fiscal year 2009 information in this Official Statement is unaudited, preliminary and subject to change. Information contained herein has been obtained from officers, employees and records of the City and the Airport and from other sources believed to be reliable. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City or the Airport since the date hereof. This Official Statement is not to be construed as a contract or agreement between the City or the underwriters and purchasers or owners of any of the Series 2009 Bonds.

Bond Insurance

Concurrently with the issuance of the Series 2009 Bonds, Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (“Assured Guaranty”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Series 2009A Bonds maturing on January 1 of the years 2016, 2019 through 2021, inclusive, the \$3,810,000 term bonds due January 1, 2024 with a coupon of 4.50%, and the \$26,895,000 term bonds due January 1, 2030 with a coupon of 5.125% (collectively, the “Insured Bonds”). See “BOND INSURANCE” and “Appendix F – Specimen Municipal Bond Insurance Policy.” The Policy applies only to the Insured Bonds.

Assured Guaranty Deemed Holder of Insured Bonds

So long as the Policy shall remain in full force and effect, and so long as there shall have been no default by the Assured Guaranty thereunder, Assured Guaranty shall be deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Insured Bonds are entitled to take pursuant to the Resolution pertaining to (i) defaults and remedies, (ii) the duties and obligations of the Trustee, or (iii) any amendment, supplement, modification to, or waiver of, the Resolution that requires the consent of the holders of the Insured Bonds.

DESCRIPTION OF THE SERIES 2009 BONDS

The Series 2009 Bonds will be issued as fully registered bonds in the aggregate principal amount set forth on the cover page hereof, will be dated the date of initial delivery thereof and will bear interest from that date to maturity as set forth on the inside cover page hereof, subject to redemption prior to maturity as described below. Ownership interests in the Series 2009 Bonds will be available in denominations of \$5,000 and integral multiples of \$5,000 in excess thereof. Interest on the Series 2009 Bonds will be payable on each January 1 and July 1, commencing July 1, 2010, until maturity or earlier redemption.

So long as Cede & Co. is the registered owner of the Series 2009 Bonds, all payments of principal or redemption price, if any, and interest on the Series 2009 Bonds are payable by wire transfer by The Bank of New York Mellon, Boston, Massachusetts, as Trustee (the “Trustee”) to Cede & Co. as nominee for The Depository Trust

Company (“DTC”), New York, New York, which will, in turn, remit such amounts to the DTC participants for subsequent disposition to beneficial owners. See “BOOK-ENTRY ONLY SYSTEM.”

Redemption Provisions for the Series 2009 Bonds

Optional Redemption. The Series 2009 Bonds maturing on or prior to January 1, 2019 will not be subject to optional redemption prior to their respective maturity dates. The Series 2009 Bonds maturing after January 1, 2019 will be redeemable at the option of the City, on or after January 1, 2019 in whole or in part on any date, in any order of maturity and by lot within any single maturity, at a redemption price of 100% of the principal amount of such Series 2009 Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The \$4,675,000 principal amount of Series 2009A Bonds maturing on January 1, 2024 with a coupon of 4.875% are subject to redemption in part by lot on January 1 of the indicated years and in the indicated principal amounts as mandatory sinking fund installments, at a redemption price equal to the principal amount thereof plus accrued interest:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2022	\$1,505,000	2024 [†]	\$1,615,000
2023	1,555,000		

[†]Final maturity.

The \$3,810,000 principal amount of Series 2009A Bonds maturing on January 1, 2024 with a coupon of 4.5% are subject to redemption in part by lot on January 1 of the indicated years and in the indicated principal amounts as mandatory sinking fund installments, at a redemption price equal to the principal amount thereof plus accrued interest:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2022	\$1,230,000	2024 [†]	\$1,310,000
2023	1,270,000		

[†]Final maturity.

The \$7,500,000 principal amount of Series 2009A Bonds maturing on January 1, 2030 with a coupon of 5.25% are subject to redemption in part by lot on January 1 of the indicated years and in the indicated principal amounts as mandatory sinking fund installments, at a redemption price equal to the principal amount thereof plus accrued interest:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2025	\$660,000	2028	\$2,370,000
2026	685,000	2029	740,000
2027	2,280,000	2030 [†]	765,000

[†]Final maturity.

The \$26,895,000 principal amount of Series 2009A Bonds maturing on January 1, 2030 with a coupon of 5.125% are subject to redemption in part by lot on January 1 of the indicated years and in the indicated principal amounts as mandatory sinking fund installments, at a redemption price equal to the principal amount thereof plus accrued interest:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2025	\$2,365,000	2028	\$8,495,000
2026	2,455,000	2029	2,650,000
2027	8,180,000	2030 [†]	2,750,000

[†]Final maturity.

In the event that any Series 2009A Bonds shall be redeemed in part at the option of the City, then the principal amount so redeemed shall be applied to reduce the amount of mandatory sinking fund installments of the Series 2009A Bonds (including principal due on the final maturity date of the Series 2009A Bonds) as the City shall specify in writing to the Trustee.

Notice of Redemption. The Trustee shall give notice of redemption by mailing a copy of the redemption notice by registered or certified mail, postage prepaid, at least thirty (30) days and not more than forty-five (45) days prior to the date fixed for redemption, to the registered holder of each Series 2009 Bond to be redeemed at the address shown on the registration books kept by the Trustee.

The City may provide that, if at the time of mailing of notice of an optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Series 2009 Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Trustee not later than the opening of business five Business Days prior to the scheduled redemption date, and such notice shall be of no effect unless such moneys are so deposited. Failure to give any required notice of redemption or any defect therein as to any particular Series 2009 Bonds will not affect the validity of the call for redemption of any Series 2009 Bonds in respect of which no failure occurs. Any notice sent as provided herein will be conclusively presumed to have been given whether or not actually received by the addressee.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company, New York, NY, will act as securities depository for the Series 2009 Bonds. The Series 2009 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2009 Bond certificate will be issued for each maturity of each series of the Series 2009 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has S&P's (defined herein) highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2009 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial

Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2009 Bonds, except in the event that use of the book-entry system for the Series 2009 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2009 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Redemption notices shall be sent to DTC. If less than all of the Series 2009 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2009 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2009 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2009 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participant and not of DTC nor its nominee, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2009 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2009 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2009 Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Neither the City nor the Trustee will have any responsibility or obligation to the Direct or Indirect Participants of DTC or the persons for whom they act as nominees with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to the Direct Participants, the Indirect Participants or the Beneficial Owners, (iii) the selection by DTC or by any Direct or Indirect Participant of DTC of any Beneficial Owner to receive payment in the event of a partial redemption of the Series 2009 Bonds or (iv) any other action taken by DTC or its partnership nominee as owner of the Series 2009 Bonds.

Transfer of Series 2009 Bonds

So long as Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC), as nominee for DTC, is the bondowner of record of the Series 2009 Bonds, beneficial ownership interests in the Series 2009 Bonds may be transferred only through a Direct Participant or Indirect Participant and recorded on the book-entry system operated by DTC. In the event the book-entry only system is discontinued, Series 2009 Bond certificates will be delivered to the Beneficial Owners as described in the Resolution. Thereafter, the Series 2009 Bonds, upon surrender thereof at the corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the holder thereof or such holder's duly authorized attorney, may be exchanged for an equal aggregate principal amount of Series 2009 Bonds of the same series and maturity and of any Authorized Denominations.

In all cases in which the privilege of exchanging or transferring Series 2009 Bonds is exercised, the City shall execute and the Trustee shall authenticate and deliver the Series 2009 Bonds in accordance with the provisions of the Resolution. For every such exchange or transfer of Series 2009 Bonds, the City or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer but may impose no other charge therefor. Neither the City nor the Trustee shall be required to make any such exchange or transfer of Series 2009 Bonds during the 15 days next preceding an Interest Payment Date or, in the case of any proposed redemption, during the 15 days next preceding the first publication or mailing of notice of redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The following summary of the security for the Bonds is qualified in its entirety and reference is hereby made to Appendix B hereto and to the Resolution, which set forth in further detail provisions relating to the security for the Bonds. For definitions of certain capitalized terms used but not defined herein, see "Summary of Certain Provisions of the Resolution - Definitions" in Appendix B.

The payment of the principal of and premium, if any, and interest on the Bonds is secured by a pledge of the Revenues of the City from or in connection with the operation of the Airport. The Bonds do not constitute general obligations of the City and the full faith and credit of the City are not pledged to the payment of the principal or redemption price of or interest on the Bonds. Neither the State nor any other political subdivision thereof shall be obligated to pay the principal or redemption price of or interest on any Bond, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to such payment.

Under the Resolution, the City may issue additional Bonds on a parity with the Outstanding Bonds, the Series 2009 Bonds and other parity obligations as described herein upon the satisfaction of certain conditions. See "Additional Indebtedness" and "Summary of Certain Provisions of the Resolution - Conditions Precedent to Delivery of a Series of Bonds" in Appendix B. All Bonds are equally and ratably secured under the provisions of the Resolution and by the Funds and Accounts established thereunder, including, without limitation, the Debt Service Reserve Fund. See "Debt Service Reserve Fund" below. The Resolution also permits the issuance of Subordinated Bonds.

Other obligations that may be incurred on a parity with the Bonds include, among other things, Regularly Scheduled Swap Payments made with respect to a Qualified Swap and Parity Reimbursement Obligations. The City has entered into a Reimbursement Agreement with RBS Citizens, National Association in connection with its General Airport Revenue Bonds, Refunding Series 2008 (the "Series 2008 Bonds") pursuant to which it may incur Parity Reimbursement Obligations. Following the issuance of the Series 2009 Bonds, no Qualified Swaps will remain in effect. See "Appendix B - Summary of Certain Provisions of the Resolution - Credit Facilities; Obligations Under Qualified Swap; Nonqualified Swap."

The Resolution permits the issuance of Subordinated Bonds, which are referred to herein, together with the Bonds, as “Secured Bonds,” as well as other obligations that are subordinate to the Bonds. The City currently has no Subordinated Bonds outstanding with respect to the Airport.

The Resolution permits the City to pay as Operation and Maintenance Expenses interest payments on revenue anticipation notes which may be issued in an aggregate amount in a fiscal year not exceeding fifty percent of the Revenues for the immediately preceding fiscal year. See also “Appendix B - Summary of Certain Provisions of the Resolution - Indebtedness and Liens.”

Neither the City Charter nor the Act limits the total amount of the Bonds which may be outstanding at any time. For a table showing the debt service on outstanding Bonds, see “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE - Debt Service.”

Revenue Pledge

In the Resolution, the City pledges as security for Bonds and for other permitted parity obligations (i) all Revenues and (ii) all moneys or securities held in any Fund, Account or Subaccount established under the Resolution (except the Revenue Fund, the Operating Fund, the Rebate Fund, the Note Payment Fund, the PFC Fund, the LOI Fund and any Subordinated Debt Service Reserve Fund) together with all investment earnings thereon (except to the extent such earnings are required to be deposited into the Rebate Fund). This pledge is subject to the provisions of the Resolution regarding the application of Revenues and other moneys pledged as security for Bonds and Subordinated Bonds, if any. See “Consequences of Events of Default” below.

The term “Revenues” is defined in the Resolution to include the following: all receipts, revenues, rentals, investment earnings, income and other moneys received by or on behalf of the City from or in connection with the ownership or operation of all or any part of the Airport Property, whether existing at the date of adoption of the Resolution or thereafter coming into existence and whether held by the City on such date or thereafter acquired, including without limitation, all tolls and charges, landing fees, terminal rentals, real property rentals, concession fees, parking receipts, interest income, proceeds of business interruption insurance, if any, and condemnation awards from temporary takings, but not including (i) proceeds of insurance (except business interruption insurance, if any) and of condemnation awards (except awards for temporary takings), (ii) proceeds of the sale of the Bonds, Subordinated Bonds, if any, or any other Indebtedness, (iii) Grant Receipts, PFC Revenues or amounts which are subject to referral by the City or held for the account of others, (iv) proceeds of the sale of any portion of the Airport Property permitted under the Resolution, (v) moneys derived from facilities hereafter financed with the proceeds of Indebtedness permitted under the Resolution to finance a facility for a particular person to the extent that such are pledged to the payment of such Indebtedness under a separate resolution, indenture or other agreement of the City, (vi) interest income or other investment earnings on the Project Fund or the PFC Fund or (vii) any Swap Termination Payments to the City pursuant to a Swap; provided, that there shall be included in Revenues amounts transferred from the Revenue Credit Account to the Revenue Fund as provided in the Resolution.

Flow of Airport Funds

The Resolution provides that the City shall promptly cause all Revenues received to be deposited in the Revenue Fund.

The Resolution further provides that the funds on deposit in the Revenue Fund shall be transferred by the Trustee on the last Business Day of each month to the following funds and accounts in the following order:

First, to the Operating Fund, an amount, if any, necessary to make the amount on deposit therein equal to the Operation and Maintenance Expenses for the next succeeding month as shown in the Operating Budget of the City on file with the Trustee;

Second, to the Debt Service Fund, the amounts necessary on a pro rata basis (i) to make up any deficiency in any Subaccount resulting from an increase in the applicable interest rate on any Variable Rate Bonds over the rate assumed in calculating the amount required for a prior deposit pursuant to the General

Resolution, (ii) to increase the amount on deposit in each Subaccount of the Interest Account to equal interest included in Adjusted Debt Service next coming due on Outstanding Bonds of the applicable Series accrued and unpaid and to accrue to and including the last day of the next succeeding month after taking into account any available moneys in the corresponding Subaccount of the Capitalized Interest Account, (iii) to increase the amount on deposit in each Subaccount of the Principal Account to equal that portion of the Principal Installment included in Adjusted Debt Service next coming due (within twelve months) on Outstanding Bonds of the applicable Series accrued and unpaid and to accrue to and including the last day of the next succeeding month, and (iv) to increase the amount on deposit in each Subaccount of the Redemption Account to equal the Redemption Price of Outstanding Bonds of the applicable Series then called for redemption (other than Sinking Fund Installments) as of any date on or prior to the last day of the next succeeding month; provided, that in determining the amount of any payment to any Account of the Debt Service Fund, the City shall take into account all amounts transferred to such Account on or before the same day from the PFC Revenues Account in the PFC Fund or from the LOI Revenues Account in the LOI Fund, as provided in the Resolution;

Third, to the Debt Service Reserve Fund, (i) one-twelfth of the amount necessary to increase the amount on deposit in the Common Account therein, determined as of the first day of the current fiscal year, to equal the Aggregate Debt Service Reserve Fund Requirement, and (ii) the deposit required by any Supplemental Resolution to any Special Account;

Fourth, to the Subordinated Debt Service Fund, the amounts with respect to Subordinated Bonds, if any, determined in the same manner as the amounts in the Debt Service Fund set forth in Paragraph Second above with respect to Bonds;

Fifth, to the Subordinated Debt Service Reserve Fund, (i) the amount, if any, necessary to increase the amount on deposit in the Common Account therein, determined as of the first day of the current fiscal year, to equal the level required by any Supplemental Resolution, and (ii) the deposit required by any Supplemental Resolution to any Special Account;

Sixth, to the Operation and Maintenance Reserve Fund, the amount necessary to make the amount on deposit therein equal to Operation and Maintenance Expenses for the three consecutive months following the next succeeding month, as shown in the Operating Budget of the City on file with the Trustee;

Seventh, to the Renewal and Replacement Reserve Fund, one-twelfth of the difference, if any, between the amount on deposit in such Fund on the first day of the current fiscal year and the Renewal and Replacement Reserve Requirement for the current fiscal year;

Eighth, to the Insurance Reserve Fund, one-twelfth of the difference, if any, between the amount on deposit in such Fund on the first day of the current fiscal year and the Insurance Reserve Requirement for the current fiscal year;

Ninth, to the Rebate Fund, the amount necessary to make the amount on deposit therein equal to the Rebate Fund Requirement, if any, determined in accordance with the applicable Supplemental Resolution; and

Tenth, after making the deposits set forth above, and, under certain circumstances, maintaining certain reserves, the amount remaining or any portion thereof, to the General Fund, including without limitation to the Coverage Account or the Revenue Credit Account in the General Fund.

Each Fund and Account must be funded from Revenues to the amount required under the Resolution before Revenues are transferred to Funds and Accounts lower in the flow of funds.

See "Summary of Certain Provisions of the Resolution - Flow of Funds from the Revenue Fund" in Appendix B for a more detailed explanation of the flow of funds.

Coverage Covenants

Under the Resolution, the City is required to meet the following covenants with respect to Rates and Charges (collectively, the “Rate Covenant”).

Rate Covenant. Pursuant to the Resolution, the City covenants that for each fiscal year it will maintain Revenues Available for Bond Debt Service equal to or in excess of the sum of Required Debt Service Fund Deposits plus deposits required to be made from Revenues described in Paragraphs *Third* through *Ninth* of the description of the flow of funds set forth above in “Flow of Funds” (excluding deposits to the Subordinated Debt Service Fund made from Capitalized Interest, interest or other earnings on the Project Fund, amounts paid from other funds of the City that are not Revenues and are not transferred from other Funds or Accounts established under the Resolution or amounts transferred from the PFC Revenues Account or the LOI Revenues Account). In addition, the City covenants under the Resolution that the sum of Revenues Available for Bond Debt Service in each fiscal year plus the Coverage Amount for such fiscal year shall equal or exceed 125% of Required Debt Service Fund Deposits. For the purposes of the Resolution, the term “Coverage Amount” means, for any period, the lesser of (a) the principal balance of the Coverage Account in the General Fund as of the close of business on the day immediately preceding such period or (b) 25% of the Required Debt Service Fund Deposits for such period.

For the purpose of the Resolution, the term “Revenues Available for Bond Debt Service” means, for any period, the difference of (a) the Net Revenues for such period minus (b) the principal of and interest on the Prior Bonds required to be paid during such period. Currently, there are no Prior Bonds outstanding, nor will additional Prior Bonds be issued in the future. For the purposes of the Resolution, the term “Required Debt Service Fund Deposits” means, for any period, all deposits required to be made to the Principal and Interest Accounts of the Debt Service Fund for such period under any provision of the Resolution, excluding, however, (i) amounts transferred or expected to be transferred from the Capitalized Interest Account, from interest or other investment earnings on the Project Fund or from amounts paid from other funds of the City that are not Revenues and are not transferred from other Funds or Accounts established under the Resolution and (ii) amounts transferred or irrevocably committed by resolution or other action of the Governing Body to be transferred from the PFC Revenues Account or the LOI Revenues Account. For special rules on the calculation of Required Debt Service Fund Deposits in respect of Bonds subject to a Qualified Swap or on which interest is deferred and compounded rather than being paid currently, see “Summary of Certain Provisions of the Resolution - Definitions” in Appendix B.

Special Provisions. With regard to the calculation of the Rate Covenant, the following special provisions should be noted:

(a) *Operating Surplus.* Under the Airline Agreements, the operating surplus, if any, of the Airport’s annual revenues over its requirements for Operation and Maintenance Expenses, debt service and other deposits required by the Resolution is required to be deposited to the General Fund and applied as follows: (1) first, an amount equal to 25% of the annual Debt Service Requirement to the Coverage Account maintained in the General Fund (see paragraph (b) below); (2) next, the surplus that is derived from Customer Facility Charges (“CFC”) Revenues in excess of expenses allocable to rental car operations to the CFC Reserve Account maintained in the General Fund; (3) the next remaining \$1,000,000 to the Capital Improvement Account maintained in the General Fund; (4) the next remaining \$500,000 to the Revenue Credit Account maintained in the General Fund; and (5) of the remainder, 60% to the Capital Improvement Account and 40% to the Revenue Credit Account. The amount so credited to the Revenue Credit Account for each fiscal year is deducted from airfield expense requirements in calculating landing fee rates for the next succeeding fiscal year and within the first 180 days of such next succeeding fiscal year transferred to the Revenue Fund and included in Revenues for such next succeeding fiscal year for all purposes of the Resolution, including without limitation the calculation of Revenues Available for Bond Debt Service. The formula for determining the amount required under the Airline Agreement to be deposited into the Revenue Credit Account may be modified from time to time by the City with such consents of signatory air carriers as may be required under such agreements but without any need for the consent of the holders of the Bonds. Moreover, at its option, the City may deposit into the Revenue Credit Account in any fiscal year a greater amount than the deposit required by the Airline Agreements.

(b) *Coverage Account.* Within the General Fund the City maintains a Coverage Account, the balance of which as of the close of business on the last day of each fiscal year (but not more than 25% of Required Debt Service Fund Deposits) is counted for the purpose of determining compliance with the debt service coverage requirement of the Rate Covenant in the next succeeding fiscal year. The balance in the Coverage Account may be applied from time to time to meet any shortfall in Revenues and is available to pay required deposits into the Debt Service Fund or the Subordinated Debt Service Fund or into various reserves established under the Resolution. This requirement may be changed, and funds withdrawn from the Coverage Account by the City for other purposes of the General Fund, without the consent of the holders of the Bonds. As of June 30, 2009, \$3,037,745 was held for the credit of the Coverage Account.

(c) *Credits Against Debt Service Requirements.* For the purposes of the Rate Covenant, the debt service requirement is calculated after deducting amounts of debt service paid from sources other than Revenues. These will include Capitalized Interest, if any, and investment earnings on the Project Fund and, to the extent permitted by federal law and so applied by the City, PFC Revenues and Grant Receipts received pursuant to a letter of intent ("LOI") Airport Improvement Program ("AIP") grant from the Federal Aviation Administration of the U.S. Department of Transportation ("FAA"). Such deductions also may be made from time to time to the extent that the City applies funds from non-Airport sources to pay debt service on Bonds. The City has applied a portion of its PFC Revenues to pay debt service in this manner. The City is not obligated to apply PFC Revenues to pay debt service and may elect to apply PFC Revenues in any manner permitted by federal law.

Failure to Comply with Rate Covenant. If in any fiscal year the City shall not comply with the Rate Covenant, then the City shall not be deemed to be in default under the Resolution so long as it shall specify to the Trustee the corrective steps which it has taken to ensure compliance with the Rate Covenant for the then current fiscal year; retain the Airport Consultant to review the adequacy of the City's rates, fees, rentals and other charges with respect to the Airport Property and to recommend changes necessary for the City to be in compliance with the Rate Covenant by the end of the then current fiscal year and for the following fiscal year; and, to the extent permitted by law and existing contractual relations, use its best efforts to effect such changes as are so recommended by the Airport Consultant; provided, however, that if the City shall not satisfy the requirements described above for the first full fiscal year following its failure to satisfy such requirements, then notwithstanding the foregoing such failure shall constitute a default under the Resolution. See "Summary of Certain Provisions of the Resolution - Rate Covenant" in Appendix B.

For information concerning the City's compliance with the Rate Covenant, see "FINANCIAL INFORMATION - Management's Discussion of Airport Finances."

Debt Service Reserve Fund

The Resolution establishes a Debt Service Reserve Fund to be funded in an amount which equals the Aggregate Debt Service Reserve Fund Requirement. The term "Aggregate Debt Service Reserve Requirement" means an amount equal to the least of (i) the sum of 10% of the aggregate original net proceeds of each Series of Bonds Outstanding, (ii) 125% of the average annual aggregate Debt Service on such Bonds, or (iii) the maximum aggregate amount of Debt Service due on such Bonds in any succeeding Bond Year. The Resolution requires, as a condition to the issuance of a Series of Bonds, that the Debt Service Reserve Fund be fully funded in an amount equal to the sum of the Aggregate Debt Service Reserve Fund Requirement after giving effect to the issuance of such Series and to the defeasance of any Bonds to be refunded from the proceeds of such issue. After the issuance of the Series 2009 Bonds and the refunding of the Refunded Bonds, the amount on deposit in the Debt Service Reserve Fund will be at least equal to the required amount, \$17,956,411.70. In lieu of depositing cash to the Debt Service Reserve Fund, the City may fund all or a portion of the additional amount required to be deposited into the Debt Service Reserve Fund with a Financial Guaranty. Currently, the Debt Service Reserve Fund is funded entirely in cash and investments. See "Appendix B - Summary of Certain Provisions of the Resolution - Debt Service Reserve Fund."

For purposes of calculating the Aggregate Debt Service Reserve Fund Requirement, the Debt Service on any Series of Variable Rate Indebtedness shall be determined by reference to the Pro Forma Bond Issue for such Series set forth in the Supplemental Resolution authorizing such Series. See "Appendix B - Summary of Certain

Provisions of the Resolution - Definitions - Pro Forma Bond Issue.” The Pro Forma Bond Issue fixed rate is not treated as the rate on a Series of Bonds for the purpose of compliance with the additional bonds test and rate covenant. See “Appendix B - Summary of Certain Provisions of the Resolution - Definitions - Debt Service.”

A Special Account has been established with respect to the Series 2008 Bonds. See “Appendix B - Summary of Certain Provisions of the Resolution - Establishment of Funds and Accounts.” Amounts on deposit in the Common Account in the Debt Service Reserve Fund may not be applied to pay the Principal Installments of and interest on the Series 2008 Bonds. Amounts on deposit in the Special Account established with respect to the Series 2008 Bonds may be applied solely to pay the Principal Installments of and interest on the Series 2008 Bonds. While the City maintains a letter of credit with respect to the Series 2008 Bonds, the amount required to be maintained in such Special Account shall be zero. The current letter of credit that secures the Series 2008 Bonds is scheduled to expire on June 26, 2013.

Moneys in the Debt Service Reserve Fund are available for the payment of principal and redemption price of and interest on all Bonds, except the Series 2008 Bonds, but not Subordinated Bonds, equally and ratably. See “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE - Debt Service” for a table setting forth the debt service requirements on the City’s Outstanding Bonds after giving effect to the issuance of the Series 2009 Bonds. In the event that moneys are withdrawn from the Debt Service Reserve Fund, such withdrawal shall be replenished as nearly as practicable in twelve equal monthly installments commencing in the fiscal year following such withdrawal. See “Summary of Certain Provisions of the Resolution - Flow of Funds from the Revenue Fund” in Appendix B.

Other Reserves

The Resolution also establishes an Operation and Maintenance Reserve Fund, a Renewal and Replacement Reserve Fund and an Insurance Reserve Fund. The annual requirement for each such reserve is funded in monthly installments. Under certain circumstances, moneys on deposit in the Renewal and Replacement Reserve Fund and the Insurance Reserve Fund are available to pay debt service on Bonds. Additionally, other reserves and funds established under the Resolution are generally available, with certain exceptions, to pay debt service on Bonds in the event Revenues are insufficient. See “Summary of Certain Provisions of the Resolution - Debt Service Fund,” “- Subordinated Debt Service Fund,” “-Priority of Funds in the Event of Debt Service Fund Shortfall” and “- Priority of Funds in the Event of Subordinated Debt Service Fund Shortfall” in Appendix B.

Operation and Maintenance Reserve Fund. The Operation and Maintenance Reserve Fund is funded from Revenues to equal the amount of the next three months Operation and Maintenance Expenses as set forth in the Operating Budget filed with the Trustee. Moneys in the Operation and Maintenance Reserve Fund may be transferred to the Operating Fund for the payment of Operation and Maintenance Expenses upon delivery to the Trustee of a Certificate of an Authorized Representative of the City. See “FINANCIAL INFORMATION - Management’s Discussion of Airport Finances” and “Summary of Certain Provisions of the Resolution - Operation and Maintenance Reserve Fund” in Appendix B.

Renewal and Replacement Reserve Fund. The Renewal and Replacement Reserve Fund is funded from Revenues to equal the amount of the Renewal and Replacement Reserve Fund Requirement, which currently is \$250,000. Moneys in the Renewal and Replacement Reserve Fund shall be applied to the cost of any Capital Improvement which is not provided for by moneys available in the Project Fund, the General Fund or the Operating Fund in accordance with the procedures set forth in the Resolution, including without limitation the costs of unanticipated or emergency repairs or replacements of any part of the Airport Property which are properly chargeable to plant or property accounts under generally accepted accounting principles. See “Summary of Certain Provisions of the Resolution - Renewal and Replacement Reserve Fund” in Appendix B.

Insurance Reserve Fund. The Insurance Reserve Fund is funded from Revenues to equal the amount of the Insurance Reserve Fund Requirement, which is currently \$0. Moneys in the Insurance Reserve Fund may be applied by the City in the same manner as insurance proceeds, as provided in the Resolution. See “Summary of Certain Provisions of the Resolution - Insurance Reserve Fund” in Appendix B.

The adequacy of each of the Renewal and Replacement Reserve Fund Requirement and the Insurance Reserve Fund Requirement is required to be reviewed annually by the City and every third fiscal year by the Airport Consultant or the Independent Engineer in the case of the Renewal and Replacement Reserve Requirement and by the Independent Engineer or an insurance consultant in the case of the Insurance Reserve Fund Requirement.

General Fund

The Resolution establishes the Airport's General Fund, including the Coverage Account and the Revenue Credit Account therein. In addition, the Airline Agreements establish the CFC Reserve Account and the Capital Improvement Account in the General Fund. The General Fund is funded at the discretion of the City following all other deposits under the Resolution, as described under "Flow of Airport Funds" and "Coverage Covenants" above. Amounts in the General Fund may be used by the City solely for any lawful purpose relating to the Airport, including the payment of termination payments under Qualified Swaps. See "Summary of Certain Provisions of the Resolution - General Fund" in Appendix B.

Additional Indebtedness

The Resolution contains certain conditions precedent to the issuance of Bonds, including that the City shall have complied with the Rate Covenant for any period of twelve consecutive months included wholly within the most recent period of 18 consecutive months preceding the date on which such Bonds are to be issued for which such information is available and either (i) that the City shall certify, which certificate shall be confirmed by the Accountant, that for any period of twelve consecutive months wholly included within the most recent period of 18 consecutive months preceding the date on which such Bonds are to be issued for which such information is available, the sum of Revenues Available for Bond Debt Service plus the Coverage Amount for such period of twelve consecutive months was at least equal to 125% of maximum annual Adjusted Debt Service on all Outstanding Bonds after giving effect to the issuance of such Bonds or Bonds to be refunded from the proceeds of such Bonds or (ii) that the Airport Consultant shall certify that in its estimation for each fiscal year during the period commencing with (and including) the fiscal year in which such Bonds are to be issued and ending with (and including) the later of the fifth subsequent fiscal year or the second fiscal year following the date on which all Projects financed in whole or in part by such Bonds are estimated to have been completed and placed in operation, the Rate Covenant will be satisfied, taking into account the particular Series of Bonds to be issued (and the refunding of Bonds to be refunded from the proceeds thereof), such estimations to be based on estimates by the Independent Engineer of the cost to complete and the time for completion and initial operation of such Projects and to be after giving effect, among other factors as the Airport Consultant shall consider relevant, to any estimated increases in Operation and Maintenance Expenses and in Revenues as the result of the completion of such Projects or any portion thereof.

See "FINANCIAL INFORMATION - Management's Discussion of Airport Finances" for information concerning the City's compliance with these requirements in connection with the issuance of the Series 2009 Bonds.

The foregoing requirements need not be met for Bonds issued to refund other Bonds so long as debt service is not increased in any fiscal year and the latest maturity date of Bonds and Subordinated Bonds, if any, is not extended. The Resolution requires that upon the issuance of Bonds, for refunding purposes or otherwise, the Debt Service Reserve Fund be fully funded to the Aggregate Debt Service Reserve Fund Requirement. In addition, the Resolution permits the City to issue other Indebtedness including, but not limited to, Subordinated Bonds, revenue, grant and bond anticipation notes, Indebtedness secured by the General Fund, Indebtedness secured by PFC Revenues and certain other special facilities or other non-recourse Indebtedness. See "Summary of Certain Provisions of the Resolution - Conditions Precedent to Delivery of a Series of Bonds" in Appendix B.

Consequences of Events of Default

Upon an Event of Default under the Resolution, the stated maturity of the Bonds is not subject to acceleration. See "Summary of Certain Provisions of the Resolution - Events of Default" in Appendix B. Under current law the City is not authorized to seek protection from creditors under Chapter 9 of the federal Bankruptcy Code.

Permitted Investments

Moneys held for the credit of the Funds and Accounts established under the Resolution may, with certain exceptions, be invested only in “Investment Securities” as defined in the Resolution. See “Summary of Certain Provisions of the Resolution - Definitions” in Appendix B.

Status of Passenger Facility Charges

The Revenues securing the Bonds do not include proceeds of PFCs assessed on enplaning passengers at the Airport. In order to accommodate both the requirements of the Resolution and federal law governing PFC Revenues, PFC Revenues are deposited into the PFC Fund. At the election of the City, and to the extent permitted by federal law, PFC Revenues may be applied to pay debt service on the Bonds, in which event such payments shall represent a reduction of the Required Debt Service Fund Deposits for purposes of determining compliance with the Rate Covenant and the conditions for issuance of Bonds. The City currently uses a portion of its PFC Revenues for the purpose of paying debt service on Bonds. Other PFC Revenues or LOI Revenues may be used for such purposes as the City may determine in accordance with federal law, including pay- as-you-go capital expenditures or use as security for stand-alone indebtedness, in either case relating to the Airport improvements eligible to be funded from PFC Revenues. See “CERTAIN INVESTMENT CONSIDERATIONS.”

Modifications of the Resolution

The provisions in the Resolution are subject to modification in certain cases without the consent of the holders of the Bonds and in other cases if and when approved by the holders of the requisite percentages of the Bonds outstanding. See “Summary of Certain Provisions of the Resolution - Amendments” and “Insurer Deemed Holder of Secured Bonds for Certain Purposes” in Appendix B.

BOND INSURANCE

There follows certain information concerning Assured Guaranty and the terms of the Policy to be issued by Assured Guaranty. Information with respect to Assured Guaranty and the Policy has been supplied by Assured Guaranty. No representation is made by the City or the Underwriters as to the accuracy or adequacy of such information. The Policy does not constitute a part of the contract between the City and the holders of the Insured Bonds. Except for the payment of the premium on the Policy, the City has no responsibility with respect to such insurance in any way, including maintenance, enforcement or collection thereof. See “Appendix F – Specimen Municipal Bond Insurance Policy.”

Bond Insurance Policy

Concurrently with the issuance of the Series 2009 Bonds, Assured Guaranty will issue its Policy for the Insured Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due. A form of the Policy is included as Appendix F to this Official Statement. The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)

Assured Guaranty is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. (“Holdings”). Holdings is an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. No shareholder of AGL, Holdings or Assured Guaranty is liable for the obligations of Assured Guaranty.

On July 1, 2009, AGL acquired the financial guaranty operations of Holdings from Dexia S.A. (“Dexia”). In connection with such acquisition, Holdings’ financial products operations were separated from its financial

guaranty operations and retained by Dexia. For more information regarding the acquisition by AGL of the financial guaranty operations of Holdings, see Item 1.01 of the Current Report on Form 8-K filed by AGL with the Securities and Exchange Commission (the "SEC") on July 8, 2009.

Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

Assured Guaranty's financial strength is rated "AAA" (negative outlook) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's") and "AA" (Negative Outlook) by Fitch, Inc. ("Fitch"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments

Ratings. On November 12, 2009, Moody's issued a press release stating that it had confirmed the "Aa3" insurance financial strength rating of Assured Guaranty, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

In a press release dated October 12, 2009, Fitch announced that it had downgraded the insurer financial strength rating of Financial Security Assurance Inc. ("Financial Security"), now known as Assured Guaranty, to "AA" (Negative Outlook) from "AA+" (Ratings Watch Negative). Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

On July 1, 2009, S&P published a Research Update in which it affirmed its "AAA" counterparty credit and financial strength ratings on Financial Security, now known as Assured Guaranty. At the same time, S&P continued its negative outlook on Assured Guaranty. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

There can be no assurance as to any further ratings action that Moody's, Fitch or S&P may take with respect to Assured Guaranty.

For more information regarding Assured Guaranty's financial strength ratings and the risks relating thereto, see Holdings' Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which was filed by Holdings with the SEC on March 19, 2009, Holdings' Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, which was filed by Holdings with the SEC on May 20, 2009, AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, which was filed by AGL with the SEC on August 10, 2009, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009, which was filed by AGL with the SEC on November 16, 2009. Effective July 31, 2009, Holdings is no longer subject to the reporting requirements of the Securities and Exchange Act of 1934, as amended (the "Exchange Act").

Capitalization of Assured Guaranty. At September 30, 2009, Assured Guaranty's consolidated policyholders' surplus and contingency reserves were approximately \$2,365,609,560 and its total net unearned premium reserve was approximately \$2,380,470,385 in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference. Portions of the following documents filed by Holdings or AGL with the SEC that relate to Assured Guaranty are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) Annual Report of Holdings on Form 10-K for the fiscal year ended December 31, 2008 (which was filed by Holdings with the SEC on March 19, 2009);

- (ii) Quarterly Report of Holdings on Form 10-Q for the quarterly period ended March 31, 2009 (which was filed by Holdings with the SEC on May 20, 2009);
- (iii) the Current Reports on Form 8-K filed by Holdings with the SEC on May 21, 2009, June 10, 2009, and July 8, 2009;
- (iv) Quarterly Report of AGL on Form 10-Q for the quarterly period ended June 30, 2009 (which was filed by AGL with the SEC on August 10, 2009);
- (v) the Current Report on Form 8-K filed by AGL with the SEC on July 8, 2009; and
- (vi) Quarterly Report of AGL on Form 10-Q for the quarterly period ended September 30, 2009 (which was filed by AGL with the SEC on November 16, 2009).

All information relating to Assured Guaranty included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the filing of the last document referred to above and before the termination of the offering of the Insured Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at Holdings' website at <http://www.fsa.com>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding Assured Guaranty included herein under the heading "BOND INSURANCE – Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)" or included in a document incorporated by reference herein (collectively, the "Assured Guaranty Information") shall be modified or superseded to the extent that any subsequently included Assured Guaranty Information (either directly or through incorporation by reference) modifies or supersedes such previously included Assured Guaranty Information. Any Assured Guaranty Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Assured Guaranty makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE".

SOURCES AND USES OF FUNDS

The proceeds of the sale of the Series 2009 Bonds and other available funds are expected to be used and applied as set forth below.

	Series 2009A <u>Bonds</u>	Series 2009B <u>Bonds</u>	<u>Total</u>
Sources of Funds:			
Principal amount	\$64,830,000	\$20,705,000	\$85,535,000
Net Original Issue Discount/Premium	62,358	1,200,498	1,262,856
Available funds from the Debt Service Fund	<u>1,480,375</u>	<u>533,343</u>	<u>2,013,718</u>
TOTAL SOURCES	\$66,372,733	\$22,438,841	\$88,811,574
Uses of Funds:			
Deposit to the 2009 Defeasance Escrow Account for the Refunded Bonds	\$60,695,375	\$22,172,603	\$82,867,978
Deposit to the Debt Service Reserve Fund	224,024	75,623	299,647
Deposit to the Project Fund to pay costs of issuance, including underwriters' discount, bond insurance premium and termination payment with respect to Swap Agreement for the Series 2005B Bonds	<u>5,453,334</u>	<u>190,615</u>	<u>5,643,949</u>
TOTAL USES	\$66,372,733	\$22,438,841	\$88,811,574

PLAN OF FINANCE

The proceeds of the Series 2009 Bonds will be used to refund the Refunded Bonds, as described below, to make or reimburse the City for a payment in connection with the termination of a related interest rate swap agreement, as described below, to fund a required deposit to the Debt Service Reserve Fund and to pay costs of issuance of the Series 2009 Bonds.

A portion of the proceeds of the Series 2009 Bonds, together with amounts available under the Resolution, will be deposited in the 2009 Defeasance Escrow Account established under an Escrow Deposit Agreement (the "Escrow Deposit Agreement") to be entered into between the City and The Bank of New York Mellon, as trustee for the Refunded Bonds and will be invested in United States Treasury obligations that will bear interest at such rates and mature at such times and in such amounts so that sufficient moneys will be available to provide for the payment of the redemption price of and interest on the Refunded Bonds on the redemption dates and at the redemption prices set forth below. The refunding is contingent upon delivery of the Series 2009 Bonds.

Summary of Bonds Refunded by the Series 2009A Bonds

<u>Series</u>	<u>Original Maturity</u>	<u>Amount to be Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2005B	January 15, 2030	\$59,215,000	January 15, 2010	100%

Subject to mandatory tender on January 15, 2010.

Summary of Bonds Refunded by the Series 2009B Bonds

<u>Series</u>	<u>Original Maturity</u>	<u>Amount to be Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
1998A	January 1, 2011	\$3,430,000	January 21, 2010	100%
1998A	January 1, 2012	620,000	January 21, 2010	100
1998A	January 1, 2012	2,970,000	January 21, 2010	100
1998A	January 1, 2013	3,775,000	January 21, 2010	100
1998A	January 1, 2014	3,970,000	January 21, 2010	100
1998A	January 1, 2016	125,000	January 21, 2010	100
2000A	January 1, 2011	620,000	January 21, 2010	100
2000A	January 1, 2012	1,400,000	January 21, 2010	100
2000A	January 1, 2013	1,475,000	January 21, 2010	100
2000A	January 1, 2014	1,555,000	January 21, 2010	100
2000A	January 1, 2015	1,640,000	January 21, 2010	100

A portion of the proceeds of the Series 2009 Bonds will be used to make or reimburse the City for a payment in connection with the termination of the Swap Agreement for the Series 2005B Bonds (defined herein). See “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Interest Rate Swaps.”

OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE

Outstanding Bonds

The following table sets forth information concerning the Bonds previously issued under the Resolution and Outstanding upon the refunding of the Refunded Bonds.

<u>Series</u>	<u>Final Maturity</u>	<u>Original Principal Amount</u>	<u>Outstanding Principal Amount</u>
1998A (Non-AMT)	January 1, 2026	\$99,055,000	\$64,495,000
2000B (AMT)	January 1, 2011	7,430,000	1,970,000
2002A (AMT)	January 1, 2030	35,740,000	31,565,000
2002B (Non-AMT)	January 1, 2032	7,010,000	7,010,000
2005A (Non-AMT)	January 15, 2027	17,110,000	16,450,000
2008 (Variable Rate, AMT)	January 1, 2022	30,255,000	28,680,000
2009A (Non-AMT)	January 1, 2030	64,830,000	64,830,000
2009B (Non-AMT)	January 1, 2015	<u>20,705,000</u>	<u>20,705,000</u>
		\$282,135,000	\$235,705,000

As of the date of issuance of the Series 2009 Bonds, the City will have no other Airport related debt outstanding other than the Outstanding Bonds (excluding the Refunded Bonds) and the Series 2009 Bonds.

Interest Rate Swaps

The City previously entered into two interest rate swap agreements with respect to certain Bonds. The City’s General Airport Revenue Bonds, Series 2001 (Variable Rate Demand, AMT) (the “Series 2001 Bonds”) were hedged by an interest rate exchange arrangement (the “Lehman Swap Agreement”) between the City and Lehman Brothers Special Financing, Inc. (“Lehman”), as swap counterparty. The Series 2001 Bonds were refunded by the Series 2008 Bonds, which were issued on June 27, 2008. The Lehman Swap Agreement remained in effect in connection with the issuance of the Series 2008 Bonds. The Lehman Swap Agreement was terminated on June 24, 2009, pursuant to a Settlement Agreement between the City and Lehman.

In connection with the Series 2005B Bonds, the City entered into a forward starting interest rate exchange agreement (the “Swap Agreement for the Series 2005B Bonds”) with Bear Stearns Financial Products Inc. (“Bear Stearns”), as swap counterparty. JPMorgan Chase Bank, N.A. became the swap counterparty to the Swap Agreement for the Series 2005B Bonds following the acquisition of The Bear Stearns Companies Inc. by JPMorgan

Chase & Co. on May 26, 2008. JPMorgan Chase Bank, N.A. is an affiliate of J.P. Morgan Securities Inc., one of the underwriters of the Bonds. In connection with the issuance of the Series 2009 Bonds, the City will terminate the Swap Agreement for the Series 2005B Bonds, and a portion of the proceeds of the Series 2009 Bonds will be used to make or reimburse the City for the termination payment owed to JPMorgan Chase Bank, N.A.

Future Debt Issuance

The Airport has an ongoing capital improvement program. The City does not currently expect to issue any Bonds for purposes of financing capital improvements at the Airport at least through fiscal year 2014. See “CAPITAL PROGRAM - Additional Capital Improvements.”

Debt Service

The following table sets forth debt service on the Outstanding Bonds previously issued under the Resolution after the refunding of the Refunded Bonds and the Series 2009 Bonds. The amounts shown are calculated for each fiscal year ending June 30. Pursuant to the Resolution, the City deposits the July 1 and July 15 interest payments, as applicable, by the last business day of the prior June. Therefore, interest due on July 1 and July 15 is included in the prior fiscal year ended June 30.

Fiscal Year Ending June 30	Outstanding Bonds	Series 2009A Bonds			Series 2009B Bonds			Total Debt Service
		Principal	Interest	Debt Service	Principal	Interest	Debt Service	
2010	\$ 13,703,257	\$ -	\$ 1,643,463	\$ 1,643,463	\$ -	\$543,506	\$543,506	\$ 15,890,226
2011	9,762,394	555,000	3,116,531	3,671,531	3,910,000	937,500	4,847,500	18,281,425
2012	9,071,140	580,000	3,091,156	3,671,156	4,855,000	718,375	5,573,375	18,315,671
2013	9,092,413	600,000	3,064,656	3,664,656	5,105,000	469,375	5,574,375	18,331,444
2014	9,116,891	615,000	3,040,431	3,655,431	5,365,000	207,625	5,572,625	18,344,947
2015	9,143,944	4,775,000	2,914,581	7,689,581	1,470,000	36,750	1,506,750	18,340,275
2016	13,322,694	2,295,000	2,752,056	5,047,056	-	-	-	18,369,750
2017	13,479,053	2,365,000	2,647,031	5,012,031	-	-	-	18,491,084
2018	13,511,741	2,440,000	2,539,106	4,979,106	-	-	-	18,490,847
2019	13,539,253	2,505,000	2,440,206	4,945,206	-	-	-	18,484,459
2020	13,564,000	2,575,000	2,336,997	4,911,997	-	-	-	18,475,997
2021	13,605,562	2,645,000	2,227,681	4,872,681	-	-	-	18,478,243
2022	13,638,025	2,735,000	2,107,116	4,842,116	-	-	-	18,480,141
2023	13,107,050	2,825,000	1,976,278	4,801,278	-	-	-	17,908,328
2024	13,105,719	2,925,000	1,840,959	4,765,959	-	-	-	17,871,678
2025	13,105,638	3,025,000	1,694,191	4,719,191	-	-	-	17,824,829
2026	13,110,512	3,140,000	1,535,372	4,675,372	-	-	-	17,785,884
2027	6,042,841	10,460,000	1,185,019	11,645,019	-	-	-	17,687,860
2028	2,836,256	10,865,000	635,659	11,500,659	-	-	-	14,336,915
2029	2,837,356	3,390,000	268,431	3,658,431	-	-	-	6,495,787
2030	2,838,184	3,515,000	90,550	3,605,550	-	-	-	6,443,734
2031	2,839,125	-	-	-	-	-	-	2,839,125
2032	2,834,125	-	-	-	-	-	-	2,834,125
	\$227,207,173	\$64,830,000	\$43,147,470	\$107,977,470	\$20,705,000	\$ 2,913,131	\$ 23,618,131	\$358,802,774

Interest on the Series 2008 Bonds is calculated at an assumed rate of 3.00%.

Totals may not add due to rounding.

THE CITY

The City is located on the Merrimack River in south central New Hampshire approximately fifty-eight miles north of Boston, Massachusetts. The City has a population of 108,154 according to the 2008 population estimate of the Office of State Planning and occupies a land area of 33.9 square miles. It is the largest city in northern New England.

The City was granted its City Charter in 1846. The administrative and executive powers of the City are vested in the office of the Mayor. The Board is the policy making and legislative body for the City. The Board is

composed of fourteen members, one from each of the City’s twelve wards and two elected at-large. The Board approves the City’s budget and confirms the appointment of most City officials.

The current charter was adopted by referendum on November 5, 1996 and became effective on July 1, 1997. The charter provides the Mayor with expanded appointment powers and budget line-item veto power. It also vests all administrative power of the City with the Mayor. The Mayor nominates all department heads, except those designated as City officers. Nominations must be confirmed by a majority of the Board. Department heads may be removed by the Mayor upon written notice of such removal and the basis for such action, subject to confirmation by at least nine Aldermen. City officers appointed by the Board may only be removed by a vote of at least nine Aldermen, after notice similar to that given with respect to department heads.

The City held elections on November 3, 2009. The terms of the current Mayor and Board of Aldermen as shown on page i will expire on January 5, 2010, and the terms of the Mayor-elect and Aldermen-elect will commence on such date.

See “LITIGATION AND LEGAL DEVELOPMENTS” for information pertaining to a recent City charter amendment that imposes certain limits on the City budget.

The following table sets forth certain information concerning the term of office of key City officials pertaining to the Airport.

<u>Title</u>	<u>Name</u>	<u>Selection</u>	<u>Term Expires</u>
Mayor	Frank Guinta	Elected	January 2010 [†]
Finance Officer	William Sanders	Appointed	Indefinite
Assistant Director – Accounting & Planning [†]	Guy Beloin	Appointed	Indefinite
Assistant Director - Treasury [†]	Sharon Wickens	Appointed	Indefinite
Airport Director	Mark P. Brewer, A.A.E.	Appointed	Indefinite

* Mayor-elect Theodore L. Gatsas will take office January 5, 2010, with a term expiring in January 2012.

† Appointed by Finance Officer.

The City owns, and through its Department of Aviation, operates the Airport. The Airport Director is the department head of the Department of Aviation (and is nominated by the Mayor and confirmed by the Board). The Airport operates as an enterprise fund. Transfers of funds to the City’s general fund are made for direct services provided by the City to the Airport. These transfers have averaged under \$50,000 per year for the past several years. See “FINANCIAL INFORMATION - Management’s Discussion of Airport Finances.”

THE AIRPORT

Introduction

The Airport opened in 1927 and was operated by the City until it became Grenier Army Air Corps Base in 1940. After the Second World War, it was operated by the United States Air Force as a joint use, military/civilian airfield. The Airport was deeded to the City over an eight year period between 1961 and 1968 as a public benefit transfer for airport purposes under federal law. The 1,200 acre Airport is located in both the City and the Town of Londonderry, New Hampshire approximately six miles south of the downtown area of the City in both Hillsborough and Rockingham Counties. The Airport is the largest commercial passenger and air cargo airport in northern New England.

The Airport is an origin and destination facility. The primary service area for the Airport consists of Hillsborough, Merrimack and Rockingham counties in New Hampshire. This area includes the State’s three most populated cities, Manchester, Nashua and Concord. The secondary service area includes most of the remainder of New Hampshire, southern Maine, eastern Vermont and northern Massachusetts north of Routes 2 and 128.

Governing Body

By City Charter, responsibility for the day-to-day operations and administration of the Airport and all personnel matters rests with the Airport Director. Budget responsibility for the Airport is under the jurisdiction of the Board. See "FINANCIAL INFORMATION - Budgeting Process." As a City department head, the Airport Director is appointed by the Board and reports to the Mayor. There is also a seven member advisory board, the Manchester-Boston Regional Airport Authority.

The City, acting through the Department of Aviation, has the authority, subject to applicable federal law, to set all rentals, fees and other charges for use of any Airport facilities, including without limitation, airline rates and charges, without any further action or approval by the Board or any other City, State or federal official or entity. See "CERTAIN INVESTMENT CONSIDERATIONS - Federal Law Affecting Airport Rates and Charges."

Airport Management

Brief resumes of the Airport's senior management appear below:

Mark Paul Brewer, A.A.E., Airport Director

Mark Brewer has been the Airport Director since January 2008. Mr. Brewer has over thirty years of progressive aviation and airport management experience. Prior to joining the Airport, Mr. Brewer held senior management positions at five (5) East Coast airports including, Hyannis, Massachusetts; Fort Lauderdale, Florida; Salisbury, Maryland; Allentown, Pennsylvania; and Providence, Rhode Island, where he most recently served as President and CEO of the Rhode Island Airport Corporation. Mr. Brewer is currently a member of the American Association of Airport Executives ("AAAE") Policy Review Committee and sits on the board for the International AAEE. He has served as President of the Northeast Chapter of AAEE and as a member of AAEE's Safety/Security Committee and Diversity Committee, as well as on its Board of Examiners. He has served as an associate on the TSA's Security Technology Deployment Office, and was an industry representative on the TSA's Airside Security Task Force. In addition, Mr. Brewer has also served on the Technical and Economic Committees of the Airports Council International - North America. Mr. Brewer has a Bachelor's Degree in Air Commerce from the Florida Institute of Technology. Mr. Brewer is also an Accredited Airport Executive.

J. Brian O'Neill, Deputy Airport Director

J. Brian O'Neill began working at the Airport in 1996. He was formerly employed by Porter McGee Public Relations where he served as Associate Counsel and Director of Community & Government Relations. Prior to joining Porter McGee, he was Vice President for the Greater Manchester Chamber of Commerce. Mr. O'Neill also served as the Assistant to the Mayor of the City. Mr. O'Neill is a graduate of the Whittemore School of Business and Economics at the University of New Hampshire and he received a BS degree in Business Administration. Mr. O'Neill also received an MBA degree from Southern New Hampshire University in 2004.

Teresa M. Avampato, CPA, Airport Chief Financial Officer

Teresa M. Avampato has been employed at the Airport for over six years. She was formerly employed by the City of Manchester in the Finance Department and her previous experience was in public accounting. Ms. Avampato is a Certified Public Accountant with the State of New Hampshire. Ms. Avampato is a graduate of Florida Atlantic University with a BBA degree in Accounting and a MAC (Master of Accounting) degree from Florida Atlantic University.

Richard S. Fixler, Assistant Airport Director, Engineering and Planning

Mr. Fixler began work at the Airport in November of 1994. Prior to employment at the Airport, he was a Senior Civil Engineer and Construction Project Manager with Hoyle, Tanner & Associates in Bedford, New Hampshire, with responsibility for the construction phase of numerous airport improvement projects at many New

England region airports, including the Airport. Mr. Fixler is a graduate of Northeastern University with a BS degree in Civil Engineering and an MBA degree. He is a licensed Professional Engineer in both civil and structural engineering in the State.

David B. Bush, *Assistant Airport Director, Property and Contract Management*

David B. Bush has served as the Assistant Airport Director, Property and Contract Management since November of 1994. He was formerly employed by American Airlines at its corporate headquarters in Dallas/Fort Worth as Manager Administration Corporate Real Estate where he was responsible for the administration of all activities related to the acquisition of property and facility construction. Mr. Bush is a graduate of State University of New York – Stony Brook with a BS degree.

Stephen J. Adams, Jr., *A.A.E., Assistant Airport Director, Operations and Facilities*

Stephen J. Adams, Jr., assumed his current position at the Airport in April, 1990. Mr. Adams is a graduate of La Salle University and worked in various capacities with the City of Philadelphia until taking a position at Philadelphia International Airport in 1976, serving as Airport Superintendent from 1982 until 1990. An accredited member of the American Association of Airport Executives, he served as President of the Northeast Chapter of AAAE from 1995-1996, Mr. Adams has also served on the AAAE National Board of Directors 1995-1996 and from 2004-2008. He has served on numerous Regional and National AAAE Committees including the National Nominating Committee from 2000-2009. He has served as Chair of the AAAE Academic Relations Committee from 2007-2010, and previously as Vice-Chair from 2004-2007. Mr. Adams was the recipient of the NEC-AAAE F. Russell Hoyt Presidents Award, 2005. Mr. Adams served on the Town of Hopkinton, New Hampshire Economic Development Committee from 1998-2003.

Thomas J. Malafronte, *A.A.E., Assistant Airport Director, Air Service Development and Marketing*

Thomas J. Malafronte began his career at the airport in January 1990. He has held several managerial positions in airport operations and served as Manager, Airport Operations and Facilities from 2001-2008. He assumed the position of Assistant Airport Director, Air Service Development and Marketing in May 2008. Mr. Malafronte is a graduate of Daniel Webster College with a BS degree in Business. He also holds an MBA degree from Franklin Pierce College. Mr. Malafronte is an Accredited Airport Executive and is a licensed pilot.

Employee Matters

The Airport Director has the sole responsibility for the hiring of all staff necessary to carry on operations at the Airport. Currently, there are 75 full time equivalent positions. Certain Airport operations and maintenance personnel and other staff who are not considered supervisory or professional are represented by Local Teamsters 633 of New Hampshire. The current collective bargaining agreement will expire on June 30, 2013. There has never been a work stoppage at the Airport and all bargaining has resulted in signed agreements. Strikes and other forms of job action by public employees are unlawful under current State law. The Airport believes its relationship with its employees is good.

Airport Services

The Airport receives a number of services through contractual arrangements. The Town of Londonderry provides law enforcement, security services and central communications services pursuant to a publicly bid, fixed price contract, which expires on June 30, 2011. The contract reimburses the Town for all costs for supplying law enforcement service through a dedicated Airport Division. In fiscal years 2008 and 2009, the cost of this service was \$2.3 million and \$2.2 million, respectively. The Airport also contracts out additional security services through Day & Zimmerman Security Services. The Airport is billed an hourly rate per type of position. In fiscal years 2008 and 2009, the cost of this service was \$1.1 million and \$600,000, respectively.

Centurion Protection, Inc. provides aircraft fire fighting and rescue services pursuant to a fixed price contract which expires on July 31, 2011. The Airport provides all equipment and facilities and the company

provides all services necessary to comply with FAA standards and requirements. Since September 11, 2001, Centurion Protection, Inc. has been providing security services in addition to the fire fighting and rescue services provided in the past. These new services include increased patrols of the ramps, fence lines and gates, all of which have increased the cost of the contract for the Airport. In fiscal years 2008 and 2009, the cost for these services was \$1.76 million and \$1.84 million, respectively.

LARO Maintenance Corporation and affiliates provided terminal cleaning services, the contract for which expires on October 31, 2010. The cost for cleaning services in fiscal years 2008 and 2009 was \$1.6 million and \$1.56 million, respectively. Effective July 31, 2009, the contract was assigned to J.C.M. Business Solutions, LLC with an expiration date of October 31, 2010.

HVAC, elevator, escalator and jet bridge maintenance services are also contracted out. The City provides other administrative services and support to the Department of Aviation, including legal and accounting services. The Airport transfers funds to the City's general fund for certain of these direct services provided by the City to the Airport. These transfers have averaged under \$50,000 per year for the past several years.

The City currently has an Intermunicipal Agreement with the Town of Londonderry for a payment-in-lieu-of-taxes ("PILOT") for the City owned land and buildings and leased space within the Airport that would otherwise be subject to taxes due to Londonderry. The City paid \$541,216 in June 2008, \$552,000 in June 2009 and is expected to pay \$563,081 in June 2010 for such PILOT. The PILOT is increased annually by 2%. The PILOT will expire on March 9, 2032.

Airport Facilities

The terminal building consists of a total of 17 gates, 14 of which are equipped with jet loading bridges, and ticket counters and hold rooms. The terminal occupies 306,000 square feet. In addition, the Airport has installed explosive detection system machines approved by the Transportation Security Administration ("TSA") in order to comply with the checked baggage screening requirement imposed by the federal Aviation and Transportation Security Act ("ATSA") signed into law in November 2001. In accordance with such requirements and a federal mandate effective January 2003, the Airport screens all checked baggage for explosives.

The Airport has two runways: 17/35, served by two full instrument landing systems and 6/24, a cross wind runway, served by one full instrument landing system. Runway 17/35 is 9,250 feet long by 150 feet wide. Runway 6/24 is 7,000 feet long and 150 feet wide.

The Airport has an approximately 4,000 space public parking garage adjacent to the terminal building. The garage, together with two short-term and five long-term surface parking lots, provide an aggregate of approximately 12,000 public parking spaces available for use at the Airport, as well as approximately 800 spaces utilized as rental car ready return space. The garage also includes a pedestrian walkway connecting it to the terminal.

AIRPORT ACTIVITY AND AGREEMENTS

The FAA provides twenty-four hour air traffic control and automated flight service facilities at the Airport. The Airport provides twenty-four hour operation and maintenance of the airfield and other facilities and security. Airfield and roadway maintenance, including snow removal and equipment maintenance, are all performed by Airport employees. The Airport is fully certified under FAR Part 139 to conduct commercial operations.

Airlines Providing Service at the Airport

Passenger and cargo service at the Airport as of October 2009 was provided by the following airlines:

AIRLINES SERVING THE AIRPORT

<u>Commercial Passenger Airlines</u>	<u>Cargo</u>
Air Canada ^(a)	AirNow
Continental ^(b)	FedEx
Delta Airlines ^(c)	United Parcel Service
Southwest Airlines	Wiggins Airways ^(f)
United Airlines ^(d)	
US Airways ^(e)	

^(a) Operated by Air Alliance, Air Canada Jazz or Air Georgian.

^(b) Includes Continental Express, which is operated by Express Jet.

^(c) Includes Delta Connection, which is operated by either Atlantic Southeast Airlines or Comair.

^(d) Service provided by United Express since October 25, 2009. United Express is operated by Air Wisconsin, Trans States Airlines or Mesa.

^(e) Includes US Airways Express, which is operated by Colgan Air, Mesa Airlines, Piedmont Air, Republic or Air Wisconsin.

^(f) Wiggins Airways offers both charter passenger and all cargo airline service.

Source: Airport records.

The cargo carriers listed above provide all-cargo service.

Enplanements, Operations and Landed Weight Information

The following table sets forth enplanements at the Airport for fiscal years 1997 through 2009:

ENPLANED PASSENGERS				Annual percent
<u>Fiscal Year</u>	<u>Major airlines</u>	<u>Regional/commuter/ other airlines</u>	<u>Total</u>	<u>increase/ (decrease)</u>
1997	336,107	184,460	520,567	--%
1998	423,866	206,943	630,809	21.2
1999	1,077,073	218,671	1,295,744	105.4
2000	1,281,698	235,321	1,517,019	17.1
2001	1,421,640	205,708	1,627,348	7.3
2002	1,450,532	191,776	1,642,308	0.9
2003	1,462,473	252,144	1,714,617	4.4
2004	1,543,179	352,229	1,895,408	10.5
2005	1,767,701	351,008	2,118,709	11.8
2006	1,662,282	421,541	2,083,823	(1.6)
2007	1,404,172	504,855	1,909,027	(8.5)
2008	1,477,766	501,306	1,979,072	3.5
2009	1,286,977	432,120	1,719,097	(12.9)

Note: For fiscal years ended June 30. Fiscal year 2009 information is unaudited.

Source: Airport records.

Between fiscal year 1997 and fiscal year 2001, enplaned passengers at the Airport increased at an average rate of 33% per year. These increases were primarily attributable to new service by Southwest Airlines and other air carriers beginning service in mid-1998. Growth of enplaned passengers slowed between fiscal year 2001 and fiscal year 2005 to an average annual increase of 6.98%. During this period, the Airport continued to outperform the national average for growth in passenger enplanements.

Passenger enplanements at the Airport decreased during fiscal years 2006 and 2007 due to airline bankruptcies, mergers and consolidations; increasing competition among New England airports, which provided more airline choices to passengers regionally; and reductions to airline seat capacity at the Airport. In fiscal year

2008, the Airport had a 3.5% increase in enplanements over the prior fiscal year, but remained below the record set in 2005.

In fiscal year 2009, passenger activity decreased sharply due to a prolonged global recession, continued regional competition and reduced airline seat capacity. During fiscal year 2009 there were 1,719,097 enplanements at the Airport. This represents a 12.9% decrease as compared with fiscal year 2008.

There were 61,319 commercial aircraft operations in fiscal year 2009 with a total landed weight (including cargo) of 2.56 billion pounds. This represents a 12.1% decrease in landed weight for fiscal year 2009, as compared with fiscal year 2008. In fiscal year 2009, total cargo aircraft landed weight was over 497 million pounds, down from 555 million pounds in fiscal year 2008. A portion of the decline in cargo landed weight is due to all-cargo carrier DHL's corporate decision to stop operating domestically and the overall decline in the shipping industry. Additional cargo service is provided by the passenger airlines serving the Airport.

The following tables set forth the airlines serving the Airport and their share of enplaned passengers for fiscal years 2005 through 2009. The order of the airlines in the following table reflects fiscal year 2005 enplanements.

**MANCHESTER-BOSTON REGIONAL AIRPORT
SEGMENTATION OF HISTORICAL ENPLANEMENTS
FISCAL YEARS 2005 - 2009**

	FY 2005		FY 2006		FY 2007		FY 2008		FY 2009	
	Enplaned passengers	Share of total								
Major/national airlines:										
Southwest Airlines	887,775	41.9%	1,025,685	49.2%	993,301	52.1%	1,121,235	56.8%	1,008,780	58.7%
US Airways	345,044	16.3	242,842	11.7	145,441	7.6	145,596	7.4	111,868	6.5
Northwest Airlines (a)	163,268	7.7	154,090	7.4	145,121	7.6	110,268	5.6	0	0.0
Delta Airlines (a)	151,860	7.2	68,907	3.3	130	0.0	777	0.0	80,005	4.7
United Airlines	144,469	6.8	124,820	6.0	111,717	5.9	99,890	5.1	86,324	5.0
Independence Air	54,177	2.6	23,540	1.1	0	0.0	0	0.0	0	0.0
Continental Airlines	21,108	1.0	22,398	1.1	8,462	0.4	0	0.0	0	0.0
Subtotal	1,767,701		1,662,282		1,404,172		1,477,766		1,286,977	
Regional affiliates of major airlines:										
US Airways Express (b)	105,020	5.0%	137,987	6.6%	176,305	9.2%	183,844	9.3%	201,182	11.7%
Continental Express (c)	90,607	4.3	94,557	4.5	98,967	5.2	106,138	5.4	103,955	6.0
United Express (d)	70,999	3.4	72,438	3.5	73,265	3.8	68,440	3.5	42,025	2.4
Delta Connection (a)(e)	57,411	2.7	96,018	4.6	142,768	7.5	115,279	5.8	78,601	4.6
Northwest Airlink (a)(f)	12,992	0.6	9,851	0.5	3,701	0.2	17,839	0.9	0	0.0
Air Canada (g)	8,909	0.4	8,099	0.4	8,851	0.5	8,235	0.4	5,452	0.3
Continental Connection (h)	4,031	0.2	851	0.0	0	0.0	0	0.0	0	0.0
Other	1,039	0.0	1,740	0.1	998	0.1	1,531	0.1	910	0.1
Subtotal	351,008		421,541		504,855		501,306		432,120	
Total	2,118,709	100.0%	2,083,823	100.0%	1,909,027	100.0%	1,979,072	100.0%	1,719,097	100.0%

1. Delta Airlines results for fiscal year 2009 include Northwest Airlines.
2. Operated by Chautauqua Airlines, Colgan Air, Mesa, PSA, TSA, Republic, Air Wisconsin and Piedmont Air.
3. Operated by Express Jet.
4. Operated by Atlantic Coast Airlines, Chautauqua, Trans States Airlines, GO Jet, Mesa and Air Wisconsin.
5. Operated by Comair, Atlantic Southeast Airlines and Freedom Air.
6. Operated by Pinnacle, Mesaba and Compass Airlines.
7. Operated by Air Georgian.
8. Operated by Commutair.

Origin - Destination Patterns

The following table shows the top 30 domestic passenger origin - destination markets and the percentage of passengers traveling to or from the Airport and such destinations in the 12 calendar months ended June 30, 2009:

PASSENGER ORIGINS AND DESTINATIONS AND AIRLINE SERVICE Manchester-Boston Regional Airport

Rank	Origin-destination market	Distance (air miles)	Percent of passengers (a)	Average daily nonstop departures (b)
1	Baltimore/Washington	377	12.8%	9.5
2	Orlando	1,145	10.2	3.8
3	Philadelphia	290	9.32	11.5
4	Tampa	1,207	6.34	2.0
5	Chicago Midway	836	3.65	4.0
6	Ft. Lauderdale	1,266	3.13	0.8
7	McCarran	2,354	2.97	1.0
8	Phoenix	2,277	2.83	1.0
9	Chicago O'Hare	843	2.05	2.8
10	Detroit	609	1.88	3.1
11	Cleveland	544	1.81	3.2
12	Los Angeles	2,584	1.71	0.0
13	SW Florida	1,275	1.70	0.0
14	Denver	1,726	1.69	0.0
15	Raleigh-Durham	625	1.59	0.0
16	Nashville	938	1.59	0.0
17	San Diego	2,563	1.27	0.0
18	Jacksonville	1,030	1.22	0.0
19	Lambert – St. Louis	1,029	1.20	0.0
20	Palm Beach	1,225	1.10	0.0
21	Seattle – Tacoma	2,454	1.08	0.0
22	Pittsburgh	485	1.03	0.0
23	Indianapolis	802	1.01	0.0
24	Dallas/Ft. Worth	1,552	1.00	0.0
25	Ronald Reagan/Washington	407	1.00	3.0
26	Atlanta	952	0.97	1.1
27	San Francisco	2,672	0.94	0.0
28	Port Columbus	627	0.93	0.0
29	Charlotte/Douglas	737	0.92	1.9
30	Norfolk	487	<u>0.92</u>	0.0
	Subtotal—top 30 domestic markets		79.85%	
	Other domestic markets		<u>20.15</u>	
	All domestic markets		100.00%	

(a) Source: U.S. Department of Transportation, Origin-Destination Survey or Airline Passenger Traffic, Domestic, for the 12-month period ended June 30, 2009, except as noted. Table includes cities with 1% or more of total inbound and outbound domestic origin-destination passengers at the Airport, on the basis of a 10% sample of outbound passengers.

(b) Source: formerly APG DAT now DHO, online database, March 2009. There are 56-58 daily departures to domestic destinations only; there are an average of three additional international daily departures to Toronto, Canada, not shown here, for a total of 59-61 daily nonstop flights.

Airline Agreements

See “Appendix C - Summary of Certain Provisions of the Airline Agreements,” for the meanings of certain capitalized terms used within this subheading and for a more detailed description of the Airline Agreements.

The Airport generates revenues from various rental and fee payments made by the airlines and other users for their use of the Airport's various facilities. Airline Agreements, all of which are substantially similar, with the airline signatory parties (the "Signatory Airlines") provide the basis for use and occupancy of the Airport's terminal, aprons and other airfield areas. The current Airline Agreements will expire on June 30, 2010. The Airport has negotiated an Amendment to extend the term of the Airline Agreements to June 30, 2015. The Amendment has not yet been executed by any airline. It is expected that the extensions to the Airline Agreements will be executed prior to June 30, 2010. The City currently has Airline Agreements with the following passenger airlines currently serving the Airport: Air Canada, Continental, Delta Air Lines, Southwest Airlines, United Airlines and US Airways and/or their regional affiliates.

The rental and fee rates established under the Airline Agreements are set annually from certain information sources including: the City's proposed Annual Budget for the Airport, the City's accounting records that document revenue and expenses allocable to each Airport Cost Center, and activity reports prepared by the Signatory Airlines and other airlines to document total Landed Weight. The rental and fee rates established under the Airline Agreements consist, primarily, of Terminal Building Rentals, Apron Fees and Landing Fees.

In general, a Terminal Building Rental Rate is calculated by first determining the Terminal Building Requirement which consists of certain direct and allocated indirect annual Airport costs as set forth in the City's Annual Budget allocable to the Terminal Building Cost Center and allocable portions of the Airport's Debt Service Requirement, Coverage, Subordinate Security or loans made by the City, required deposits to funds and accounts established under the Bond Documents, and certain amortization costs for capital improvements. The Terminal Building Requirement is then divided by total Usable Space in the Terminal. This produces an annual average Terminal Building Rental Rate that is multiplied by a particular Signatory Airline's Preferential Use Space (which is the area of the terminal leased to the Airline for its sole and exclusive use) and by that Airline's allocated portion of Common Use space. The product is the annual Terminal Building Rental for a Signatory Airline, which is payable in twelve equal monthly installments. At the close of a fiscal year, the actual Terminal Building Requirement and any surplus or deficit in Terminal Building Rentals are determined. Any deficit within the Terminal Cost Center at the end of a fiscal year will be added to the Terminal Building Requirement in the next succeeding fiscal year.

The Apron Fee Rate is calculated by dividing the total annual Apron Requirement (including allocable Debt Service Requirement, Coverage, Subordinate Security or loans made by the City, required deposits to funds and accounts established under the Bond Documents, and certain amortization costs for capital improvements) by the total usable Airport Apron area expressed in square feet. This cost per square foot is multiplied by the amount of square feet of apron area leased by a particular Signatory Airline. The product is the annual Apron Fee Rate for Signatory Airlines, which is payable in twelve equal monthly installments.

The Landing Fee for a Signatory Airline equals that Airline's total Landed Weight for the month multiplied by the Landing Fee Rate then in effect. The Landing Fee Rate is calculated by dividing the Net Airfield Requirement by the composite estimate of total Landed Weight for all Air Transportation Companies at the Airport. The Net Airfield Requirement is derived by determining certain projected annual Airport costs allocable to the Airfield Cost Center (including allocable portions of the Airport's Debt Service Requirement, Coverage, Subordinate Security or loans made by the City, required deposits to funds and accounts established under the Bond Documents and certain amortization costs for capital improvements) then subtracting certain amounts posted to the Revenue Credit Account plus all Revenues allocable to the Airfield Cost Center. At the close of a fiscal year, the actual Net Airfield Requirement and any surplus or deficit in Landing Fees are determined. Any cumulative surplus from fiscal years 2004 - 2009 in Terminal Building Rentals or Landing Fees at the end of a fiscal year in excess of \$4,000,000 will be credited to the Airfield Requirement or deposited to Capital Improvement Account in accordance with the allocation in the Airline Agreements. The Amendment provides that any cumulative surplus in Terminal Building Rentals or Landing Fees at the end of a fiscal year will be so applied. Any deficit within the Airfield Cost Center at the end of a fiscal year will be added to the Airfield Requirement in the next succeeding fiscal year.

Non-Signatory Airlines (any airline that owns or operates aircraft landing at the Airport that has not signed the Airline Agreement or does not conduct operations on behalf of a Signatory Airline) and all other aircraft operators are required to pay amounts equal to 125% of the calculated Signatory Airline Rates including but not limited to Landing Fee Rate, Terminal Rental Rate, Apron Rental Rate and Common Use Space Rental Rate for a Signatory Airline.

The Airline Agreements provide for extraordinary adjustments to certain fees and rentals in the event total Landing Fees, Building Rent and Apron Fees for any quarter vary by more than five percent (5%) from projected levels. In such a situation the Landing Fee Rate, Building Rent and Apron Fees can be adjusted by the City for the balance of the fiscal year by an amount equal to the difference between projected and actual total Landing Fees as divided by the estimated total Landed Weight of all Signatory Airlines during the balance of the fiscal year.

Historically, the City has not charged the airlines the full amount it could have charged under the Airline Agreements. Instead, the City has, in part, offset expenses allocable to the Airfield Cost Center with excess non-airline revenues, parking in particular. While the aggregate rates and charges assessed against the airlines have not exceeded the total amount permitted to be charged under the Airline Agreements, the individual components have varied from the amounts that would have been charged if the formal rate-making methodology in the Airline Agreements had been used. The City has budgeted to use excess non-airline revenues in part to reduce charges to the airlines in fiscal year 2010, subject, however, to continuing to meet its rate covenant and other obligations under the Resolution and prudent management practices.

During any period between the expiration of an Airline Agreement and the execution of a new airline agreement or if, for any other reason, an agreement is not in effect with any airline serving the Airport, the City, acting through the Department of Aviation, has the authority, subject to applicable federal law, to set airline rentals, fees and other charges without any further federal action or approval by the Board or any other City or State official or entity. See "CERTAIN INVESTMENT CONSIDERATIONS – Regulations and Restrictions Affecting the Airport – Federal Law Affecting Airport Rates and Charges."

Airport Parking

Parking facilities at the Airport include the parking garage with 3,985 spaces for public parking at a \$17.00 daily rate (\$85 per week maximum charge), two short-term surface lots with an aggregate of 365 spaces at rates of \$2.00 per hour (\$48.00 per day maximum charge) and five long-term surface lots with an aggregate of 8,101 spaces at rates of \$10.00 per day. Parking rates have not been increased since January 2007.

Parking management services are provided at the Airport by National Garages, Inc., a subsidiary of Allright Parking, which is a subsidiary of Central Parking. The company provides complete turnkey operation and maintenance of all parking facilities including shuttle bus operations which link the parking lots with the terminal building. Compensation under the contract is based on a fixed management fee (per spaces managed) plus expenses.

The current parking management contract expires on December 31, 2009. The Airport is currently negotiating an agreement to extend the existing contract to June 30, 2010.

Airport Concessions and Other Contracts

The Airport has entered into Automobile Concession Agreements (the "Rental Car Agreements") with Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National and Thrifty, which will expire on November 30, 2010. The Airport has a one-year option to extend the Rental Car Agreements until November 30, 2011 and currently intends to exercise such option.

Pursuant to the Rental Car Agreements, rental car companies pay 10% of gross revenues to the Airport in addition to space rental for remote lots, terminal space and quick turn around maintenance facilities.

In 1999, the Airport initiated a CFC of \$2.25 per rented car per day pursuant to the Rental Car Agreements. Under the Rental Car Agreements, the CFC is calculated based on the amortized cost of portions of the Airport's prior capital projects related to the construction of the first level of the parking garage (which is dedicated to rental car operations) as well as the construction and operation of the pedestrian walkway and associated operation and maintenance expenses.

The remaining concession revenues are from food, vending, news and gift, advertising, telephone services, fuel and other miscellaneous concession revenues.

FedEx, United Parcel Service, Wiggins Airways, Air Now and others pay land rental directly or indirectly to the Airport for their facilities. In addition, the Airport generates revenues from other less significant rental properties.

FINANCIAL INFORMATION

General Information

The City's Department of Aviation maintains its financial records on a fiscal year basis ending June 30, using the accrual method of accounting. Financial statements are audited annually by a firm of independent certified public accountants. Financial statements for the fiscal years ended June 30, 2008 and 2007 are included in this Official Statement as set forth in Appendix A. All fiscal year 2009 and 2010 information is unaudited, preliminary and subject to change.

Summary of Historical Operating Statements

The following table sets forth the historical operating statements of the Airport for the fiscal years 2005 through 2008 (audited) derived from the audited financial statements for the City's Department of Aviation, and unaudited financial information for the year ended June 30, 2009 (preliminary; subject to change).

Department of Aviation, City of Manchester
Historical Operating Statements

	Fiscal Year Ended June 30				
	2005	2006	2007	2008	2009*
Operating revenues:					
Automobile parking fees	\$23,361,461	\$23,380,551	\$23,170,393	\$24,770,784	\$21,394,977
Rental of facilities	10,289,465	11,651,041	11,229,914	12,186,658	12,176,099
Landing fees	6,072,665	5,439,057	5,931,878	5,824,210	5,118,427
Concession and other operating income	<u>3,692,169</u>	<u>3,297,172</u>	<u>3,539,589</u>	<u>3,462,195</u>	<u>3,304,329</u>
Total operating revenues	43,415,760	43,767,821	43,871,774	46,243,847	41,993,832
Operating expenses:					
Salaries, wages and fringe benefits	5,643,416	6,047,265	6,734,194	6,940,286	7,196,392
Enforcement and fire protection	3,204,594	3,149,872	4,722,879	4,055,581	4,125,669
Purchased property services	13,875,348	14,496,723	15,302,680	16,566,549	14,031,562
General and administrative	2,084,705	2,063,149	1,823,347	3,034,162	2,437,093
Reimburse City of Manchester	30,301	20,893	71,381	34,620	40,711
Depreciation and amortization	<u>16,115,588</u>	<u>16,161,596</u>	<u>16,505,920</u>	<u>17,246,301</u>	<u>19,728,783</u>
Total operating expenses	<u>40,953,952</u>	<u>41,939,498</u>	<u>44,800,401</u>	<u>47,877,499</u>	<u>47,560,210</u>
Operating income	2,461,808	1,828,323	(928,627)	(1,633,652)	(5,566,378)
Nonoperating revenues (expenses):					
Soundproofing program grant revenue	3,229,750	2,652,613	3,707,927	4,844,795	4,049,880
Soundproofing program expenses	(3,281,395)	(4,069,746)	(5,022,884)	(5,208,998)	(3,980,376)
Passenger facility charges (PFCs)	5,961,820	5,612,588	5,399,622	6,847,879	6,707,919
Customer facility charges (CFCs)	2,280,031	2,369,984	2,558,382	2,268,130	2,177,337
Interest income	1,635,925	3,469,077	2,522,716	2,622,663	464,823
Loss/Gain on disposal of property and equipment			837,705	1,300	41,150
Interest expense	(11,889,688)	(12,245,213)	(12,096,276)	(11,973,935)	(11,707,373)
Bond interest rate swap valuation adjustments	(914,811)	2,222,412	(36,172)	(207,548)	(2,657,683)
Bond fees	<u>(793,029)</u>	<u>(171,332)</u>	<u>(257,290)</u>	<u>(546,581)</u>	<u>(308,662)</u>
Total nonoperating revenues (expenses), net	<u>(3,771,397)</u>	<u>(159,617)</u>	<u>(2,386,270)</u>	<u>(1,352,295)</u>	<u>(5,212,985)</u>
Net income before capital contributions	(1,309,589)	1,668,706	(3,314,897)	(2,985,947)	(10,779,363)
Capital contributions					
Capital contributions	<u>13,914,058</u>	<u>4,902,721</u>	<u>20,333,025</u>	<u>17,325,965</u>	<u>2,962,442</u>
Transfer out to general fund	-	(357,519)			
Net capital contributions and transfers	13,914,058	<u>4,545,202</u>			
Change in fund net assets	12,604,469	6,213,908	<u>17,018,128</u>	<u>14,340,018</u>	<u>(7,816,922)</u>
Fund net assets, beginning	<u>149,984,629</u>	<u>162,589,098</u>	<u>168,803,006</u>	<u>185,821,134</u>	<u>200,161,152</u>
Fund net assets, ending	<u>\$162,589,098</u>	<u>\$168,803,006</u>	<u>\$185,821,134</u>	<u>\$200,161,152</u>	<u>\$192,344,230</u>

* Figures for fiscal year 2009 are unaudited, preliminary and subject to change.

Summary of Historical Debt Service Coverage Ratio

The following table sets forth the Debt Service Coverage Ratio for the fiscal years 2005 through 2008 (audited) and June 30, 2009 (unaudited, preliminary and subject to change). Such information is in the format set forth in the Resolution for determining the Debt Service Coverage Ratio and is derived from records of the City and the Airport.

	Historical Debt Service Coverage Ratio				
	Fiscal Year Ended June 30				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009*</u>
Total Revenues and Coverage Amount	\$ 53,568,845	\$ 56,770,928	\$ 57,694,496	\$ 58,070,244	\$ 51,757,304
Operation and Maintenance Expenses	<u>(24,990,704)</u>	<u>(25,940,733)</u>	<u>(28,480,391)</u>	<u>(31,143,159)</u>	<u>(28,099,378)</u>
Revenues Available for Bond Debt Service and Coverage Amount	\$ 28,578,141	\$ 30,830,195	\$ 29,214,105	\$ 26,927,085	\$ 23,657,926
Required Debt Service Fund Deposits:					
Total Debt Service	\$ 17,984,720	\$ 18,380,213	\$ 18,570,960	\$ 18,516,264	\$ 18,060,209
PFC Revenue Applied to Debt Service	(6,463,208)	(6,380,000)	(5,880,000)	(6,365,284)	(5,388,900)
Net Debt Service Operation and Maintenance Reserve Fund Deposit	11,521,512	12,000,213	12,690,960	12,150,980	12,671,309
Total Required Deposit	\$ 11,955,512	\$ 12,562,213	\$ 13,100,960	\$ 13,672,580	\$ 13,280,709
Debt Service Coverage Ratio	2.39	2.45	2.23	1.97	1.78

* Fiscal year 2009 information is unaudited, preliminary and subject to change.

Management's Discussion of Airport Finances

Overview of Results for Fiscal Years 2005 through 2009. The fiscal year of the Airport begins on July 1 and ends on June 30 of each year.

The operating revenues of the Airport, which consist of parking fees, facility rentals, landing fees, concession fees and other operating income, increased in the aggregate from \$43.4 million in fiscal year 2005 to \$46.2 million in fiscal year 2008. Operating revenues declined to \$41.8 million in fiscal year 2009 due to a 12.9% reduction in enplaned passengers as compared to fiscal year 2008. This decline was attributable to the downturn in the economy and capacity reductions in the overall airline industry, including reductions in airline seat capacity at the Airport.

Parking revenues were the largest component of Airport operating revenues every year from fiscal year 2005 through fiscal year 2009, averaging 52% of total operating revenues. Parking revenues increased each year except fiscal year 2007 and fiscal year 2009. Such increases were attributable to the increased passenger levels in most years, as well as modest and infrequent parking rate increases. Parking revenues declined by \$3.5 million or 13.6% in fiscal year 2009 due to the decline in passengers at the Airport. The Airport constantly monitors the parking rates of competing airports, particularly Boston Logan International Airport and T.F. Green Airport in Providence, Rhode Island. As a matter of competitive and marketing policy, the Airport maintains parking rates lower than its competitors.

During the period from fiscal year 2005 through fiscal year 2009, revenues derived from the airlines (primarily landing fees and terminal rentals) represented 27%, 25%, 26%, 27% and 29%, respectively, of total operating revenues. These percentages are derived from Airport revenues based on standard industry classifications, which differ slightly from the categories shown in the five-year Summary of Historical Operating Statements.

Operating expenses increased \$6.9 million or 17% from fiscal year 2005 through fiscal year 2008 due to the increased terminal building size, expanded parking facilities, significantly increased security expenses after the events of September 11, 2001, subsequent federal mandates, and increased depreciation resulting from the

completion of various construction projects. Operating expenses (net of depreciation) declined by \$2.8 million or 9% in fiscal year 2009, due to the cost reduction measures described below.

During the fiscal years from 2005 through 2009, the cost to the airlines operating at the Airport fluctuated between \$5.62 and \$6.31 per enplaned passenger. During this period, the Airport's debt service coverage level on its outstanding bonds ranged from a high of 2.45 in fiscal year 2006 to a low of 1.76 in fiscal year 2009.

The Airport added to its cash reserves throughout fiscal year 2005 through 2009. The Operation and Maintenance Reserve has been fully funded at its required level throughout this period, and had a balance of \$9.8 million at the end of fiscal year 2009. At the end of fiscal year 2009, the Airport also had an additional \$25.9 million of undesignated operating funds.

Actions Taken in Response to Declines in Passenger Activity in Fiscal Year 2009. The City approved the Airport's fiscal year 2009 budget of approximately \$58 million on May 19, 2008. The amount of the approved budget is larger than the amount shown in the Summary of Historical Operating Statements because the budget is not prepared in accordance with general accepted accounting principles, and includes certain items that are not treated as operating expenses on the Airport's financial statements, such as principal payments on the Airport's Bonds, debt service coverage, and certain capital expenditures.

During the first quarter of fiscal year 2009, the Airport undertook a review of its fiscal year 2009 budget to address expected declines in Airport revenues primarily resulting from an expected decline in passenger activity during the fiscal year. Following the review, Airport management established the goal of reducing its fiscal year 2009 expenditures by \$6.2 million to approximately \$52 million. The Airport sought to achieve this goal through a variety of cost reduction measures, including elimination of scheduled bus service from the Airport to Boston (which service was taken over by a third party operator), closing unutilized areas to save on electricity and plowing, reducing custodial services, plant care maintenance, security costs, and frequency of parking lot shuttle service, reducing advertising, renegotiating contracts for health insurance and cell phones, and deferring planned computer software upgrades and certain planned capital expenditures.

During fiscal year 2009, the Airport experienced a 12.9% reduction in enplaned passengers compared to fiscal year 2008, and related decreases in its major sources of revenue. Specifically, parking revenues decreased from \$24.0 million in 2008 to \$20.5 million in 2009, airline payments decreased from \$12.9 million to \$12.3 million, rental car revenues decreased from \$4.3 million to \$4.2 million, and other concession revenues decreased from \$2.58 million to \$2.13 million. However, these various declines in revenue were offset by the cost reductions described above and the Airport ended the fiscal year with debt service coverage of 1.76.

Fiscal Year 2010 Budget and Discussion of Results to Date. On May 26, 2009, the City adopted a \$52 million budget for the Airport for fiscal year 2010. The budget provided that the Airport would pay all of its operating expenses and debt service, and remain in compliance with its various obligations under the Bond Resolution, including the rate covenant. The City's adopted budget for the Airport for fiscal year 2010 was based on expected enplanements of approximately 1.6 million.

In light of the continued passenger declines projected for the Airport in fiscal year 2010, prior to the start of the fiscal year, Airport management established the goal of reducing its fiscal year 2010 expenditures to approximately \$48 million.

The Airport reviews its results compared to budget on a monthly basis. Through September 2009, results were consistent with the Airport's revised expenditure goal of \$48 million. On a budget basis, total revenues through September were 8.4% below the pro-rated amounts for the Airport's original \$52 million budget, and total expenses were 12.9% less than budgeted. This resulted in the Airport's net revenues (the amount by which revenues exceed expenses) through September being greater than the pro-rated (seasonally adjusted) amount projected in the original \$52 million budget for fiscal year 2010.

OTHER FINANCIAL INFORMATION

Budgeting Process

Financial accounting for the operations of the Airport is the responsibility of the Airport Chief Financial Officer and is subject to review and approval by the Board. The City accounts for the operations of the Airport as an enterprise fund. These operations are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis will be recovered or financed through user charges.

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 Agreements. 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 City Charter provides for the Mayor, and such other officials as the Mayor shall select, to prepare a budget for consideration by the Board. The Mayor's proposed budget must include certain prior period and projected expense and revenue information as well as statements of anticipated tax levy and debt service requirements. The Mayor's proposed budget is referred to a public hearing. After the public hearing the Board may adopt the proposed budget with or without amendment. If amendments are made, a second public hearing may be held prior to final adoption. The Mayor may veto the entire budget or line items thereof. In the event of a veto, all portions of the budget not vetoed are passed. If the Board fails to adopt appropriation resolutions for the ensuing fiscal year by June 30, the Mayor's budget as originally proposed shall prevail.

The City Charter provides for supplemental appropriations, reductions of appropriations and transfers of appropriations under certain limited circumstances.

See also "LITIGATION AND LEGAL DEVELOPMENTS" for a description of a recent charter amendment that may adversely affect the City's and the Airport's budget.

State law permits the City to adopt biennial budgets, and it may choose to do so in the future.

Retirement Plans

All eligible Department of Aviation employees participate in the City's retirement system. In 1974, the City established a single-employer public employee retirement system to provide retirement benefits to employees. All eligible employees hired after January 1, 1974 are required to participate in this system as a condition of employment. Employees are 100% vested after five years of service.

Based on a preliminary actuarial report, at January 1, 2009, the City's actuarial retirement assets are estimated to have been \$126.0 million and the actuarial accrued retirement liability under the system is estimated to have been \$201.4 million. The market value of the City's retirement assets as of December 31, 2008 is estimated to have been \$106.4 million.

Investment Policies

New Hampshire RSA Chapter 48:16, as amended, establishes the policy to which the City must adhere when investing City funds, including Airport funds. With approval of the Board, the Finance Officer, acting as Treasurer, may invest in obligations of the United States government, in savings bank deposits of banks incorporated under the laws of the State, in participation units on the New Hampshire Public Deposit Investment Pool, in certificates of deposit and repurchase agreements of banks incorporated under the laws of the State, or in banks recognized by the State Treasurer.

Financial Hedge Policy

Swap and debt management policies have been implemented in connection with the Airport to provide a basis for oversight for all debt, including all short and long-term obligations, guarantees, and instruments that commit Airport revenues to future payments. These policies establish guidelines for managing interest rate exposure and approaches for overall debt structure, including benchmarks regarding total swap and variable rate debt exposure as a percentage of debt, form and term of payment agreements, credit rating of counterparties, collateralization, exposure limits, basis risk, selection of counterparty, and reporting requirements. Such policies are subject to amendment and change.

Risk Management and Insurance

The Airport has in place a comprehensive airport liability insurance policy with ACE USA which provides a combined single policy limit of \$100 million. The Airport is also named as an additional insured on liability policies required to be maintained by all airline operators and Airport tenants. The City also has in place business interruption insurance with respect to the Airport with an annual policy limit of \$11 million. The City is self-insured for worker's compensation claims up to \$650,000 and health insurance claims up to \$200,000 per individual per claim year; claims beyond these limits are subject to a policy. The policy with ACE USA also includes Extended Coverage- War, Hijacking and Other Perils, Terrorism Endorsement. The City self-insures for the first \$100,000 of property damage claims and the Airport has property insurance coverage (buildings and contents) of \$200 million.

CAPITAL PROGRAM

The Airport has a five-year rolling capital program. The projected costs of the current five-year capital program are approximately: \$6.0 million in fiscal year 2010, \$4.5 million in fiscal year 2011, \$3.8 million in fiscal year 2012, \$2.8 million in fiscal year 2013 and \$4.8 million in fiscal year 2014. The Airport is fairly new in comparison to other airports around the country and its capital needs are primarily for improvements, not for expansion. In 2009, the FAA reclassified the Airport as a "small hub." Due to the reclassification of the Airport as a "small hub," the Airport will be able to undertake capital projects with 90% federal and 5% state funding. The Airport's significant projects over the next five years include: studying and redesigning its glycol management process, replacing its in-ground snow melters, relocating a roadway and construction of a storage building.

Other future projects are expected to include certain equipment replacement and miscellaneous capital improvements. The City currently expects that future capital expansion and improvements at the Airport through fiscal year 2014 will be paid from available federal, state and Airport funds and not bond proceeds.

The Airport has implemented a voluntary residential sound insulation program in eligible neighborhoods surrounding the Airport. Under this program, homes which are located within an area approved by the FAA are eligible for sound insulation. The Airport began this program in 1992 and the Airport anticipates it will complete the program in February 2010. As of the end of fiscal year 2009, the Airport and the FAA had spent approximately \$50 million and had treated approximately 1,200 homes. The cost of the residential sound insulation program has been funded primarily from federal AIP grants, state grants, and Airport revenues.

New Master Plan Update

The Airport is currently undertaking a new Master Plan Update, expected to be completed in 2010. This new Master Plan Update could substantially affect future plans of the Airport for capital development. Based on forecasts for growth included in the new Master Plan Update, the expectation is that minimal capital development will be needed at the Airport in the fiscal year 2010-2014 period.

CERTAIN INVESTMENT CONSIDERATIONS

The purchase and ownership of the Series 2009 Bonds involve investment risk and may not be suitable for all investors. Prospective purchasers of the Series 2009 Bonds are urged to read this Official Statement, including all Appendices, in its entirety. The factors set forth below, among others, may affect the security of the Series 2009 Bonds.

Factors Affecting the Airline Industry

General. Key factors that affect airline traffic at the Airport and the financial condition of the airlines, and, therefore, the amount of Revenues available for payment of the Series 2009 Bonds, include: local, regional, national and international economic and political conditions; international hostilities; world health concerns, including, most recently, the spread of the influenza A (H1N1) virus; aviation security concerns; airline service and routes; airline airfares and competition; airline industry economics, including labor relations; availability and price of aviation fuel; capacity of the national air traffic control and airport systems; capacity of the Airport and competition from other airports for origin and destination traffic; and business travel substitutes, including teleconferencing, videoconferencing and web-casting.

The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic varies substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events such as the terrorist attacks of September 11.

Prior to September 11, the airline industry already faced weakened air travel demand, particularly from the business segment, with the fall of the information technology sector and the slowdown in the U.S. economy. In addition, the advent of Internet fares and new communication technologies were already transforming the airline marketplace. Once air service was restored after September 11, demand dropped precipitously, beyond normal market conditions, and business travel did not return to previous levels. The stringent security processing implemented at airports after September 11 posed a new deterrent to the traveling public. Airline revenues dropped and remain at lower than pre-September 11 levels. In response to weak demand, airlines were forced to drop fares to stimulate demand, further exacerbating the drop in airline profitability.

In response, airlines accelerated the structural changes that had been underway prior to September 11. Growing competition from carriers has forced legacy carriers to implement route rationalization, including route transfers to regional partners and the reduction, or elimination, of service to unprofitable markets. Airlines have reduced schedules, simplified fleets, deferred new aircraft delivery, implemented pay cuts, and reduced workforces. In addition, legacy carriers have shown increasing flexibility in adjusting fares to match discount fares offered by low-cost carriers.

Permanent structural changes to the industry are the result of a number of factors including the impact of low cost carriers, internet travel web sites and carriers reorganizing under the U.S. Bankruptcy Code. Since 2001, several U.S. air carriers have sought to reorganize under Chapter 11, including United, Delta, Northwest Airlines and US Airways (each of which has since emerged from bankruptcy; Northwest was subsequently acquired by Delta). It is possible that these or other airlines may seek to reorganize in or out of Chapter 11. See “-Effect of Airline Bankruptcies” below.

Following are some of the factors affecting the airline industry including labor, costs of aviation fuel, international conflicts and threats of terrorism and structural changes in the travel market. See also “—Aviation Security Concerns” below for additional discussion on the costs of security.

Labor Matters. Labor has always been a critical issue for major airlines. Most major airlines are heavily unionized. Many legacy carriers have conducted contract negotiations with the unions over several decades in a regulated airline environment in which there was little competition and costs were passed through to passengers. This has generally resulted in wage scales that are significantly higher, productivity that is much lower, and defined

benefit retirement plans that are much more generous than those found at low cost carriers. In addition, over time, airline unions have negotiated restrictive scope clauses that can severely limit an airline's ability to pursue market-driven adjustments.

The disparity in labor costs between legacy carriers and low cost carriers forced US Airways, United, American and Delta to restructure their labor costs through negotiations with their unions. The experiences of US Airways, United, American and Delta demonstrate that, despite widespread recognition that a fundamental cost problem exists and thousands of jobs are threatened, achieving negotiated labor cost reductions is difficult and can come with high risk. US Airways and United were only able to achieve labor cost savings through bankruptcy reorganizations.

Cost of Aviation Fuel. According to the Air Transport Association ("ATA"), aviation fuel has recently surpassed labor as the largest item of airline expense. Fuel costs fluctuate in response to market forces and exposure to these fluctuations is largely outside of airline management control except through hedging techniques. From 2000 to the first half of 2007, the price of jet fuel more than doubled. In the first half of 2008, the price of oil reached record highs. Since then the price of oil has steadily declined. According to the ATA, every penny increase paid for a gallon of aviation fuel costs the U.S. passenger airline industry \$190 million to \$200 million annually. Significant increases in the cost of fuel for a prolonged period of time may adversely affect airline industry profitability and could jeopardize the recovery plans of airlines which are currently experiencing financial difficulties.

International Conflict and the Threat of Terrorism. The increased threat of terrorism and the conflicts in Iraq and Afghanistan have had, and may continue to have, a negative impact on air travel. As a result of the conflicts and related terrorist threats, airlines significantly reduced the number of transatlantic flights, and airline revenues and cash flow were adversely affected. Uncertainty associated with war and the increased threats of future terrorist attacks are likely to continue to have an adverse impact on air travel in the foreseeable future. The City cannot predict the likelihood of future incidents similar to September 11, the likelihood of future air transportation disruptions or the impact on the Airport or the airlines operating at the Airport from such incidents or disruptions.

Structural Changes in the Travel Market. Many factors have combined to alter consumer travel patterns. The threat of terrorism against the United States remains high. As a result, the federal government has mandated various security measures that have resulted in new security taxes and fees and longer passenger processing and wait times at airports. Both add to the costs of air travel and make air travel less attractive to consumers relative to ground transportation, especially to short-haul destinations. In addition, consumers have become more price-sensitive. Efforts of airlines to stimulate traffic by heavily discounting fares have changed consumer expectations regarding airfares. Consumers have come to expect extraordinarily low fares. In addition, the availability of fully transparent price information on the Internet now allows quick and easy comparison shopping, which has changed consumer purchasing habits. Consumers have shifted from purchasing paper tickets from travel agencies or airline ticketing offices to purchasing electronic tickets over the Internet. This has made pricing and marketing even more competitive in the U.S. airline industry. Finally, smaller corporate travel budgets, combined with the higher time costs of travel, have made business customers more amenable to communications substitutes such as tele- and video-conferencing.

Effect of Airline Bankruptcies

General. The profitability of the airline industry has deteriorated since 2000, with many airlines reporting substantial financial losses and several airlines filing for bankruptcy protection. Neither the City nor the Airport is able to predict whether any airlines now serving the Airport will seek bankruptcy protection in the future, how long any airline in bankruptcy protection will continue operating at the Airport or whether any such airline will liquidate in the future. Additional bankruptcies, liquidations or major restructurings of other airlines could occur. See "—Factors Affecting the Airline Industry" above and "—Information Concerning the Airlines" below.

Assumption or Rejection of Agreements. In the event an airline that has executed an Airline Agreement or other agreement with the City seeks or has sought protection under the bankruptcy laws prior to October 17, 2005, such airline or its bankruptcy trustee must determine whether to assume or reject its agreements with the City (a) within 60 days (or later if ordered by the court) with respect to its Airline Agreement or leases of non-residential real property, or (b) prior to the confirmation of a plan of reorganization with respect to any other agreement. For an

Airline Agreement or leases of non-residential real property with an airline seeking protection under the bankruptcy laws on or after October 17, 2005, such airline or its bankruptcy trustee must determine whether to assume or reject its agreements with the City within 120 days, or up to 90 days later if ordered by the court or later with the consent of the City. However, bankruptcy courts are courts of equity and can, and often do, grant exceptions to these statutory limitations. In the event of assumption and/or assignment of any agreement to a third party, the airline would be required to cure any pre- and post-petition monetary defaults and provide adequate assurance of future performance under the applicable Airline Agreement or other agreements.

Rejection of an Airline Agreement or other agreement or executory contract will give rise to an unsecured claim of the City for damages, the amount of which in the case of an Airline Agreement or other agreement is limited by the U.S. Bankruptcy Code generally to the amounts unpaid prior to bankruptcy plus the greater of (i) one year of rent or (ii) 15% of the total remaining lease payments, not to exceed three years or rent. However, the amount ultimately received in the event of a rejection of an Airline Agreement or other agreement could be considerably less than the maximum claim amounts allowed under the U.S. Bankruptcy Code, because claims generally are not paid in full in bankruptcy. Certain amounts unpaid as a result of a rejection of an Airline Agreement or other agreement in connection with an airline in bankruptcy, such as airfield, terminal, concourse and ramp costs would be passed on to the remaining airlines under their respective Airline Agreements, thereby increasing such airlines' cost per enplanement, although there can be no assurance that such other airlines would be financially able to absorb the additional costs.

PFCs. Pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (P.L. 101-508) (the "1990 PFC Act"), the Wendel H. Ford Aviation Investment and Reform Act for the 21st Century (P.L. 106-181) ("AIR 21") and the Vision 100 - Century of Aviation Reauthorization Act (P.L. 108-176) ("Vision 100," and collectively with the 1990 PFC Act and AIR 21, the "PFC Acts"), the FAA has approved the Airport's applications to require the airlines to collect and remit to the Airport a \$4.50 PFC on each enplaning revenue passenger at the Airport.

The PFC Acts provide that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the City) imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in their respective financial statements. However, the airlines, provided they are not under bankruptcy protection, are permitted to commingle PFC collections with other revenues. Recent bankruptcy court decisions indicate that in a bankruptcy proceeding, it is likely that PFCs will not be treated as trust funds and that airports are not entitled to any priority over other creditors as to such funds. Therefore, the Airport cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the airlines operating at the Airport.

It is possible that the City could be held to be an unsecured creditor with respect to unremitted PFCs held by an airline that has filed for bankruptcy protection. Additionally, neither the Airport nor the City can predict whether an airline operating at the Airport that files for bankruptcy protection would have properly accounted for the PFCs owed to the City or whether the bankruptcy estate would have sufficient moneys to pay the City in full for the PFCs owed by such airline. PFCs are not pledged to the repayment of Bonds (including the Series 2009 Bonds).

Aviation Security Concerns

As a result of the September 11, 2001 terrorist attacks, ATSA was enacted on November 19, 2001. This legislation makes airport security the responsibility of the newly created TSA. The TSA was originally made an administrative agency of the United States Department of Transportation, but was subsequently made an administrative agency within the new United States Department of Homeland Security in the Homeland Security Act of 2002 ("HSA"). Provisions of the HSA and subsequent directives issued by the TSA called for, among other things, stronger cockpit doors on commercial aircraft, an increased presence of armed federal marshals on commercial flights, establishment of 100% checked bag screening, and replacement of all passenger and baggage screeners with federal employees, who must undergo criminal history background checks and be U.S. citizens. Airports have the option of "opting out" of using federal screeners and contracting with TSA-approved private screening companies, but most large airports including the Airport, utilize TSA screeners. Airports may now use state or local law enforcement personnel and airport employees to provide security services not related to passenger or baggage screening. Under ATSA, the federal government will pay for the new federal security screening services

by charging passengers a security service fee of \$2.50 per departure or connection, not to exceed \$5.00 per one-way trip, which is collected by air carriers and remitted to the federal government. To the extent that such fees are deemed to be insufficient by the TSA, ATSA also authorizes the imposition of an Aviation Security Infrastructure Fee on air carriers.

ATSA also mandates that certain security measures be undertaken at airports, including the Airport. Among other things, the following security measures are required: (1) screening or inspection of all individuals, goods, property, vehicles and equipment before entry into a secured area of the airport, (2) security awareness programs for airport employees, and (3) screening all checked baggage for explosives with explosives detection systems or other means or technology approved by the Undersecretary of the United States Department of Transportation, deployment of sufficient explosive detection systems for all checked baggage, and operation of a system to screen, inspect or otherwise ensure the security of all cargo to be transported in all-cargo aircraft.

In addition to the aforementioned security requirements resulting from the ATSA and subsequent legislation, the TSA has issued additional unfunded mandates by way of TSA security directives. These include: (1) transmittal to the TSA of personal information on all employees holding an airport-issued identification badge for the performance of Security Threat Assessment (“STA”) and retrieval of STA results prior to issuing badges and other forms of identification, (2) performance of inspections of all vendors and vendor products entering the sterile areas of the airport, and (3) reduction of the number of airport employees authorized to escort visitors in the secured areas. Thus far, the Airport has been able to meet these requirements without significant financial or operational impact. The Airport is meeting these obligations through the use of existing staffing.

Regulations and Restrictions Affecting the Airport

General. The operations of the Airport are affected by a variety of contractual, statutory and regulatory restrictions and limitations including, without limitation, the provisions of the Airline Agreements, the federal acts authorizing the imposition, collection and use of PFCs and extensive federal legislation and regulations applicable to all airports in the United States. In the aftermath of September 11, the Airport also has been required to implement enhanced security measures mandated by the FAA, the Department of Homeland Security and Airport management. See “—Aviation Security Concerns” above.

It is not possible to predict whether future restrictions or limitations on Airport operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for the Airport, whether additional requirements will be funded by the federal government or require funding by the City, or whether such restrictions or legislation or regulations would adversely affect Revenues. See “—Aviation Security Concerns” above and “—Passenger Facility Charges” and “—Federal Grants-in-Aid” below.

The FAA has jurisdiction over flying operations generally, including personnel, aircraft, ground facilities and other technical matters, as well as certain environmental matters. Under the FAA’s noise reduction regulations, the air transportation industry was required to modify substantial numbers of its existing aircraft. Airport noise remains a significant federal and local issue at certain airports, which may require substantial capital investments by the industry and/or airport operators, including the Airport, from time to time to meet applicable standards. See “CAPITAL PROGRAM.”

Federal Law Affecting Airport Rates and Charges. Federal aviation law requires, in general, that airport fees be reasonable and that in order to receive federal grant funding, all airport generated revenues must be expended for the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the airport owner that are directly and substantially related to air transportation of passengers or property. See “Federal Grants-in-Aid” below. Pursuant to the requirements of the Federal Aviation Administration Authorization Act of 1994 (the “1994 Aviation Act”), the federal Department of Transportation (“DOT”) and FAA have promulgated regulations setting forth an expedited hearing process to be followed in determining the reasonableness of airport rates and charges (the “Procedural Regulations”) and have also promulgated two policy statements, the first regarding airport rates and charges, effective June 21, 1996 (the “Rates and Charges Policy”), and the second, a final policy regarding the revenue retention requirement set forth at 49 U.S.C. § 47107(b) and §47133, dated February 16, 1999 (the “Revenue Retention Policy”). The Revenue Retention Policy reflects the FAA’s position concerning the legally permissible uses of airport revenue.

While minor challenges have been brought against the FAA concerning aspects of the Rates and Charges Policy and Revenue Retention Policy, the City is not aware of any formal dispute involving the Airport over any existing or proposed rates and charges or use of Revenues. The City believes that the rates and charges methodology utilized by the Airport under its Airline Agreements and the rates and charges imposed by it upon air carriers and other aeronautical users are reasonable and consistent with applicable law. Furthermore, the City believes that the Airport's use of such Revenues is consistent with the Revenue Retention Policy. However, there can be no assurance that a complaint will not be brought against the City in the future challenging such methodology and the rates and charges established by the Airport and, if a judgment is rendered against the City, that rates and charges paid by aeronautical users of the Airport will not be reduced.

Passenger Facility Charges

Under the PFC Acts, the FAA may authorize a public agency to impose a PFC of \$1.00, \$2.00, \$3.00, \$4.00 or \$4.50 on each passenger of an air carrier enplaned at any commercial service airport controlled by the public agency, subject to certain limitations. PFCs are available to airports to finance certain projects that (i) preserve or enhance capacity, safety or security of the national air transportation system, (ii) reduce noise resulting from an airport, (iii) furnish opportunities for enhanced competition among air carriers, (iv) reduce current or anticipated congestion or (v) reduce the impact of aviation noise on people living near the airport. Under certain circumstances, the FAA grants approval to commence collection of PFCs ("impose only" approval) before approval to spend the PFCs on approved projects ("use" approval) is granted. Approval to both collect and spend PFCs is referred to as an "impose and use" approval. The FAA Reauthorization Act of 2009 (the "FAA Reauthorization Act"), which is currently pending in Congress, would increase the permissible PFC from \$4.50 to \$7.00. The FAA Reauthorization Act has not been enacted, and the Airport cannot predict whether such an increase in PFCs will become federal law.

No assurance can be given that PFCs will actually be received in the amount or at the time contemplated by the City. Actual PFC revenues will vary depending on actual levels of PFC-eligible passenger enplanements at the Airport. No assurance can be given that any level of enplanements will be realized. See "-Factors Affecting the Airline Industry" above. Furthermore, the City has not pledged any PFC revenues as security for the Bonds. In addition, the FAA may terminate the Airport's ability to impose PFCs, subject to informal and formal procedural safeguards, if (1) the Airport's PFC revenues are not being used for approved projects in accordance with the FAA's approval, the PFC Acts or the regulations promulgated thereunder or (2) the City otherwise violates the PFC Acts or regulations. The Airport's authority to impose a PFC may also be terminated if the City violates certain provisions of the Airport Noise and Capacity Act of 1990 (the "Noise Act") and its implementing regulations relating to noise and access restrictions for certain types of aircraft. The regulations under the Noise Act also contain procedural safeguards to ensure that the City's authority to impose a PFC would not be summarily terminated. No assurance can be given that the Airport's authority to impose a PFC may not be terminated by Congress or the FAA, or that the PFC program may not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the Airport.

In 1992, the City received its first FAA approval to institute a \$3.00 passenger facility charge to finance certain projects on a pay-as-you-go basis. That charge has been imposed from 1993 - 2007. During 2008, the FAA approved a \$4.50 PFC. Since 1992 the City has filed twenty-seven PFC applications for projects. The City has received FAA approval to impose and use a total of \$198.3 million of PFC revenues for debt service related to PFC-approved project costs and pay-as-you-go PFC-approved improvements. From inception through June 30, 2009, the City has collected \$63.9 million and expended \$60.8 million on approved projects.

Federal Grants-in-Aid

The Airport and Airway Improvement Act of 1982 created the AIP program which is administered by the FAA and funded by the Federal Airport and Airway Trust Fund. This fund is financed by federal aviation user taxes. Grants are available to airport operators in the form of "entitlement" funds and "discretionary" funds.

Entitlement funds are apportioned annually based upon enplaned passengers and discretionary funds are available at the discretion of the FAA based upon a national priority system. In addition, pursuant to the PFC Acts, an airport's annual federal entitlement grants are reduced by 50% following the imposition of PFCs of up to \$3.00 or

75% for PFCs in excess of \$3.00. Since 1982, the Airport has received a total of \$51,805,704 (includes cargo entitlements) in entitlement funds and \$155,851,125 in discretionary funds.

Actual entitlement funds will vary with the actual number of passenger enplanements, with total appropriations for the AIP and with any revision of the existing statutory formula for calculating such funds. It is likely that the amounts made available for the AIP in the future will be at least stable, as recent increases in appropriations seem to be supported in Congress as the need to upgrade the nation's airport infrastructure remains a national priority.

No assurance can be given that federal grants-in-aid will actually be received in the amount or at the time contemplated by the City. In addition, the current AIP expired on September 30, 2007, and will require federal reauthorization to continue. Legislation to reauthorize and fund the AIP beyond such date has been under consideration by Congress since that time, but has not been enacted. Congress has approved several short-term extensions of the AIP, the most recent of which, the Fiscal Year 2010 Federal Aviation Administration Extension Act (P.L. 111-69), extends FAA authority to provide AIP grants until December 31, 2009. The current proposed AIP reauthorization is contained in the FAA Reauthorization Act that is pending before Congress. No assurance can be given that enactment of reauthorization legislation will occur, or at what levels the AIP program may be funded in the future.

Before federal approval of any AIP grant applications can be given, eligible airports must provide written assurances that they will comply with a variety of statutorily specified conditions. One such assurance is the so-called "airport generated revenues" assurance which provides that all airport generated revenues will be expended for the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the applicant that are directly and substantially related to air transportation of passengers or property. The City falls within the group of airports for which the "airport generated revenues" assurance applies.

Information Concerning the Airlines

Many of the principle domestic airlines serving the Airport, or their respective parent corporations, are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the U.S. Securities and Exchange Commission ("SEC"). Certain information, including financial information concerning such airlines, or their respective parent corporations, is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC maintains a web site at <http://www.sec.gov> containing reports, proxy statements and other information regarding registrants that file electronically with the SEC. In addition, each airline is required to file periodic reports of financial and operating statistics with DOT. Such reports can be inspected at DOT's Office of Airline Information, Bureau of Transportation Statistics, Department of Transportation, Room 4201, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from DOT at prescribed rates.

Neither the City nor the Underwriters undertake any responsibility for or make any representation as to the accuracy or completeness of (i) any reports and statements filed with the SEC or DOT or (ii) any material contained on the SEC's website as described in the preceding paragraph, including, but not limited to, updates of information on the SEC website or links to other Internet sites accessed through the SEC's website.

Forward-Looking Statements

This Official Statement contains statements relating to future results that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect," and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2009 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), (ii) interest on the Series 2009A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax, and (iii) interest on the Series 2009B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City in connection with the Series 2009 Bonds, and Bond Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2009 Bonds from gross income under Section 103 of the Code. The provisions of the American Recovery and Reinvestment Act of 2009 relating to the treatment of interest on certain tax-exempt Series 2009 Bonds apply to the Series 2009 Bonds.

In addition, in the opinion of Bond Counsel to the City, under existing New Hampshire law, interest on the Series 2009 Bonds is exempt from the New Hampshire personal income tax on interest.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2009 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2009 Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2009 Bonds in order that interest on the Series 2009 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2009 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2009 Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2009 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2009 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2009 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2009 Bonds.

Prospective owners of the Series 2009 Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2009 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Series 2009 Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Series 2009 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2009 Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Series 2009 Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Series 2009 Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2009 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Series 2009 Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Series 2009 Bonds.

Bond Premium

In general, if an owner acquires a Series 2009 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2009 Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Series 2009 Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Series 2009 Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Series 2009 Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2009 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2009 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2009 Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2009 Bonds under Federal or state law and could affect the market price or marketability of the Series 2009 Bonds.

Prospective purchasers of the Series 2009 Bonds should consult their own tax advisors regarding the foregoing matters.

LITIGATION AND LEGAL DEVELOPMENTS

To the best of the City's knowledge, there is no litigation now pending or threatened which seeks to restrain or enjoin the sale, execution, issuance or delivery of the Series 2009 Bonds or in any way contests the validity of the Series 2009 Bonds or any proceedings of the City taken with respect to the authorization, sale or issuance of the Series 2009 Bonds, or the pledge or application of any moneys provided for the payment of or security for the Series 2009 Bonds or that, in the judgment of the City, would materially adversely affect the ability of the City to pay debt service on the Series 2009 Bonds when due in accordance with the Resolution. The City is involved in various lawsuits arising in the ordinary course of operations of the Airport. Although the outcome of all existing claims is not presently determinable, the City estimates that the outcome of these matters (taking into account existing accruals for probable losses for such claims and insurance coverage) will not materially affect the financial position of the Airport or the City's ability to pay debt service on the Series 2009 Bonds.

The voters at the November 3, 2009 election also approved an amendment to the City's charter that, when effective, will, subject to certain exceptions, impose limitations on the annual budgeting expenditures of the City and the annual estimated property tax rate for the City. The amendment was placed on the ballot through a voter initiated process. The amendment is effective July 1, 2010 and would initially impact the fiscal year 2012 City budget.

The limitations imposed by the charter amendment require first, that the Mayor's proposed expenditure budget increase year over year by no more than the change in the national consumer price index for the preceding year. Second, the Mayor and Board of Aldermen are allowed to assume an estimated property tax rate increase year over year of no more than the change in the national consumer price index. Finally, total expenditures for any fiscal year may not exceed the amount of funds expected to be derived from the tax rate (as limited as described above), increased by other revenues of the City. These limitations imposed may be overridden each year only by a two-thirds vote of the Aldermen.

The impact of this amendment on the Airport is uncertain. The City does not use property tax revenues to fund any costs of the Airport. Moreover, a similar charter amendment had been proposed for the City of Concord, New Hampshire. Concord challenged the constitutionality of the amendment in court and the New Hampshire Merrimack County Superior Court ruled in March, 2009 that the proposed Concord amendment violates both the New Hampshire Constitution and the New Hampshire general laws. The City brought a similar challenge in the New Hampshire Hillsborough County Superior Court, which transferred the matter without ruling on the issue to the New Hampshire Supreme Court. On December 9, 2009, the New Hampshire Supreme Court accepted the transfer. The City cannot now predict the outcome of this matter.

RATINGS

With respect to the Series 2009 Bonds other than the Insured Bonds, Fitch, Moody's and S&P have assigned ratings of "A- (stable outlook)", "A3 (stable outlook)" and "A- (negative outlook)", respectively. With respect to the Insured Bonds, Fitch, Moody's and S&P are expected to assign ratings of "AA (negative outlook)", "Aa3 (negative outlook)" and "AAA (negative outlook)", respectively, based on the Policy to be issued by Assured Guaranty.

Such ratings reflect only the respective views of such organizations and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. The above ratings are not a recommendation to buy, sell or own the Series 2009 Bonds, and there is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by any or all of such rating agencies if, in its or their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2009 Bonds.

CERTAIN LEGAL MATTERS

The unqualified approving opinions of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the City, will be furnished upon delivery of the Series 2009 Bonds; the proposed forms of such opinions are set forth in Appendix D. Certain legal matters will be passed on for the City by the City Solicitor and for the Underwriters by their counsel, Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts.

FINANCIAL ADVISOR

Fullerton & Friar, Inc., Largo, Florida, is serving as financial advisor to the City in connection with the issuance of the Series 2009 Bonds. The financial advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Fullerton & Friar, Inc. is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading of municipal securities or any other negotiable instruments.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the SEC, the City will enter into a Continuing Disclosure Agreement with respect to the Series 2009 Bonds for the benefit of the beneficial owners of the Series 2009 Bonds, substantially in the form attached as Appendix E to this Official Statement (the "Continuing Disclosure Agreement"), pursuant to which the City will agree to provide, or cause to be provided to the MSRB: (i) certain annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Series 2009 Bonds and (iii) timely notice of a failure by the City to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement. The Underwriters' obligation to purchase the Series 2009 Bonds shall be conditioned upon their receiving, at or prior to the delivery of the Series 2009 Bonds, an executed copy of the Continuing Disclosure Agreement. See "Appendix E - Form of Continuing Disclosure Agreement." The City has previously entered into undertakings with respect to other debt of the City and the Outstanding Bonds and, in the prior five years, has complied in all material respects with such undertakings.

UNDERWRITING

J.P. Morgan Securities Inc., as representative of the Underwriters for the Series 2009 Bonds, has agreed, subject to certain conditions, to purchase all of the Series 2009 Bonds from the City pursuant to the Bond Purchase Agreement for the Series 2009 Bonds at a price equal to the principal amount of the Series 2009 Bonds, plus net original issue premium, less an underwriting discount of \$452,072.52. The Underwriters are obligated to purchase all the Series 2009 Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement for the Series 2009 Bonds, the approval of certain legal matters by counsel and certain other conditions.

The Series 2009 Bonds may be offered and sold by the Underwriters to certain dealers (including dealers depositing the Series 2009 Bonds in unit investment trusts or mutual funds, some of which may be managed by the Underwriters) and certain dealer banks and banks acting as agents at prices lower (or yields higher) than the initial public offering prices (or yields) set forth on the inside cover page of this Official Statement. Subsequent to such initial public offering, the Underwriters may change the public offering pricing (or yields) as they may deem necessary in connection with the offering of the Series 2009 Bonds.

J.P. Morgan Securities Inc., one of the Underwriters of the Series 2009 Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, including the Series 2009 Bonds, at the original issue prices. Pursuant to the Distribution Agreement, J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Series 2009 Bonds with UBS Financial Services Inc.

Citigroup Inc., parent company of Citigroup Global Markets Inc., one of the Underwriters of the Series 2009 Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2009 Bonds.

INDEPENDENT ACCOUNTANTS

The financial statements of the City's Department of Aviation as of and for the year ended June 30, 2008 and comparative data for fiscal year 2007 included in Appendix A of this Official Statement have been audited by McGladrey & Pullen, LLP, New Haven, Connecticut, independent accountants (the "Auditors"), as stated in their report appearing in Appendix A. Such report speaks only as of its date, and only to matters expressly set forth therein. The Auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the Auditors been requested to give their consent to inclusion of their report in Appendix A. Except as stated in their report, the Auditors have not been engaged to verify the financial information set forth in Appendix A and are not passing on and do not assume the sufficiency, accuracy or completeness of the financial information presented therein.

MISCELLANEOUS

The references in this Official Statement to the Resolution, statutes, contracts and other documents are brief outlines or partial excerpts of certain provisions of the documents. These outlines or excerpts do not purport to be complete, and reference is made to the documents, copies of which are available at the offices of the City, for full and complete statements of their provisions. All estimates used in this Official Statement are intended only as estimates and not as representations.

This Official Statement includes a description of the City, the Airport facilities and certain financial and operational factors relating to the City and the Airport, and a description of the Series 2009 Bonds and the security therefor. Except where noted, all information presented in this Official Statement has been provided by the City and the Airport. The following appendices are included as part of this Official Statement: Appendix A - Financial Statements of the City's Department of Aviation for the fiscal year ended June 30, 2008 and comparative

information for the fiscal year ended June 30, 2007, with a report thereon by McGladrey & Pullen LLP; Appendix B - Summary of Certain Provisions of the Resolution; Appendix C - Summary of Certain Provisions of the Airline Agreements; Appendix D - Proposed Forms of Bond Counsel Opinions; Appendix E - Form of Continuing Disclosure Agreement; and Appendix F- Specimen Municipal Bond Insurance Policy. Appendix A has been prepared by McGladrey & Pullen LLP, auditor for the City; Appendices B, C, D and E have been prepared by Hawkins Delafield & Wood LLP, Bond Counsel to the City; and Appendix F has been provided by Assured Guaranty with respect to the Insured Bonds.

AUTHORIZATION

The execution and delivery of this Official Statement by the Mayor, the Finance Officer and the Airport Director have been duly authorized by the Board of Mayor and Aldermen of the City.

CITY OF MANCHESTER, NEW HAMPSHIRE

By: /s/ Frank C. Guinta
Mayor

By: /s/ William Sanders
Finance Officer

By: /s/ Mark P. Brewer
Airport Director

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APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE CITY'S DEPARTMENT OF AVIATION FOR
THE YEAR ENDED JUNE 30, 2008 AND COMPARATIVE DATA FOR FISCAL YEAR 2007**

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Financial Statements
City of Manchester, New Hampshire
Department of Aviation
Years Ended June 30, 2008 and 2007
With Report of Independent Auditors

**City of Manchester, New Hampshire
Department of Aviation**

Financial Statements

Years ended June 30, 2008 and 2007

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Mayor and Aldermen
City of Manchester, New Hampshire

We have audited the accompanying financial statements, as listed in the table of contents, of the Department of Aviation of the City of Manchester, New Hampshire (the "DA"), an enterprise fund of the City of Manchester, New Hampshire, as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the DA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The financial statements present only the Department of Aviation of the City of Manchester, New Hampshire and do not purport to, and do not, present fairly the financial position of the City of Manchester, New Hampshire as of June 30, 2008 and 2007, and the changes in its financial position and, where applicable, cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of Aviation of the City of Manchester, New Hampshire as of June 30, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis on pages 3 through 15 is not a required part of the basic financial statements. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. We noted that management did not include comparative information and discussion of 2006.

In accordance with "Government Auditing Standards," we have also issued our report dated March 30, 2009 on our consideration of the Department of Aviation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards," and should be considered in assessing the results of our audit.

McGladrey & Pullen, LLP

New Haven, Connecticut
March 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2008

The management of the City of Manchester's Department of Aviation (Manchester Airport) is pleased to offer readers of the Airport's financial statements this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2008 (FY2008).

Overview of the Financial Statements

This overview discussion will serve as an introduction to the Airport's audited financial statements, which follow this MD&A section. These audited financial statements are comprised of two components: 1) basic financial statements and 2) notes to the financial statements.

Basic Financial Statements – The basic financial statements provide a broad overview of the Airport's finances presented in a manner similar to a private sector business. The basic financial statements are prepared using proprietary fund (enterprise fund) accounting. The Airport is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting are used. Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include Statements of Fund Net Assets, Statements of Revenues, Expenses, and Changes in Fund Net Assets, and Statements of Cash Flows. These are followed by Notes to the Financial Statements.

The Statements of Fund Net Assets present information on all of the Airport's assets and liabilities/net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Airport's financial position is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Fund Net Assets detail the Airport's operating revenues and expenses for two fiscal years, combined with nonoperating revenues (expenses) and capital contributions to determine each fiscal year's change in Net Assets. Fiscal year operating income and change in net assets amounts are contained in this statement with comparative amounts from the previous year.

The Statements of Cash Flows report changes in cash and cash equivalents for two fiscal years resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

The basic financial statements include only the Department of Aviation (Manchester Airport). There are no other city departments or government agencies whose financial statements should be combined with those of the Airport.

Following this MD&A are the financial statements (discussed above) together with notes thereto. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. These notes are an integral part of the financial statements and should be read in their entirety.

The MD&A will now discuss the core components of the Airport's activity this past fiscal year.

Financial Highlights Summary

Manchester-Boston Regional Airport experienced an increase of 3.7% in passenger enplanements in FY2008, as enplanements increased by 70,045 from FY2007. This increase surpassed expectations; despite the ongoing nationwide airline struggles with bankruptcies, competitive strategies, and high fuel costs. Many airports in the small and medium hub categories experienced reductions in capacity, either from the airlines substituting regional jets for mainline jets or by the airlines eliminating service all together. Operating loss increased from (\$928,627) in FY2007 to (\$1,633,652), an increase of 75.9%. The operating loss increase was due primarily to increased operating expenses. Fiscal year 2008 was a record breaking winter season with excessive snow removal costs.

For FY2008, Airport Management maintained the landing fee rate to \$1.98/1000 lbs. of maximum certificated aircraft landed weight. The terminal square footage rental rate was increased to \$56.56/sq. ft. during FY2008 (a \$9.62 increase). Parking rates were maintained during FY2008. The garage parking rate remained \$17 a day with a weekly maximum of \$85. The long term lots remained at \$10 a day.

Management believes that the stabilization of its airline rate structure was not only prudent, but necessary, for the short-term at least, due to the increased uncertainty surrounding the airlines during this bankruptcy and consolidation period. Overall in FY2008, total passengers totaled 3,954,315 an increase of 3.7% from FY2007.

Next, are condensed financial tables that summarize the major categories of the Airport's financial performance, as contained in the basic financial statements following this MD&A.

Summary of Operations and Changes in Net Assets

	<u>FY2008</u>	<u>FY2007</u>
Operating Revenues	\$ 46,243,847	\$ 43,871,774
Operating Expenses	<u>(30,631,198)</u>	<u>(28,294,481)</u>
Operating Income before Depreciation and non-operating items	15,612,649	15,577,293
Depreciation	<u>(17,246,301)</u>	<u>(16,505,920)</u>
Operating (loss) before non-operating items	(1,633,652)	(928,627)
Other Non-Operating Income and (Expenses), net	<u>(1,352,295)</u>	<u>(2,386,270)</u>
Net income (loss) before capital Contributions	<u>(2,985,947)</u>	<u>(3,314,897)</u>
Capital contributions	17,325,965	20,333,025
Change in fund net assets	<u>\$ 14,340,018</u>	<u>\$ 17,018,128</u>

Financial Position Summary

Net Assets may serve over time as a useful indicator of the Airport's overall financial health. The Airport's total net assets exceeded liabilities by \$200,368,700 at June 30, 2008, a \$14,547,566 or 7.8% increase from June 30, 2007. The final LOI payment was received in FY2008. The LOI payments were used to pay down the principal on the 2002C variable rate bonds. Unrestricted net assets decreased slightly in FY2008 due primarily to capital contributions being used to pay debt. Capital Contributions are a primary function of funds received from Federal and State grants. Contributions decreased slightly due to the completion of many capital projects.

	<u>FY2008</u>	<u>FY2007</u>
ASSETS:		
Current and other assets	\$ 75,874,908	\$ 78,946,139
Capital assets, net of depreciation	<u>373,711,614</u>	<u>373,685,701</u>
TOTAL ASSETS	<u>449,586,522</u>	<u>452,631,840</u>
LIABILITIES:		
Current liabilities	13,988,953	20,461,410
Long-term debt outstanding	228,342,061	239,551,090
Current maturities debt outstanding	6,985,000	6,695,000
Non-current liabilities	<u>109,356</u>	<u>103,206</u>
TOTAL LIABILITIES	<u>249,425,370</u>	<u>266,810,706</u>
NET ASSETS:		
Invested in capital assets, net of debt	151,962,935	146,110,063
Restricted net assets	43,485,495	34,780,222
Unrestricted net assets	<u>4,712,722</u>	<u>4,930,849</u>
TOTAL NET ASSETS	<u>\$ 200,161,152</u>	<u>\$ 185,821,134</u>

Summary of Cash Flow Activities

A summary of the major sources and uses of cash and cash equivalents for the past two fiscal years follows. Cash equivalents are bank deposits and highly liquid investments maturing in three months or less.

	<u>FY2008</u>	<u>FY2007</u>
Cash flow from Operating Activities	\$ 9,764,115	\$ 20,145,821
Cash flow from Investing Activities	2,622,663	2,522,716
Cash flow from Noncapital Financing Activities	8,892,065	7,417,125
Cash flow from Capital and Related Financing Activities	<u>(16,853,919)</u>	<u>(39,498,187)</u>
Net increase (decrease) in Cash and Cash Equivalents	4,424,924	(9,412,525)
Cash and Cash Equivalents:		
Beginning of year	<u>61,908,422</u>	<u>71,320,947</u>
End of year	<u>\$ 66,333,346</u>	<u>\$ 61,908,422</u>

The Airport's available cash and cash equivalents increased 7.1% from \$61,908,422 at the end of FY2007 to \$66,333,346 at the end of FY2008.

Airport Activities and Highlights

The table below depicts key airport/aviation measurement yardsticks commonly used in assessing an airport's performance.

	<u>FY2008</u>	<u>FY2007</u>
Enplanements (people)*	1,979,072	1,909,027
% increase/(decrease)	3.7%	(8.4%)
Landed Weight (lbs.)**	2,915,630,257	2,962,196,596
% increase/(decrease)	(1.6%)	(7.0%)
Cargo Shipped (lbs.)***	185,228,666	195,112,981
% Increase/(decrease)	(5.0%)	24.2%
Parking Revenue (\$)	\$24,770,784	\$23,170,393
% increase	6.9%	(0.9%)

*Enplanements is a common airport/airline measurement statistic. It represents the number of people actually boarding an aircraft at Manchester versus the number of passengers who enplane and deplane at Manchester.

**Landed Weight is the actual total aircraft landed weight during the year. Manchester Airport collects \$1.98 for each 1000 lbs. of landed weight (primarily commercial aircraft).

***The three major cargo shippers are FEDEX, UPS, and DHL (formerly Airborne Express).

As of June 30, 2008, Manchester-Boston Regional Airport was served by the following commercial passenger air carriers: Air Canada, Continental Express, Delta Connection - Atlantic Southeast Airlines, Delta Connection - COMAIR, Northwest Airlines, Southwest Airlines, United Airlines, United Express, US Airways and US Airways Express.

Medium Hub Status

During FY2008, Manchester Airport remained a medium hub airport as defined by the FAA, it is ranked the 66th largest commercial service airport in the country.

The Airline Agreement and Airport Rates and Charges

The Airport has entered into use and lease agreements (the Airline Agreement) discussions with the afore-mentioned major carriers serving Manchester—collectively the Signatory Airlines. The Airline Agreement establishes procedures for the annual adjustment of Signatory Airline Terminal Building Rental, Landing Fee, and Apron Fee rates charged for the use and occupancy of the passenger terminal and airfield facilities.

As set forth in the Airline Agreement, terminal building square footage fees are based on compensatory ratemaking methodologies and the apron square footage rate and landing fees are based on residual ratemaking methodologies. Airline rates and charges are calculated annually prior to the new fiscal year. The airlines are invited each year to attend a “rates and charges” meeting, at which the rates for the upcoming fiscal year are explained in detail. Should unforeseen circumstances arise that require a change of rates and charges during the fiscal year, the Airline Agreement gives the Airport the ability to adjust rates and charges to ensure adherence to its financial covenants. No such adjustments were required in FY2008. A comparison of the last three fiscal years’ rates and charges follows:

Signatory Airline Rates	<u>FY2008</u>	<u>FY2007</u>	<u>FY2006</u>
Landing Fees (per 1,000 lbs. MGLW)*	\$1.98	\$1.98	\$1.71
Terminal Rental Rates (per square foot)	\$56.56	\$46.94	\$45.57
Apron Fee Rental (per square foot)	\$0.57	\$0.56	\$0.57

* The landing fee for any non-signatory airline/aircraft is fixed at 125% of the signatory fee.

Airline Cost Per Enplaned Passenger

Airline Cost per Enplaned Passenger, another common measurement statistic, is used by the airline industry to assess individual airport cost structures. It is calculated based on what specific charges an airline pays to the airport’s governing body, e.g., landing fees, terminal rental fees, apron fees, etc. The airport industry norm averages between \$6 and \$10 per enplaned passenger. Manchester’s average Airline Cost per Enplaned Passenger for the last three fiscal years follows:

	<u>FY2008</u>	<u>FY2007</u>	<u>FY2006</u>
Airline Cost Per Enplaned Passenger	\$5.87	\$5.54	\$5.48

Passenger Facility Charges (PFCs) and Customer Facility Charges (CFCs)

PFCs and CFCs are special categories of non-operating revenue in place at Manchester Airport and other airports. In 1992, the FAA approved the Airport's application to impose a \$3.00 PFC per eligible enplaned passenger. During FY2008, the FAA approved a \$4.50 PFC. Through FY2008, the FAA has approved the use of \$194,937,943 for FAA-approved projects, such as debt service for runway rehabilitations and extensions, snow removal equipment, residential sound insulation, etc. Airlines collect the \$4.50 PFC when they sell a ticket and then make monthly remittances directly to the Airport after deducting a small administrative charge for each \$4.50 PFC. This administrative charge increased effective May 1, 2004 from \$0.08 per PFC collected to \$0.11. Since inception in 1993 through June 30, 2008, the Airport has collected \$57,456,673 in PFCs and expended \$55,445,354 on approved projects. The existing PFC expiration date, based on currently approved projects and projected annual enplanements, is August 1, 2022.

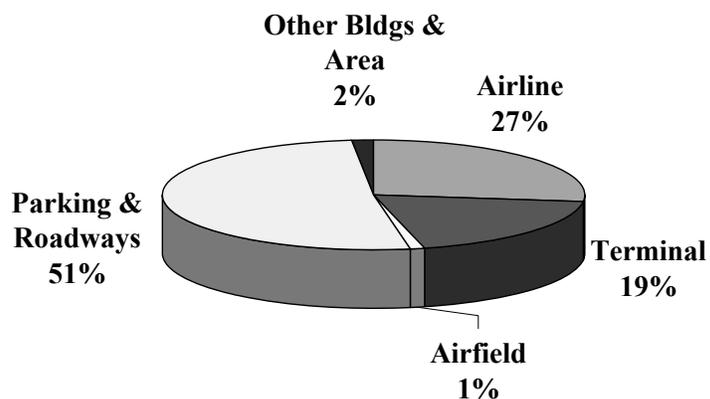
CFCs are collected through agreements with rental car companies servicing Manchester Airport. A rate of \$2.25 per rental car day is charged to each rental car customer and remitted monthly to the Airport by the rental car companies. At CFC initiation in July 1999, the rate was \$1.50, but was subsequently raised to \$2.25 later that year. CFCs are used to partially offset operating costs of the Pedestrian Bridge/Walkway, as well as Airport debt service related to that portion of the parking garage used by rental car companies. A summary of the PFC and CFC revenues collected for the last three fiscal years follows:

	<u>FY2008</u>	<u>FY2007</u>	<u>FY2006</u>
PFC Revenue	\$6,847,879	\$5,399,622	\$5,612,588
CFC Revenue	\$2,268,130	\$2,558,382	\$2,369,984

Next, is a discussion of Airport Revenues and Expenses in standard categories used throughout the aviation industry. These are categories used in each of the Airport's bond offering statements and differ slightly from municipal GAAP categories enumerated in the audited financial statements. Similarly, certain line item totals are slightly different, but have no appreciable effect on the Airport's FY2008 financial statistics.

REVENUES

The following chart depicts the Airport's major sources and percentage of Operating Revenues for FY2008:

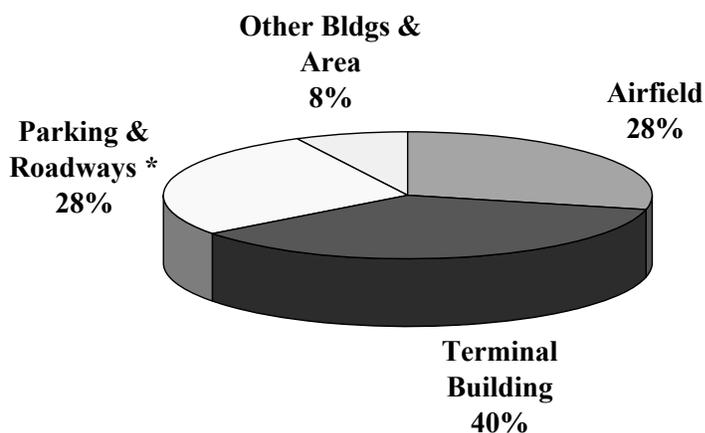


A summary of FY2008 revenues, and the amount and percentage of change in relation to FY2007 follows:

	FY2008 Amount	Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
Operating:				
Airline	\$ 12,886,445	22.2 %	\$ 933,521	7.8 %
Terminal	9,087,913	15.7	(92,115)	(1.0)
Airfield	455,205	0.8	28,690	6.7
Parking & Roadways	24,345,294	42.0	1,457,192	6.4
Other Bldgs & Area	852,355	1.5	22,659	2.7
Total Operating	47,627,212	82.1	2,349,947	5.2
Non-Operating:				
Passenger Facility Charges	6,847,879	11.8	1,448,257	26.8
Miscellaneous	885,991	1.5	(1,104,609)	(55.5)
Interest Income	2,622,663	4.5	99,947	4.0
Total Non-Operating	10,356,533	17.9	443,595	4.5
TOTAL REVENUES	\$ 57,983,745	100.0 %	\$ 2,793,542	5.1 %

EXPENSES

The following chart depicts the Airport's major cost centers and percentage of Operating Expenses for FY2008:



A summary of FY2008 expenses, and the amount and percentage of change in relation to FY2007 follows:

	FY2008 Amount	Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
Operating:				
Airfield	8,724,749	14.4 %	\$ 1,588,798	22.3 %
Terminal Building	11,081,476	18.3	(53,309)	(0.5)
Parking & Roadways	8,494,663	14.1	725,646	9.3
Other Bldgs & Area	2,330,310	3.9	75,582	3.4
Total Operating	30,631,198	50.7	2,336,717	8.3
Depreciation	17,246,301	28.6	740,381	4.5
Non-Operating:				
Interest Expense	11,973,935	19.8	(158,513)	(1.3)
Bond Fees	546,581	0.9	289,291	112.4
Total Non-Operating	12,520,516	20.7	130,778	1.1
TOTAL EXPENSES	60,398,015	100.0 %	3,207,876	5.6 %

Airport Capital Program

The following is a general description of the Airport's current capital program which encompasses projects undertaken in FY2008 and additional capital projects expected to be undertaken in the future. In total, this capital program was and continues to be financed through a variety of sources as discussed below.

The Master Plan Update

In 1997, the FAA approved and accepted the MPU to satisfy aviation needs at the Airport and address projections for future growth in aviation demand. The MPU contains a blueprint and timetable for needed infrastructure improvements and demand-driven facility expansions. It focuses on airside issues, in particular on airfield pavement and runway safety areas, cargo and general aviation facilities, as well as on terminal building requirements, parking capacity, and the impact of increased aviation demand on the surrounding area. The MPU is a comprehensive, coordinated capital improvement and financial plan for the Airport.

Concurrent with development of the MPU, a FAR Part 150 Noise and Land Use Compatibility Update was completed, as well as a full Environmental Impact Statement. This process included all relevant Airport user groups, surrounding communities, and state and federal regulatory agencies having jurisdiction. The FAA issued favorable Records of Decision on the Environmental Impact Statement and the approved Airport Layout Plan in 1997. The FAA also approved the Part 150 Update in 1998. As a result of this coordinated effort, all required state and federal environmental permits were issued for the projects.

Based on its rapid growth, the Airport embarked on an aggressive capital improvement program and essentially completed all projects included in the 1997 MPU by 2004, with the exception of the full build-out of the terminal and parking garage. Projects included in the MPU were funded from a variety of sources, including General Airport internal funds, PFC backed bonds, and PFC revenues.

With substantial completion of the program outlined in the 1997 MPU, the Airport plans to update the Master Plan once again in 2009/2010, in order to provide a new blueprint for the future of the Airport.

In fiscal 2008, the Airport worked on the following projects:

Extension of Runway 24 Safety Area Project

The Airport considers this project to be the last major project under the 1997 MPU. The project's primary objective was the construction of a runway end safety area for the approach end of Runway 24. It commenced in the spring of 2007 and was essentially completed in late spring of 2008. The project cost was approximately \$25.7 million. This major runway safety project included significant property acquisitions and required the construction of a major roadway realignment/relocation to allow extension of the runway end safety area. A minor runway extension, taxiway modifications, drainage and utility relocation were also part of this project. The required FAA safety area was achieved through the construction of an Engineered Materials Arresting System (EMAS). The use of the EMAS system reduced the safety area requirement from 1000 feet to 600 feet in length, significantly reducing wetlands impact. The project was funded through AIP Grants, state grants, proceeds from the 2005 Bonds, and Airport internal funds.

Parking Lot Improvement projects

The Airport plans to construct Phase I of the Parking Lot C long-term parking lot expansion in FY2009. This phase of the expansion will provide approximately 872 additional parking spaces at a cost of approximately \$2.4 million. Phase II of the project, which will ultimately provide an additional 1120 spaces is being put on hold for the time being. The construction of Phase I is

expected to consolidate the Airport's parking operation and reduce operating costs. The project is being funded through the 2005 Bonds and Airport internal funds.

Demolition of Summit Packaging Systems & Meggitt Avionics Facilities

In order to facilitate the parking Lot C expansion (described above), the Airport contracted for the demolition of the Summit Packaging Systems & Meggitt Avionics Facilities. The demolitions were completed during FY2008 at a total cost of \$561,000 funded from the 2005 bonds.

Roadway & Parking Improvements

The Airport funded and completed a number of smaller projects for the improvement and maintenance of roadways and parking facilities as follows:

Garage Maintenance Project	\$678,000
Cell Phone Lot	\$ 62,000
Airport Signage	\$ 63,000

Airside Improvements

The Airport funded and completed a number of smaller projects for the improvement and maintenance of airside facilities as follows:

Stone Arch Replacement	\$613,000
Drainage Reconstruction	\$ 83,000
Hex Hangar Upgrades	\$ 339,000

The Airport also completed the design for repairs to the terminal trench drain system. Phase I of the repairs are scheduled for FY2009 with Phase II scheduled for either late FY2009 or early in FY2010. Total cost of the project is expected to be approximately \$2.4 million. The project is being funded under the FAA's AIP funding, state grants, and a local share of 20%.

Terminal & Building Improvements

The Airport installed a new roof on the Ammon Center, a building the Airport leases to Cargex Properties. The cost of the project was \$182,000. Work also commenced on several security projects, including CCTV cameras, security bollards at the terminal entryways, and window treatments which involves the installation of blast resistant window film on the windows at the front of the terminal building. These projects are scheduled for completion in FY2009 and will be funded through AIP Grants, state grants, and 20% matching local shares.

Residential Sound Insulation Program (RSIP)

The Airport continued its ongoing RSIP during FY2008. This program is funded 80% by the FAA and 5% by the state. It is anticipated that this program will be concluded by the end of FY2010. During FY2008, \$5.4 million was expended. The Airport's 15% share is ultimately being funded from future PFC's.

The grand total estimated construction and design cost of all the individual projects in FY2008 was approximately \$26.7 million.

All projects were financed through a combination of federal AIP grants, the Series 2005 bond issue (July 2005), PFC funds, and Airport internal funds. A Passenger Facility Charge (PFC) application is to be submitted to the FAA to partially offset eligible bond capital and interest costs, as well as FAA-approved project costs.

Future Projects

The Airport will be going through a new Master Plan Update in 2009, with the final Plan scheduled for early 2010. This plan will define future capital projects and their “schedule based on market demand. The Airport also plans to focus on storm water management and anticipates significant capital expenses, over the next five years, related to compliance with new and forthcoming EPA regulations regarding de-icing fluids.

Long-Term Debt

As just discussed, Manchester Airport issued several debt instruments in the form of long-term fixed and variable rate bonds in the past decade to finance the majority of its Master Plan Capital Program.

The **Series 1998 Bonds** (\$124,275,000), which financed the initial portion of the Airport’s Master Plan capital program, are fixed rate bonds with an aggregate true interest cost (TIC) of 4.816% and mature in 2028. These bonds are General Airport Revenue Bonds backed solely by the Airport’s revenue streams. As of Fund 30, 2008, the outstanding balance of these bonds was \$82,535,000.

The **Series 2000 Bonds** (\$55,990,000), which financed continuing requirements of the Airport’s Capital Program, are fixed rate bonds with an aggregate TIC of 5.797% and mature in 2030. These bonds are General Airport Revenue Bonds backed solely by the Airport’s revenue streams. As of June 30, 2008, the outstanding balance of these bonds was \$9,860,000.

The **Series 2002 Bonds** (\$69,665,000), which financed continuing requirements of the Airport’s Capital Program, are a combination of fixed and variable rate bonds. They are General Airport Revenue Bonds backed solely by the Airport’s revenue streams. These bonds have an aggregate TIC of 5.39% and mature in 2032. The Airport fully redeemed the variable rate portion of these bonds (26,915,000—Series 2002C) in the year 2008 using the revenue stream provided by the FAA’s LOI multi-year payment schedule. As of June 30, 2008, the outstanding balance of these bonds was \$39,470,000.

The **Series 2005 Bonds** were issued in early July 2005. The Series 2005 Bonds (\$76,325,000) financed continuing requirements of the Airport’s Capital Program (\$17,110,000--Series 2005A), as discussed in the Airport Capital Program section, and advance refunded a portion of the outstanding Series 1998 and Series 2000 Bonds (\$59,215,000--Series 2005B). The TIC for the Series 2005A General Airport Revenue Bonds is 4.50%. These bonds mature in 2027. The TIC for the 2005B Refunding Bonds is 3.35% and they mature in 2030. This refunding effort resulted in a percentage savings of 15.22% or a net PV savings of \$8,873,272. The Series 2005A new money bonds were issued as traditional fixed rate debt. The Series 2005B refunding bonds were issued as multi-modal securities with the initial mode structured as a 4-1/2 year put bond to

match the term of the refunding escrow. Simultaneously with the issuance of the refunding bonds, the Airport through the City entered into a forward starting 67% of LIBOR swap, which, in conjunction with a remarketing of the put bond as variable rate debt, will result in synthetic fixed rate debt through the final maturity of the Series 2005 Bonds. As of June 30, 2008, the outstanding balance of these bonds was \$ 75,830,000.

The original 1992 Bond Issue (42,730,000) that financed the construction of the new terminal complex, which opened in 1994, was in the form of a State of New Hampshire Guaranteed Airport Revenue Bonds. These bonds were redeemed on January 1, 2002 via the issuance of the Series 2001 Bonds (\$38,340,000). Those bonds were subsequently redeemed in June 2008 via the issuance of the Series 2008 Bonds (\$30,225,000), which are Variable Rate Demand, General Airport Revenue Bonds backed solely by the Airport's revenue streams. The aggregate TIC of these bonds is 4.44%, and they mature in 2022. As of June 30, 2008, the outstanding balance of these bonds was \$30,255,000.

The following table summarizes long-term debt balances as of June 30, 2008.

Series 1998 Bonds	Series 2000 Bonds	Series 2002 Bonds	Series 2005 Bonds	Series 2008 Bonds	Total Outstanding
\$82,535,000	\$9,860,000	39,470,000	75,830,000	30,255,000	\$237,950,000

All the above Series Bond issuances are fully insured, except for the 2008 Bonds which are backed by a letter of credit.

Credit Ratings

The Airport has sought credit ratings for each of its bond issues from the three major rating agencies. Over time, these agencies have become very familiar with Manchester-Boston Regional Airport, its capital program, its finances, and its overall operating successes.

Current Stand-Alone Ratings*	S&P	Moody's	Fitch
	A-	A2	A

*All bonds are fully insured. The above table reflects the ratings of each agency, without insurance.

In summary, the rating agencies collectively continue to look favorably on Manchester-Boston Regional Airport.

Request for Information

This financial report is designed to provide a general overview of the Airport's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed in writing to the Airport Director, Manchester Boston-Regional Airport, One Airport Road, Suite 300, Manchester, NH 03101-3395.

**City of Manchester, New Hampshire
Department of Aviation**

Statements of Fund Net Assets

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Assets		
Current assets:		
Federal and state grants receivable	\$ 3,590,586	\$ 10,306,951
Inventory	269,639	204,448
Prepaid expenses	550,202	546,703
Total current assets	<u>4,410,427</u>	<u>11,058,102</u>
Current Restricted assets:		
Cash and Investments	66,333,346	61,908,422
Accounts receivable	1,434,281	2,106,487
Passenger facility charges receivable	738,216	878,474
Total current restricted assets	<u>68,505,843</u>	<u>64,893,383</u>
Deferred bond issuance costs, net of accumulated amortization of \$819,257 in 2008 and \$672,715 in 2007	2,958,638	2,994,654
Capital assets		
Land	42,714,995	37,639,695
Buildings	173,969,851	167,259,320
Improvements	266,206,870	227,388,527
Vehicles	12,506,148	11,510,015
Equipment	3,766,522	3,334,878
Construction-in-progress	1,835,260	37,207,264
Total property and equipment	<u>500,999,646</u>	<u>484,339,699</u>
Less accumulated depreciation	<u>(127,288,032)</u>	<u>(110,653,998)</u>
Property and equipment, net	<u>373,711,614</u>	<u>373,685,701</u>
Total assets	<u><u>\$ 449,586,522</u></u>	<u><u>\$ 452,631,840</u></u>

**City of Manchester, New Hampshire
Department of Aviation**

Statements of Fund Net Assets

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Liabilities		
Current liabilities:		
Due to other funds of the City of Manchester	\$ 358,081	\$ 286,015
Other accrued liabilities	2,110,947	5,695,041
Total current liabilities	<u>2,469,028</u>	<u>5,981,056</u>
Current liabilities payable from restricted assets:		
Accounts and contracts payable	5,575,952	8,333,262
Accrued interest payable	5,943,973	6,147,092
Current portion of revenue bonds payable	6,985,000	6,695,000
Total current liabilities payable from restricted assets	<u>18,504,925</u>	<u>21,175,354</u>
Total current liabilities	<u>20,973,953</u>	<u>27,156,410</u>
Noncurrent liabilities:		
Revenue bonds payable, net of current portion	228,342,061	239,551,090
Deposits	109,356	103,206
Total noncurrent liabilities	<u>228,451,417</u>	<u>239,654,296</u>
Fund Net Assets		
Invested in capital assets (net of related debt)	151,962,935	146,110,063
Restricted net assets	43,485,495	34,780,222
Unrestricted net assets	4,712,722	4,930,849
Total retained earnings	<u>48,198,217</u>	<u>39,711,071</u>
Total fund net assets	<u>\$ 200,161,152</u>	<u>\$ 185,821,134</u>

**City of Manchester, New Hampshire
Department of Aviation**

**Statements of Revenues, Expenses, and Changes
in Fund Net Assets**

	Year ended June 30, 2008	Year ended June 30, 2007
Operating revenues:		
Automobile parking fees	\$ 24,770,784	\$ 23,170,393
Rental of facilities	12,186,658	11,229,914
Landing fees	5,824,210	5,931,878
Concession and other operating income	3,462,195	3,539,589
Total operating revenues	46,243,847	43,871,774
Operating expenses:		
Salaries, wages and fringe benefits	6,940,286	6,374,194
Enforcement and fire protection	4,055,581	4,722,879
Purchased property services	16,566,549	15,302,680
General and administrative	3,034,162	1,823,347
Reimburse City of Manchester	34,620	71,381
Depreciation and amortization	17,246,301	16,505,920
Total operating expenses	47,877,499	44,800,401
Operating loss	(1,633,652)	(928,627)
Nonoperating revenues (expenses):		
Soundproofing program grant revenue	4,844,795	3,707,927
Soundproofing program expenses	(5,208,998)	(5,022,884)
Passenger facility charges	6,847,879	5,399,622
Customer facility charges	2,268,130	2,558,382
Interest income	2,622,663	2,522,716
Gain on disposal of property and equipment	1,300	837,705
Interest expense	(12,181,483)	(12,132,448)
Bond fees	(546,581)	(257,290)
Total nonoperating revenues (expenses), net	(1,352,295)	(2,386,270)
Net income (loss) before capital contributions	(2,985,947)	(3,314,897)
Capital contributions		
Capital contributions	17,325,965	20,333,025
Change in fund net assets	14,340,018	17,018,128
Fund net assets, beginning	185,821,134	168,803,006
Fund net assets, ending	\$ 200,161,152	\$ 185,821,134

*The accompanying notes are an integral part
of these financial statements*

**City of Manchester, New Hampshire
Department of Aviation**

Statements of Cash Flows

	Year ended June 30, 2008	Year ended June 30, 2007
Cash flows from operating activities:		
Cash received from customers	\$ 46,733,342	\$ 43,270,217
Cash payments for goods and services	(30,060,094)	(16,842,183)
Cash payments to employees for services	(6,909,133)	(6,282,213)
Net cash provided by operating activities	9,764,115	20,145,821
Cash flows from noncapital financing activities:		
Passenger and customer facility charges	9,256,268	8,732,082
Amounts from federal and state governments for soundproofing program	4,844,795	3,707,927
Soundproofing program related expenses	(5,208,998)	(5,022,884)
Net cash provided by noncapital activities	8,892,065	7,417,125
Cash flows from capital and related financing activities:		
Contributed capital by federal and state governments	24,231,190	15,470,741
Proceeds from refunding bonds	30,255,000	-
Payments of costs of issuance	(546,581)	-
Payments of deferred charges	(110,524)	-
Acquisition and construction of capital assets	(16,749,702)	(32,944,473)
Interest paid on outstanding debt obligations	(12,384,602)	(12,130,510)
Payments on current refunding	(30,255,000)	-
Principal paid on revenue bonds	(11,295,000)	(11,400,000)
Proceeds from sale of capital assets	1,300	1,506,055
Net cash used in capital and related financing activities	(16,853,919)	(39,498,187)
Cash flows from investing activities:		
Interest on investments	2,622,663	2,522,716
Net cash provided by investing activities	2,622,663	2,522,716
Net increase (decrease) in cash and cash equivalents	4,424,924	(9,412,525)
Cash and cash equivalents at beginning of year	61,908,422	71,320,947
Cash and cash equivalents at end of year	\$ 66,333,346	\$ 61,908,422
Reconciliation of operating (loss) to net cash provided by operating activities		
Operating (loss)	\$ (1,633,652)	\$ (928,627)
Adjustments to reconcile operating (loss) to cash provided by operating activities:		
Depreciation and amortization	17,246,301	16,505,920
Change in Assets and Liabilities		
Decrease (increase) in receivables	483,345	(610,001)
(Increase) decrease in prepaid expenses	(3,499)	184,142
Increase in inventory	(65,191)	(37,770)
(Decrease) increase in accounts payable	(2,757,311)	1,711,190
(Decrease) increase in accrued liabilities	(3,615,247)	3,298,389
Increase in compensated absences	31,153	85,638
Increase in other liabilities	6,150	8,444
Increase (decrease) in interfund liabilities	72,066	(71,504)
Net cash provided by operating activities	\$ 9,764,115	\$ 20,145,821

*The accompanying notes are an integral part
of these financial statements*

City of Manchester, New Hampshire
Department of Aviation

Notes to Financial Statements

1. Significant Accounting Policies

Reporting Entity

The Department of Aviation (DA), a fund of the City of Manchester, New Hampshire (the City), is reported as an enterprise fund in proprietary fund financial statements and a business type activity in the City's government wide financial statements. The DA operates the Manchester Airport.

The financial statements present only the DA as a separate City department and do not purport to, and do not, present fairly the financial position of the City, and the changes in its financial position, and cash flows where applicable, as of and for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

The DA financial statements are prepared using the accrual basis of accounting; revenues are recorded when earned and expenses are recorded as incurred.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the Statements of Cash Flows, cash equivalents represent investments with an initial maturity, when purchased, of three months or less. Included in cash equivalents are amounts reported as restricted.

Inventory

The inventory is stated at the lower of moving average cost method or market

Investments

Investments are carried at fair value, based on quoted market prices.

Capital Assets

Capital assets, consisting of property and equipment, are stated at cost (see Note 5), with the exception of property received from the federal government, which is stated at fair value at the date of transfer. Depreciation is computed using the straight-line method over estimated useful lives of the assets as follows:

Buildings	13 to 50 years
Improvements	3 to 50 years
Equipment	5 to 20 years
Vehicles	5 to 15 years

**City of Manchester, New Hampshire
Department of Aviation**

Notes to Financial Statements

1. Significant Accounting Policies (continued)

Expenditures for property and equipment and for major renewals or betterments which extend the estimated useful life of the assets, are capitalized; maintenance and repairs are charged to expense as incurred. Assets with values greater than or equal to \$5,000 and a useful life greater than or equal to one year are capitalized. At the time property and equipment are sold, retired or disposed of, the costs of such assets and related accumulated depreciation are removed from the accounts, with any gain or loss reported as nonoperating.

Revenue Bond Issuance Costs / Discounts

Bond issuance costs are deferred and amortized over the lesser of the new or old bond term using the interest method. Bond discounts and premiums are deferred and amortized by the interest method, with the unamortized balance included within bonds payable.

Deferred Loss on Early Retirement of Debt

The DA retired its Series 1992 bonds by using proceeds from the Series 2001 bond issue. The loss incurred of \$1,918,803 from this refunding was deferred and the net unamortized is reported as an offset against bonds payable. The original amount is being amortized over the remaining term of the Series 2001 bonds, based on the interest method.

Restricted Assets and Net Assets

The City issues bonds pursuant to the 1998 General Airport Bond Resolution (the Bond Resolution), supplemented through 2002. This Bond Resolution requires the DA to establish and maintain restricted accounts, and abide by specific procedures for bond issuance and payments of principal or interest. As detailed in Notes 3 and 4 to the financial statements, the “bond fund” is used to accumulate resources for periodic debt service payments on maturity dates. The “bond reserve account” represents resources set aside in the event of deficiencies in the bond fund. The “operations and maintenance reserve account” is kept at a level to fund three months of future operating expenses. The “renewal and replacement account” contains funds intended to meet unanticipated or emergency repairs. The Airline Agreement with signatory airlines requires a “coverage account” to provide additional resources if needed to satisfy any additional bond coverage requirements.

Passenger facility charges (PFCs) represent approximately \$4.39 per passenger ticket collected by airline carriers and remitted to DA per enplaned passenger. PFC funds are restricted, to be used for financing eligible airport projects approved by the Federal Aviation Administration (FAA).

Other components of net assets include:

Net assets invested in capital assets, net of related debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Unrestricted net assets – This category represents the net assets of the fund which are not restricted for any project or other purpose. When both restricted and unrestricted resources are available for use it's the DA's policy to use restricted resources before unrestricted.

**City of Manchester, New Hampshire
Department of Aviation**

Notes to Financial Statements

1. Significant Accounting Policies (continued)

Grants

The DA receives FAA and state grants that are subject to review and audit by the federal and state governments. Although such audits could result in expenditure disallowances under grant provisions, any reimbursements are not expected to be significant.

Risk Financing

Self-Insurance

The DA is self-insured for health care, workers' compensation and comprehensive general liability claims, as are all City departments. Claims paid by the City on behalf of the DA are charged to the DA. For estimated unpaid claims an accrual of \$143,570 was recorded for health care claims and \$85,853 was recorded for workers' compensation claims, as of June 30, 2008. For estimated unpaid claims an accrual of \$74,470 was record for workers' compensation claims as of June 30, 2007 there was no accrual for health care claims. The amount paid for health care, workers' compensation and comprehensive general liability claims for the years ended June 30, 2008 and 2007 were approximately \$1035,000 and \$845,000, respectively. Coverage has not been materially reduced, nor have settled claims exceeded commercial coverage in any of the last three fiscal years. Accident and health claims are administered through a private carrier. The DA is self-insured under the City's policy. The City maintains a stop-loss policy with limits of \$100,000 per year, per claim and a 115% aggregate for the entire cost.

Fiscal Year Ended	Claims Payable July 1	Claims Changes in Estimates	Claims Paid	Claims Payable June 30
2008	\$ 74,470	\$ 1,034,562	\$ 879,609	\$ 229,423
2007	\$ 123,160	\$ 846,429	\$ 895,119	\$ 74,470
2006	\$ 84,420	\$ 969,395	\$ 930,655	\$ 123,160

Other

The DA has comprehensive airport liability policies with insurance companies, which provide coverage generally up to \$100,000,000 for each occurrence and in the aggregate in any one annual period of insurance. Claims are subject to a deductible of \$1,000 for each occurrence up to a maximum of \$5,000 during any one annual insurance period.

Property coverage is maintained by the DA with a commercial insurer and provides for a deductible of \$100,000 for each claim, with individual building maximums based on value.

Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

**City of Manchester, New Hampshire
Department of Aviation**

Notes to Financial Statements

1. Significant Accounting Policies (continued)

Proprietary Fund Accounting

The DA follows Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting". This Statement provides guidance on the applicability of accounting pronouncements from other standard setting organizations. Under the DA's election, it must apply all GASB pronouncements and the following pronouncements issued before November 30, 1989 unless they contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures.

Compensated Absences

Every continuing full-time employee is entitled to paid vacation and sick leave on the basis of the employee's scheduled workweek and years of service. Vacation and sick leave are computed at the end of each completed week of service.

Vacation and sick leave are cumulative for not more than the prescribed number of days. The maximum annual accrual ranges from 10 to 25 days for vacation and 15 days for sick leave. The maximum cumulative accrual ranges from 20 to 50 days for vacation and up to 120 days for sick leave. Unused vacation is payable upon retirement or termination. Upon termination under satisfactory conditions, non-affiliated employees with 15 or more years of continuous service are paid up to 80 days of accrued sick leave, whereas affiliated employees with 20 or more years of continuous service are paid up to 80 days.

Vested sick leave and accumulated vacation leave are recorded as an expense and liability as the benefits accrue to employees. Nonvested sick leave is recognized to the extent it is expected to be paid.

Soundproofing Program

Soundproofing of residential and certain other properties situated with 65DNL noise contours was funded principally with FAA and state grants through Fiscal Year 2008. Such grants, supplemented with PFCs are expected to continue to fund future program costs. Soundproofing started in Fiscal Year 1994 and is anticipated to continue through Fiscal Year 2010.

Capitalized Interest

Interest is capitalized on property and equipment acquired with tax-exempt debt. Interest capitalized each year is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. For the years ended June 30, 2008 and 2007 interest cost capitalized amounted to approximately \$50,000 and \$39,000, respectively.

Revenue

Rental revenue includes revenue from terminal fees charged to airlines and is recognized when earned under terms of the lease agreement. Concession revenue includes car rental concessions and parking fees and is recognized when earned under term of the concession agreement.

Landing fees are recognized when earned in accordance with the agreement with signatory airlines, based on landed weight of aircraft.

City of Manchester, New Hampshire
Department of Aviation

Notes to Financial Statements

1. Significant Accounting Policies (continued)

Intergovernmental revenues from federal or state grants are recognized when eligibility requirements of the grant program have been met.

Operating Revenues and Expense

Revenues from airlines, concessions, rental cars and parking are reported as operating revenues. Transactions which are capital, financing or investing-related are reported as non-operating revenues or capital contributions. All expenses related to operating the Airport are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

2. Cash and Investments

Deposits: The DA follows the City's policy that deposits can include demand and savings accounts and certificates of deposits. The City follows the State of New Hampshire's policy that requires each depository to maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio.

Investments: The investment policies of the City conform to the policies as set forth by the State of New Hampshire. The DA follows the City's policies for investments. The City policy allows investments in the following: (1) U.S. Treasury securities maturing in less than one year; (2) fully insured or collateralized certificates of deposit at commercial banks and savings and loan associations (collateral limited to U.S. treasury bills, FNMA and GNMA securities); and (3) repurchase agreements collateralized by U.S. government obligations.

Interest Rate Risk: The DA follows the City's policies for interest rate risk. The City limits its exposure to fair value losses arising from changes in interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Concentrations: The DA follows the City's policies for concentrations. The City's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific maturity.

**City of Manchester, New Hampshire
Department of Aviation**

Notes to Financial Statements

3. Restricted Assets

Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2008, the DA's entire bank balance of \$66,333,046 was insured and collateralized.

Investments: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Cash and investments of the Department of Aviation consist of the following at June 30, 2008:

Cash and Cash Equivalents

Deposits with financial institutions	\$ 66,333,346
Total cash and investments	\$ 66,333,346

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Credit Risk: Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure

**City of Manchester, New Hampshire
Department of Aviation**

Notes to Financial Statements

3. Restricted Assets

Restricted assets are segregated into the following accounts:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Accounts receivable	\$ 1,434,281	\$ 2,106,487
Bond fund	7,392,053	8,036,763
Bond reserve account-Projects	967,854	4,587,277
Bond reserve account	18,219,667	19,308,381
Operations and maintenance reserve account	9,222,600	7,701,000
Renewal and replacement account	250,000	250,000
Passenger facility charges	4,101,648	3,493,602
Coverage account	3,037,745	3,172,740
Capital improvement account	19,124,705	8,960,359
Revenue credit account	3,987,000	5,076,000
Rebate Fund	658,932	638,793
LOI Funds	-	1,458,775
Deposits	109,358	103,206
	<u>\$ 68,505,843</u>	<u>\$ 64,893,383</u>

4. Restricted Net Assets

In accordance with the Airline Agreement and FAA requirements, restricted accounts are established. At June 30, 2008 and 2007, net assets of \$48,300,032 and \$40,005,426 respectively, are restricted as follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Restricted for revenue bond operations and maintenance	\$ 9,222,600	\$ 7,701,000
Restricted for revenue fund	1,434,281	2,106,487
Restricted for PFCs	4,101,648	3,493,602
Restricted for bond fund	7,392,053	8,036,763
Restricted for coverage account	3,037,745	3,172,740
Restricted for capital improvement account	19,124,705	8,960,059
Restricted for revenue credit account	3,987,000	5,076,000
LOI Funds	-	1,458,775
Total restricted net assets	<u>\$ 48,300,032</u>	<u>\$ 40,005,426</u>
Less accrued interest on bonds payable	<u>(4,814,537)</u>	<u>(5,225,204)</u>
Total restricted net assets, net of related debt	<u>\$ 43,485,495</u>	<u>\$ 34,780,222</u>

**City of Manchester, New Hampshire
Department of Aviation**

Notes to Financial Statements

5. Capital Assets

Capital asset activity for the years ended June 30, 2008 and 2007 follows:

	Beginning Balance <u>July 1, 2007</u>	<u>Increases</u>	<u>Retirements</u>	<u>Transfers</u>	Ending Balance <u>June 30, 2008</u>
Capital assets, not being depreciated:					
Land	\$ 37,639,695	\$ -	-	\$ 5,075,300	\$ 42,714,995
CIP	<u>37,163,964</u>	<u>15,735,824</u>	<u>-</u>	<u>(51,064,528)</u>	<u>1,835,260</u>
Total capital assets not being depreciated:	<u>74,803,659</u>	<u>15,735,824</u>	<u>-</u>	<u>(45,989,228)</u>	<u>44,550,255</u>
Capital assets being depreciated:					
Buildings	167,259,320	-	-	6,710,531	173,969,851
Improvement other than buildings	227,431,827	114,532	-	38,660,511	266,206,870
Vehicles	11,510,015	740,937	(89,754)	344,950	12,506,148
Equipment	<u>3,334,878</u>	<u>158,408</u>	<u>-</u>	<u>273,236</u>	<u>3,766,522</u>
Total capital assets being depreciated:	<u>409,536,040</u>	<u>1,013,877</u>	<u>(89,754)</u>	<u>45,989,228</u>	<u>456,449,391</u>
Less total accumulated depreciation	<u>110,653,998</u>	<u>16,723,788</u>	<u>(89,754)</u>	<u>-</u>	<u>127,288,032</u>
Capital Assets, Net	<u>\$ 373,685,701</u>	<u>\$ 25,913</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 373,711,614</u>
	Beginning Balance <u>July 1, 2006</u>	<u>Increases</u>	<u>Retirements</u>	<u>Transfers</u>	Ending Balance <u>June 30, 2007</u>
Capital assets being depreciated:					
Land	\$ 36,114,883	\$ -	(666,395)	\$ 2,191,207	\$ 37,639,695
CIP	<u>21,308,910</u>	<u>31,754,903</u>	<u>-</u>	<u>(15,899,849)</u>	<u>37,163,964</u>
Total capital assets not being depreciated:	<u>57,423,793</u>	<u>31,754,903</u>	<u>(666,395)</u>	<u>(13,708,642)</u>	<u>74,803,659</u>
Capital assets being depreciated:					
Buildings	164,701,156	-	-	2,558,164	167,259,320
Improvement other than buildings	216,441,660	-	-	10,990,167	227,431,827
Vehicles	10,245,541	1,121,455	-	143,019	11,510,015
Equipment	<u>3,249,471</u>	<u>68,115</u>	<u>-</u>	<u>17,292</u>	<u>3,334,878</u>
Total capital assets being depreciated:	<u>394,637,828</u>	<u>1,189,570</u>	<u>-</u>	<u>13,708,642</u>	<u>409,536,040</u>
Less total accumulated depreciation	<u>94,706,218</u>	<u>15,947,780</u>	<u>-</u>	<u>-</u>	<u>110,653,998</u>
Capital Assets, Net	<u>\$ 357,355,403</u>	<u>\$ 16,996,693</u>	<u>(666,395)</u>	<u>\$ -</u>	<u>\$ 373,685,701</u>

City of Manchester, New Hampshire
Department of Aviation

Notes to Financial Statements

6. Rental of Facilities

Each year, the DA calculates the Terminal building rental rates as defined in the Airline Agreements, which include the space leased by each airline. This rate is based primarily on projected operating costs of the ensuing year. Future amounts relating to such agreements are not included below.

The DA has leasing arrangements with various non-airline parties for the use of land, buildings, office, and retail space within the boundaries of the airport area and the Terminal. Such leases range in length from three to 27 years. Non-terminal rentals are generally based upon set minimum rental fees, with additional payments based either upon defined escalator clauses for land, buildings and office rentals or upon stated percentages of gross receipts for retail space rentals.

Minimum future revenue from noncancelable rental agreements in effect at June 30, 2008 is as follows:

Year	Amount
2009	\$ 853,947
2010	930,499
2011	940,348
2012	973,411
2013	959,001
Thereafter	<u>16,463,277</u>
Total	<u>\$ 21,120,483</u>

**City of Manchester, New Hampshire
Department of Aviation**

Notes to Financial Statements

7. Bonds Payable (continued)

Revenue Bonds payable are as follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
General Airport Revenue Bonds (Manchester Airport Project - Series 2005B): Issued \$59,215,000 revenue bonds in July 2005 at variable interest rates ranging from 3.3% to 5.0%, due semi-annually, on January 15 and July 15, in varying installments from 2011 through 2027.	\$ 59,215,000	\$ 59,215,000
General Airport Revenue Bonds (Manchester Airport Project - Series 2005A): Issued \$17,110,000 revenue bonds in July 2005 at interest rates ranging from 3.0% to 5.0%, due semi-annually, on January 15 and July 15, in varying installments from 2006 through 2027.	16,615,000	16,780,000
General Airport Revenue Bonds (Manchester Airport Project - Series 1998): Issued \$124,275,000 revenue bonds in October 1998 at interest rates ranging from 4.0% to 5.125%, due semi-annually, on January 1 and July 1, in varying installments from 1999 through 2028.	82,535,000	85,555,000
City of Manchester General Airport Revenue Bonds - Series 2000: Issued \$55,990,000 revenue bonds in April 2000 at interest rates ranging from 4.9% to 5.625%, due semi-annually, on January 1 and July 1, in varying installments from 2001 through 2030, on a combination of serial and term bonds.	9,860,000	11,000,000
City of Manchester General Airport Revenue Bonds - Series 2008: Issued \$30,255,000 revenue bonds in June 2007 under the terms of a swap agreement that was arranged in 1998, anticipating the refunding of the 1992 State Guaranteed Airport Revenue Bonds. Under the terms of the swap agreement the City pays interest to the swap counterparty at a fixed rate of 4.38% per annum and receives interest from the swap counterparty at a variable rate published in the Bond Market Association Index (BMA). Conditions in effect could be altered under certain circumstances as listed in related resolutions and agreements. Interest is paid monthly while principal maturities are paid January 2009 through 2022.	30,255,000	-
General Airport Revenue Bonds (Manchester Airport Project - Series 2001): Issued \$38,340,000 revenue bonds in November 2001 under the terms of a swap agreement that was arranged in 1998, anticipating the refunding of the 1992 State Guaranteed Airport Revenue Bonds. Under the terms of the swap agreement, the City pays interest to the swap counterparty at a fixed rate of 4.38% per annum and receives interest from the swap counterparty at a variable rate published in the Bond Market Association Index (BMA). Conditions in effect could be altered under certain circumstances as listed in related resolutions and agreements. Interest is paid monthly while principal maturities are paid July 2003 through 2022.	-	31,760,000

City of Manchester, New Hampshire
Department of Aviation

Notes to Financial Statements

7. Bonds Payable (continued)

General Airport Revenue Bonds (Manchester Airport Project - Series 2002 A,B & C): Issued in the aggregate amount of \$69,665,000 revenue bonds in June 2002. Lots A and B totaling \$42,750,000, comprised of \$12,965,000 serial bonds and \$22,775,000 term bonds, were sold at interest rates from 3.00% to 5.125%, due semi-annually, on January 1 and July 1 and Lot C LOI revenue bonds issued in the amount of \$26,915,000 variable rate demand based on the weekly BMA index. Interest is paid monthly, with principal maturity paid from July 2002 through 2032.

	<u>39,470,000</u>	<u>44,935,000</u>
Total Revenue Bonds payable	237,950,000	249,245,000
Add: Bond premiums	3,719,034	3,972,131
Less: Bond discounts	(2,437,883)	(2,641,472)
Less: Deferred loss	(3,904,090)	(4,329,569)
Less: current portion	<u>(6,985,000)</u>	<u>(6,695,000)</u>
Total Revenue Bonds payable – non-current	<u>\$228,342,061</u>	<u>\$239,551,090</u>

**City of Manchester, New Hampshire
Department of Aviation**

Notes to Financial Statements

7. Bonds Payable (continued)

Debt Service Requirements

Aggregate debt service requirements subsequent to June 30, 2008 are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	6,985,000	10,647,576	17,632,576
2010	7,295,000	10,979,052	18,274,052
2011	7,920,000	9,657,504	17,577,504
2012	8,305,000	9,312,218	17,617,218
2013	8,705,000	8,920,208	17,625,208
2014-2018	49,965,000	38,238,716	88,203,716
2019-2023	61,510,000	26,416,853	87,926,853
2024-2028	70,785,000	12,071,804	82,856,804
2029-2032	16,480,000	1,631,815	18,111,815
Debt Service requirement	237,950,000	127,875,746	365,825,746
Add: bond premium	3,719,034	-	3,719,034
Less: bond discount	(2,437,883)	-	(2,437,883)
Less: deferred loss	(3,904,090)	-	(3,904,090)
Net Debt Service requirement	<u>\$ 235,327,061</u>	<u>\$ 127,875,746</u>	<u>\$ 363,202,807</u>

The City has pledged future airport revenues, net of specified operating expenses, to repay \$228,000,000 in airport revenue bonds. Proceeds from the bonds were used for various airport construction projects. The bonds are payable solely from the airport net revenues and payable through 2032. The current year coverage ratio is 1.89. The total principal and interest remaining to be paid on the bonds is \$365,825,746. Principal and interest paid for the current year and total customer net revenues were \$23,679,602 and \$26,927,084, respectively.

The DA entered into a twenty-year interest rate swap agreement for its Series 2001 \$38,340,000 variable rate demand general airport revenue bonds. These bonds were refunded in June of 2008. The Refunding Series 2008 \$30,255,000 is also a variable rate demand general airport revenue bond with a fourteen-year interest rate swap agreement. Based on the swap agreement, the DA owes the counterparty interest calculated at a fixed rate of 4.38%. In return, the counterparty owes the DA interest based on a variable rate that matches the rate required by the bonds. Only the net difference in interest payments is actually exchanged with the counterparty. The \$30,255,000 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated.

The DA continues to pay interest to the 2008 bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the DA effectively pays a fixed rate on the debt. Debt service requirements to maturity for these bonds are based on the fixed rate.

At June 30, 2008, the swap agreement resulted in an unfavorable fair value since inception of approximately \$1,129,436 based on dealer quoted prices.

The fair value of the swap is recorded each fiscal year as an adjustment to accrued interest payable and interest expense.

City of Manchester, New Hampshire
Department of Aviation

Notes to Financial Statements

8. Employee Benefits

Employees of the DA are entitled to certain benefits through the City which include health care and pension benefits. Information with respect to these benefits is contained in the City's basic financial statements. The benefits are included in Salaries, wages and fringe benefits under Operating expenses in the Statements of Revenues, Expenses, and Changes in Fund Net Assets. Costs are allocated based on the number of active employee participants.

9. Interfund Transactions

During the years ended June 30, 2008 and 2007, the DA recorded \$34,620 and \$71,349, respectively, representing City services for legal, accounting and administrative support. In addition, due to the pooling of substantially all cash by the City, the DA is able to borrow operating funds from the General Fund of the City. No borrowing occurred during the periods ending June 30, 2008 and 2007.

10. Major Customers

A significant portion of the DA's earnings and revenues are directly or indirectly attributed to the activity of a number of major airlines.

The DA's earnings and revenues could be materially and adversely affected should any of these major airlines discontinue operations and should the DA be unable to replace those airlines with similar activity. The level of operations is determined based upon the relative share of enplaned passengers. The major airlines are as follows:

	FY2008	FY2007
Southwest Airlines	57%	52%
US Airways	16%	17%

11. Issued But Not Effective Professional Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2008 that have effective dates that may impact future financial presentations. Management is currently assessing the impact, if any, that the adoption of these standards will have on future financial statements of the City.

- ◆ GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," issued December 1, 2006, will be effective for the City beginning with its fiscal year June 30, 2009, but the liability should be measured at July 1, 2008 so that beginning net assets can be restated. This Statement identifies the circumstances under which a government would have to estimate its expected outlays for pollution remediation if it knows a site is polluted, if the pollution poses an imminent danger to the public or the environment, if the government has violated a pollution prevention permit or license, if the government has been named as a responsible party for cleaning up the pollution, if the government began to clean up the pollution, and if the government is named in a lawsuit. In addition, it provides disclosure information about their pollution obligations associated with clean-up efforts.
- ◆ GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," issued June, 2007. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and

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Notes to Financial Statements

computer software. Intangible assets, and more specifically easements, are referred to in the description of capital assets in Statement No. 34, "Basic Financial Statements - and Management's Discussion and analysis - for State and Local Governments." This reference has created questions as to whether and when intangible assets should be considered capital assets for financial reporting purposes. An absence of sufficiently specific authoritative guidance that addresses these questions has resulted in inconsistencies in the accounting and financial reporting of intangible assets among state and local governments, particularly in the areas of recognition, initial measurement, and amortization. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

- ◆ GASB Statement No. 52, "Land and Other Real Estate Held as Investment by Endowments". This Statement establishes consistent stands for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2008.
- ◆ GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments". This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the General Resolution including certain terms used in the General Resolution and used but not elsewhere defined in the Official Statement. This summary does not purport to be complete and reference is made to the General Resolution (including the supplements thereto) for full and complete statements of its terms and provisions.

Definitions

“Accountant” shall mean McGladrey & Pullen, LLP or any other independent certified public accountant (or a firm thereof) selected by the City, which may be the accountant regularly auditing the books of the City.

“Adjusted Debt Service” for any period of time, with respect to any or Series of Indebtedness, shall mean, as of any date of calculation, the Debt Service for such period of time with respect to such Series except that, if any Refundable Principal Installment of such Series is included in Debt Service for such period of time, Adjusted Debt Service shall mean Debt Service determined as if such Refundable Principal Installment had been payable over a period extending from the due date of such Refundable Principal Installment through the date identified in the Supplemental Resolution authorizing such Series (which date may be no later than the last date on which such Series could have been stated to mature under applicable law as in effect on the date of issuance of such Series), in installments which would have required level annual payments of the sum of Principal Installments and interest over such period. Interest deemed payable in any period of time after the actual due date of any Refundable Principal Installment of any Series of Secured Bonds shall be calculated at the applicable Refundable Principal Installment Pro Forma Interest Rate.

“Aggregate Debt Service Reserve Fund Requirement” shall mean an amount equal to the least of (i) the sum of 10% of the aggregate original net proceeds of each Series of Bonds Outstanding, (ii) 125% of the average annual aggregate Debt Service on such Bonds, or (iii) the maximum aggregate amount of Debt Service due on such Bonds in any succeeding Bond Year. For purposes of this definition, “net proceeds” of a Series of Bonds shall mean the face amount of such Series minus original issue discount plus any premium received on the sale of such Series.

For purposes of calculating the Aggregate Debt Service Reserve Fund Requirement, (1) the Debt Service on any Series of Variable Rate Indebtedness shall be determined by reference to the Pro Forma Bond Issue for such Series set forth in the Supplemental Resolution authorizing such Series and (2) there shall be excluded any Bonds secured by a Special Account of the Debt Service Reserve Fund established by a Supplemental Resolution.

“Airport Consultant” shall mean Jacobs Consultancy or any other individual or firm employed by the City in such capacity pursuant to the Resolution.

“Airport Property” shall mean the airport facilities of the City presently known as Manchester-Boston Regional Airport and presently located within the corporate boundaries of the City and the Town of Londonderry, together with all buildings and facilities and all equipment, appurtenances, property, rights, easements and interests acquired or leased by the City in connection with the construction or the operation thereof, and all extensions, enlargements, improvements, renewals and replacements thereof.

“Authorized Representative” shall mean, with respect to the City, the Finance Officer of the City and, when used in reference to an act or document, shall also mean any other person authorized by the Governing Body to perform such act or sign such document.

“Average Annual Adjusted Debt Service” shall mean, with respect to any Series of Secured Bonds, the sum of Adjusted Debt Service for each year in which such Secured Bonds will be Outstanding divided by the number of years that such Secured Bonds will be Outstanding.

“Bond” or “Bonds” shall mean any bonds, notes or other evidences of indebtedness, as the case may be, authenticated and delivered pursuant to the Resolution in the manner described under the heading “Conditions Precedent to Delivery of a Series of Bonds” and shall also mean any Parity Bond Anticipation Notes and any Parity Reimbursement Obligation incurred with respect to Bonds, but shall not mean Subordinated Bonds, other Bond Anticipation Notes or other Indebtedness.

“Bond Anticipation Notes” shall mean any of the notes issued in anticipation of a Series of Secured Bonds pursuant to the Resolution and shall include, unless the context otherwise indicates, Parity Bond Anticipation Notes and Subordinated Parity Bond Anticipation Notes.

“Bond Counsel’s Opinion” shall mean an opinion signed by Ropes & Gray, or any attorney or firm of attorneys of nationally recognized standing in the field of law relating to revenue bonds of public instrumentalities, selected by the City and satisfactory to the Trustee and may be an attorney or firm regularly providing services to the City.

“Business Day” shall mean any day other than a Saturday, a Sunday or any other day on which any Fiduciary is authorized or required by law to be closed for business.

“Capital Improvements” shall mean extensions, improvements, enlargements, betterments, alterations, renewals, repairs and replacements of the Airport Property or other property of the City (including land, equipment and other real or personal property), which (i) are used or useful in connection with the Airport Property or any part thereof, (ii) are constructed, acquired or made by or on behalf of the City subsequent to the date of adoption of the Resolution, and (iii) are properly chargeable (whether or not so charged by the City) according to generally accepted accounting principles, as additions to property or plant accounts.

“Capitalized Interest” shall mean, for any particular Series of Indebtedness, that portion of the proceeds of such Series, if any, required by the Supplemental Resolution authorizing such Series to be deposited in a Subaccount established for such Series in the Capitalized Interest Account in the Debt Service Fund or the Subordinated Debt Service Fund, as the case may be, for the purpose of funding the payment of a portion of the interest to come due on such Series.

“City” shall mean the City of Manchester, New Hampshire, a New Hampshire municipal corporation, or any other political subdivision or public instrumentality of the State which shall succeed to the powers of the City relating to the Airport Property.

“Code” shall mean the Internal Revenue Code of 1986, as amended, including any regulations promulgated thereunder or applicable thereto.

“Completion Secured Bond” shall mean any Bond or Subordinated Bond authenticated and delivered on original issuance pursuant to the Resolution for the purpose of paying costs of completing a Project for which Bonds or Subordinated Bonds, respectively, have previously been issued, or thereafter

authenticated and delivered in lieu of or substitution for such Bond or Subordinated Bond pursuant to the Resolution.

“Consultant” shall mean the Accountant, the Airport Consultant, the Independent Engineer or any other independent consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm, or other expert recognized to be well-qualified for work of the character required and retained by the Governing Body to perform acts and carry out duties provided for such Consultant in the Resolution.

“Costs” as applied to any Project, shall mean all or any part of the cost, paid by or on behalf of or reimbursable by or to the City, of undertaking and carrying out such Project.

“Coverage Amount” shall mean, for any Fiscal Year or other period, the lesser of (a) the principal balance of the Coverage Account as of the close of business on the day immediately preceding such Fiscal Year or other period or (b) 25% of the Required Debt Service Fund Deposits for such Fiscal Year or other period.

“Credit Facility” shall mean a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution, which provides for payment of all or a portion of the Principal Installments or interest due on any Series of Secured Bonds or provides funds for (i) the direct payment of the Principal Installments of and interest on such Secured Bonds when due or (ii) the payment of the Principal Installments of and interest on such Secured Bonds in the event amounts otherwise pledged to the payment thereof are not available when due or (iii) the payment of the Tender Option Price of any Option Bond which may be tendered to the City for purchase or payment in accordance with the Supplemental Resolution authorizing such Option Bond (in any case, regardless of whether such Credit Facility provides funds for any other purpose).

“Debt Service” for any period of time shall mean, as of any date of calculation and with respect to any Series of Indebtedness, an amount equal to the sum of (i) interest payable during such period of time on Indebtedness of such Series (including any interest payable on any Parity Bond Anticipation Notes), except to the extent that such interest is to be paid from amounts representing Capitalized Interest and (ii) the Principal Installments of the Indebtedness of such Series payable during such period of time. Such interest and Principal Installments for such Series shall be calculated on the assumption that (x) no Indebtedness of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment thereof upon stated maturity or upon mandatory redemption by application of Sinking Fund Installments and (y) as to any future period, Variable Rate Indebtedness will bear interest at the greatest of (A) the rate or rates which were assumed by the City in the current Operating Budget to be borne by such Variable Rate Indebtedness during such period or (B) the weighted average of the actual rate or rates borne by such Variable Rate Indebtedness over the preceding six months, or (C) but only for the first Fiscal Year in which such Variable Rate Indebtedness is Outstanding, the interest rate stipulated by the City in the Supplemental Resolution authorizing such Indebtedness.

“Defeasance Obligations” shall mean the obligations described in clause (a), (b) or (i) of the definition of Investment Securities in the Resolution; provided that such obligations shall not be redeemable prior to the maturity date or stated redemption date relied upon in satisfying the conditions of the Resolution with respect to defeasance.

“Depositary” shall mean any bank or trust company selected by the City, as the case may be, as a depositary of moneys to be held under the provisions of the Resolution, and may include the Trustee.

“Designated Debt” shall mean any Indebtedness with respect to which there shall be in effect a Swap. “Event of Default” shall mean any event specified as such in the Resolution.

“Fiduciary” shall mean the Trustee or any Paying Agent or Depository.

“Financial Guaranties” shall mean one or more of the following: (i) irrevocable, unconditional and unexpired letters of credit issued by banking institutions the senior long-term debt obligations of which (or the holding company of any such banking institution) have (at the time of issue of such letter of credit) a rating in either of the two highest categories from each of S&P and Moody’s (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, a rating in either of the two highest categories of such Rating Agency; or (ii) an irrevocable and unconditional policy or policies of insurance in full force and effect issued by municipal bond insurers or multiline insurers the obligations insured by which are eligible for a rating in either of the two highest categories from each of S&P and Moody’s (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, a rating in either of the two highest categories of such Rating Agency; in each case providing for the payment of sums for the payment of Principal Installments of and interest on Secured Indebtedness in the manner provided in the Resolution; and providing further that any such Financial Guaranty must be drawn upon on a date which is at least seven days prior to the expiration date of such Financial Guaranty in an amount equal to the deficiency which would exist if the Financial Guaranty expired, unless a substitute Financial Guaranty is acquired prior to such expiration date as provided in a related Supplemental Resolution.

“Fiscal Year” shall mean the twelve-month period commencing July 1 of any calendar year and ending June 30 of the succeeding calendar year or such other twelve-month period as may be authorized by the City. In the event that a different fiscal year is authorized, references in the Resolution to July 1 or June 30 shall refer, respectively, to the first and last day of such fiscal year.

“Fitch” shall mean Fitch Ratings and its successors.

“Fixed Rate Indebtedness” shall mean, as of any date of determination, any Indebtedness bearing interest at a fixed rate for the remainder of its term.

“Governing Body” shall mean the Department of Aviation of the City or other City office or department or delegee of the Mayor duly and lawfully charged with the supervision of the operation of the Airport Property or any other matter relating to the Resolution and, where applicable, shall mean the Board of Mayor and Aldermen; and in the event that the ownership or operation of the Airport Property shall be transferred as provided by law to any public entity other than the City, the duly authorized governing body of such public entity.

“Government Obligations” shall mean direct general obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

“Grant Agreements” shall mean any and all agreements between the City and the United States of America or the State, or any agency, department, bureau, commission or other instrumentality of either thereof, all as the same may be amended or supplemented from time to time, providing for or relating to the provision of Grant Receipts to the City.

“Grant Receipts” shall mean any money received by or on behalf of the City under or pursuant to a Grant Agreement as or on account of a grant or contribution in aid of or with respect to any Project.

“Indebtedness” shall mean any indebtedness for borrowed money of the City relating to the Airport Property including without limitation all Bonds, Subordinated Bonds, Bond Anticipation Notes, Reimbursement Obligations and Special Indebtedness and the Prior Bonds.

“Independent Engineer” shall mean Edwards and Kelcey, Inc. or any other independent architect or engineer or firm of architects or engineers employed by the City pursuant to the Resolution.

“Insurance Reserve Fund Requirement” shall mean the amount recommended to the City by an Independent Engineer or an insurance consultant pursuant to the Resolution as necessary to adequately reserve against risks for which the City does not currently maintain insurance in compliance with the Resolution.

“Investment Securities” shall mean and include any of the following securities, if and to the extent the same are at the time legal investments by the City of the funds to be invested therein and conform to the policies set forth in any investment guidelines adopted by the City or by a duly appointed committee of the Governing Body and in effect at the time of the making of such investment:

- (a) Government Obligations;
- (b) Certificates or receipts representing direct ownership of future interest or principal payments on Government Obligations or any obligations of agencies or instrumentalities of the United States of America which are backed by the full faith and credit of the United States, which certificates or receipts are issued directly by the United States Department of the Treasury or by the agency or instrumentality issuing such obligations;
- (c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following: Federal Home Loan Mortgage Corporation; Student Loan Marketing Association; Federal Home Loan Banks; Federal National Mortgage Association; Government National Mortgage Association; Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Financing Bank; Export-Import Bank of the United States; Federal Land Banks; or any other agency or instrumentality of the United States of America; or the International Reconstruction Development Bank;
- (d) All other obligations issued or unconditionally guaranteed as to the timely payment of principal and interest by an agency of person controlled or supervised by and acting as an instrumentality of the United States of America pursuant to City granted by Congress;
- (e) (i) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any government securities dealer, bank, trust company, savings and loan association, national banking association or other savings institution (including the Trustee), provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation or (ii) interest-bearing time or demand deposits or certificates of deposit with any bank, trust company, national banking association or other savings institution (including the Trustee), provided such deposits and certificates are in or with a bank, trust company, national banking association or other savings institution whose long-term unsecured debt is rated in one of the three highest long-term rating categories by S&P and Moody’s (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in any of the three highest rating categories of such Rating Agency;
- (f) Repurchase agreements collateralized by securities described in subparagraph (a), (b) or (c) above with any primary dealer recognized by a Federal Reserve Bank or any commercial bank the long-term unsecured debt of which (or of the corporate parent of which), in either case, is rated in one of the three highest long-term rating categories by S&P and Moody’s (if such rating agencies are Rating

Agencies) and, if rated by any other Rating Agency, rated in any of the three highest rating categories of such Rating Agency; provided that (1) a specific written repurchase agreement governs the transaction, (2) the securities are held, free and clear of any lien, by the City or the Trustee, as the case may be, or an independent third party acting solely as agent for the City or the Trustee, and such third party is (a) a Federal Reserve Bank, or (b) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million, and the City or the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the City or the Trustee, (3) if the repurchase agreement has a term of more than 30 days, then the City or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five Business Days of such valuation and the term shall have been approved by the Series 1998 Bonds bond insurer, and (4) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to (a) at least 102% or (b) so long as the bond insurance policy for the Series 1998 Bonds is in effect, at least 104% or, in the case of collateral securities issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, at least 105%;

(g) Money market funds registered under the federal Investment Company Act of 1940 and rated in the highest category by S&P and Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in the highest rating category of such Rating Agency;

(h) Shares of investment companies or cash equivalent investments which are authorized to invest only in assets or securities described in subparagraphs (a), (b), (c), (d) and (f) above;

(i) Obligations the interest on which is excluded from gross income for purposes of federal income taxation that have been advance-refunded prior to their maturity and that are fully and irrevocably secured as to principal and interest by Government Obligations, or Government Obligations which have been stripped of their unmatured interest coupons or interest coupons stripped from Government Obligations, held in trust for the payment thereof which obligations are rated in the highest rating category by each Rating Agency;

(j) Short-term or long-term obligations the interest on which is excludable from gross income for Federal income tax purposes and that are rated in any of the two highest rating categories by S&P and Moody's (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, rated in any of the two highest rating categories of such Rating Agency, or shares of investment companies or cash equivalents which are authorized to invest primarily in such obligations; and

(k) any other investment authorized pursuant to an amendment or supplement to the Resolution. Obligations of any Fiduciary or an affiliate thereof may be Investment Securities, provided that they otherwise qualify.

"LOI-Approved Secured Bonds" means those Secured Bonds or portion thereof used to finance Project Costs approved for financing by LOI Revenues in accordance with applicable law.

"LOI Fund" means the LOI Fund established pursuant to Section 502(b) of the Resolution.

"LOI Project Account" means the LOI Project Account established within the LOI Fund established pursuant to Section 502(b) of the Resolution.

“LOI Revenues” means grants received by the City from the Federal Aviation Administration in accordance with a letter of intent, so-called, or any other similar revenues, and all investment earnings on funds deposited in the LOI Fund.

“LOI Revenues Account” means the LOI Revenues Account established within the LOI Fund established pursuant to Section 502(b) of the Resolution.

“Moody’s” shall mean Moody’s Investors Service Inc. and its successors.

“Net Revenues” shall mean with respect to a period of time all Revenues accrued in such period in accordance with generally accepted accounting principles less the Operation and Maintenance Expenses incurred or payable during such period in accordance with generally accepted accounting principles; provided, however, that the proceeds of revenue anticipation notes shall not constitute Revenues and the principal amount of such notes shall not constitute Operation and Maintenance Expenses for the purpose of calculating Net Revenues.

“Operating Budget” shall mean the Operating Budget with respect to the operations of the Airport Property duly adopted by the City as provided in the Resolution, as amended from time to time in accordance with the Resolution.

“Operation and Maintenance Expenses” shall mean the City’s expenses, whether or not annually recurring, of maintaining, repairing and operating the Airport Property including, without limiting the generality of the foregoing, amounts for administrative expenses including costs of salaries and benefits and amounts required to finance pension benefits earned by employees; cost of insurance; payments for engineering, financial, accounting, legal and other services; any lawfully imposed taxes or other assessments on the Airport Property or income from or operations at the Airport Property and reserves for such taxes or assessments, any payments in lieu of taxes for the Airport Property or income from or operations at the Airport Property and reserves for such in lieu of taxes; any administration or service fees; payments under any hedge agreement relating to the purchase price of goods or services required for the operation of the Airport (excluding Swaps) which have been designated by the City as Operation and Maintenance Expenses for purposes of the Resolution in such agreement; costs of issuance not financed in the Costs of a Project paid by the City; and payments of interest on revenue anticipation notes and other current expenses; but not including depreciation, recognition upon disposal or other retirement of a capital asset, reserves for unusual and extraordinary maintenance or repair, Debt Service payable from any Fund or Account established under the Resolution, and expenses relating to facilities not financed by debt secured by Revenues.

“Option Bonds” shall mean Secured Bonds which by their terms may be tendered by and at the option of the owner thereof for purchase or payment by the City prior to the stated maturity thereof.

“Outstanding” when used with reference to Bonds or any other Indebtedness, shall mean, as of any date, all Bonds or other evidences of Indebtedness theretofore or thereupon being authenticated and delivered under the Resolution except:

- (a) any Bonds or other evidences of Indebtedness canceled by the Trustee at or prior to such date;
- (b) any Bond or other evidence of Indebtedness (or portion thereof) for the payment or redemption of which there shall be set aside and held in trust either:

- (i) moneys in an amount sufficient to pay when due the Principal Installments or Redemption Price thereof, together with all accrued interest,
- (ii) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as are necessary to provide moneys (whether as principal or interest) in an amount sufficient to pay when due the Principal Installments or Redemption Price thereof, together with all accrued interest, or
- (iii) any combination of (i) and (ii) above,

and, if such Bond or other evidence of Indebtedness or portion thereof is to be redeemed, for which notice of redemption has been given as provided in the Resolution, or the applicable Supplemental Resolution, or provision satisfactory to the Trustee has been made for the giving of such notice;

(c) any Bond or other evidence of Indebtedness in lieu of or in substitution for which other Bonds or other evidences of Indebtedness have been authenticated and delivered; and

(d) any Bond or other evidence of Indebtedness deemed to have been paid as provided in the Resolution.

“Owner” or “holder” or words of similar import shall mean, when used with reference to a Bond or another evidence of Indebtedness, the person in whose name the Bond or other evidence of Indebtedness is registered.

“Parity Bond Anticipation Notes” shall mean Bond Anticipation Notes the interest on which is payable from and secured by a pledge of, and a lien on, the Revenues on a parity with the lien created by the Resolution to secure the Bonds.

“Parity Reimbursement Obligation” shall mean a Reimbursement Obligation the payment of which is secured by a pledge of, and a lien on, Revenues on a parity with the lien created in favor of a class of Secured Bonds by the Resolution.

“Paying Agent” shall mean any paying agent for the Secured Bonds of any Series, and its successor or successors and any other person which may at any time be substituted in its place pursuant to the Resolution.

“Payment Date” shall mean, with respect to any Series of Secured Bonds, each date on which interest or a Principal Installment or both shall be due and payable on any of such Outstanding Secured Bonds according to their respective terms.

“PFC-approved Secured Bonds” shall mean those Secured Bonds or portion thereof used to finance Project Costs approved for financing by PFC Revenues in accordance with applicable law.

“PFC Fund” shall mean the PFC Fund established pursuant to Section 502(b) of the Resolution.

“PFC Project Account” shall mean the PFC Project Account established within the PFC Fund pursuant to Section 502(b) of the Resolution.

“PFC Revenues” shall mean any passenger facility charges or similar taxes levied by or on behalf of the City pursuant to the federal Aviation Safety and Capacity Expansion Act of 1990, as from time to time amended, and any successor thereto, and all investment earnings on funds deposited in the PFC Fund.

“PFC Revenues Account” shall mean the PFC Revenues Account established within the PFC Fund pursuant to Section 502(b) of the Resolution.

“Principal Installment” shall mean, as of any date of calculation and with respect to any Series of Secured Indebtedness, so long as any obligations of such Series are Outstanding, (i) the principal amount of obligations of such Series due on a certain future date for which no Sinking Fund Installments have been established or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for obligations of such Series. For the purposes of the preceding sentence, “Principal Amount” shall include (x) any amount designated in, or determined pursuant to, the applicable Supplemental Resolution, as the “principal amount” with respect to any Bonds or Subordinated Bonds which do not pay full current interest for all or any part of their term, (y) the Tender Option Price of any Option Bonds which may be tendered to the City for purchase or payment prior to the stated maturity thereof in accordance with the terms of the Supplemental Resolution authorizing such Option Bonds, unless such amount is secured by a Credit Facility which is not in default and (z) the principal amount of any Parity Reimbursement Obligation. Principal Installment shall, however, not include the principal of Bend Anticipation Notes.

“Prior Bond Guaranty” shall mean the Guarantee Agreement dated as of May 1, 1992 between the City and the State, as amended as of the date of the Resolution and as further amended from time to time as permitted under the Resolution.

“Prior Bond Indenture” shall mean the Loan and Trust Agreement dated as of May 1, 1992 among the Business Finance Authority of the State of New Hampshire, the City and State Street Bank and Trust Company, as Trustee, as amended from time to time as permitted under the Resolution.

“Prior Bonds” shall mean the Business Finance Authority of the State of New Hampshire State Guaranteed Airport Revenue Bonds (Manchester Airport Project - Series 1992) issued in the initial aggregate principal amount of \$42,730,000.

“Pro Forma Bond Issue” shall mean, when used with reference to the Aggregate Debt Service Reserve Fund Requirement or the Subordinated Debt Service Reserve Fund Requirement in connection with a Series of Variable Rate Indebtedness, the hypothetical fixed rate long-term bond issue set forth in the Supplemental Resolution authorizing such Series, having (i) the same maturities (and sinking fund provisions, if any) as the Series of Variable Rate Indebtedness to which it relates and (ii) such interest rate or rates as the City shall reasonably deem to be the equivalent of the rates which would have been borne by such Series of Variable Rate Indebtedness if such Series had been issued as a Series of Fixed Rate Indebtedness; provided that such interest rate shall be not less than 80% of the “30-year revenue bond index” then most recently published by The Bond Buyer or, if such index is no longer published such other substantially comparable index as determined by the City with the approval of the Trustee.

“Project” shall mean any undertaking or other activity by or on behalf of the City to maintain, equip, improve or enlarge the Airport Property.

“Qualified Swap” shall mean any Swap (a) whose Designated Debt is all or part of a particular Series of Bonds; (b) whose Swap Provider is a Qualified Swap Provider or has been a Qualified Swap Provider within the 60-day period preceding the date on which the calculation of Adjusted Debt Service or Required Debt Service Fund Deposits is being made; (c) which has a term not greater than the term of

the Designated Debt or to a specified mandatory tender or redemption of such Designated Debt; and (d) which has been designated in writing to the Trustee by the City as a Qualified Swap with respect to such Bonds.

“Qualified Swap Provider” shall mean a financial institution whose senior long-term debt obligations, or whose obligations under any Qualified Swap are (i) guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated by each of S&P and Moody’s (if such rating agencies are Rating Agencies) and, if rated by any other Rating Agency, by such Rating Agency in one of the three highest rating categories of each such Rating Agency, respectively, or (ii) fully secured by obligations described in clause (a) or (c) of the definition of Investment Securities which are (a) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (b) held by the Trustee (who shall not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Trustee, (c) subject to a perfected first lien on behalf of the City, and (d) free and clear from all third-party liens.

“Rates and Charges” shall mean all charges, whether denominated as charges, fees, rates, rentals, assessments or otherwise, established by the Governing Body for the services provided by the Airport Property or for the use, lease or license of any portion thereof, including without limitation landing and parking fees and terminal and concession rents and charges.

“Rating Agencies” shall mean Moody’s, S&P and Fitch and their respective successors and assigns if such rating agencies are maintaining a rating on the Secured Bonds at the request of the City, and shall also include any other rating agency nationally recognized for skill and expertise in rating the credit of obligations such as the Secured Bonds and which is maintaining a rating on the Secured Bonds at the request of the City.

“Rebate Fund Requirement” means, as of any date of calculation, an amount equal to the aggregate of the amounts, if any, specified in each Supplemental Resolution authorizing the issuance of a Series of Indebtedness as the amount required to be maintained in the Rebate Fund with respect to such Indebtedness.

“Record Date” shall mean, unless otherwise determined by a Supplemental Resolution for a particular Series of Secured Indebtedness, the fifteenth day of the month immediately preceding any month in which there occurs a Payment Date.

“Redemption Price” shall mean, when used with respect to a Secured Bond or portion thereof, the principal amount thereof plus the applicable premium, if any, payable upon either optional or mandatory redemption thereof pursuant to the Resolution.

“Refundable Principal Installment” shall mean any Principal Installment for any Series of Bonds or Subordinated Bonds which the City intends to pay with proceeds of Refunding Secured Bonds or other moneys which are not Revenues and which shall have been identified as a Refundable Principal Installment in the Supplemental Resolution authorizing such Series of Bonds or Subordinated Bonds; provided, however, that such Principal Installment shall be a Refundable Principal Installment only until the date of adoption of the Rates and Charges for the Fiscal Year in which such Principal Installment comes due unless the City shall have delivered to the Trustee a certificate of an Authorized Representative to the effect either (i) that it has made provision for the payment of such Principal Installment from a source other than Revenues or (ii) that it expects to be able to issue Refunding Secured Bonds providing for the payment of such Principal Installment on or before the stated maturity date thereof.

“Refundable Principal Installment Pro Forma Interest Rate” shall mean, when used with reference to a Refundable Principal Installment, such hypothetical fixed interest rate as the City shall designate in the Supplemental Resolution authorizing such Refundable Principal Installment, based on then prevailing interest rates for obligations such as the Bonds or the Subordinated Bonds, as the case may be, to be the net interest cost which would have been borne by the Bonds or the Subordinated Bonds, as the case may be, constituting such Refundable Principal Installment if they had been payable on a level debt service basis over a period from the due date of such Refundable Principal Installment through the date identified in the Supplemental Resolution authorizing such Refundable Principal Installment.

“Refunding Secured Bond” shall mean any Secured Bond authenticated and delivered on original issuance pursuant to the Resolution for the purpose of refunding any Prior Bonds or any Outstanding Secured Bonds, or thereafter authenticated and delivered in lieu of or substitution for such Secured Bond pursuant to the Resolution.

“Regularly Scheduled Swap Payments” shall mean the regularly scheduled payments under the terms of a Swap which are due absent any termination, default or dispute in connection with such Swap.

“Reimbursement Obligation” shall mean the obligation of the City described in the Resolution to reimburse the issuer of a Credit Facility for amounts paid by such issuer thereunder together with interest thereon, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument.

“Renewal and Replacement Reserve Fund Requirement” shall mean \$250,000 for each Fiscal Year through the Fiscal Year ending June 30, 2002 and thereafter shall mean the amount shown on the Operating Budget then in effect as required to be the balance of the Renewal and Replacement Reserve Fund for the Fiscal Year.

“Required Debt Service Fund Deposits” shall mean for, any period of time, all deposits required to be made to the Principal and Interest Accounts of the Debt Service Fund for such period whether pursuant to the flow of funds provisions, application of investment earnings provisions (including earnings retained in the Debt Service Fund pursuant to the Resolution) or any other provision of the Resolution; provided, however, that such deposits shall not include (a) amounts transferred or expected to be transferred from the Capitalized Interest Account, from interest or other investment earnings on the Project Fund (pursuant to the Resolution) or from amounts paid from other funds of the City that are not Revenues and are not transferred from other Funds or Accounts established under the Resolution or (b) amounts transferred or irrevocably committed by resolution or other action of the Governing Body to be transferred from the LOI Revenues Account or the PFC Revenues Account.

Notwithstanding the foregoing, (a) for purposes of computing the Required Debt Service Fund Deposits of Bonds which constitute Synthetic Fixed Rate Debt, the interest rate payable thereon shall, if the City so elects, be that rate as provided for by the terms of the Swap or the net interest rate payable pursuant to offsetting indices, as applicable, and (b) for purposes of computing the Required Debt Service Fund Deposits of Bonds with respect to which a Qualified Swap has been entered into whereby the City has agreed to pay the floating variable rate thereunder, if the City so elects, no fixed interest rate amounts payable on the Bonds to which such Swap pertains shall be included and the interest rate payable thereon shall be that rate as provided by the terms of the Swap, except that for any future period such rate shall be estimated in the manner provided for estimating interest on Variable Rate Indebtedness in the definition of “Debt Service” in the Resolution.

In addition, for purposes of computing the Required Debt Service Fund Deposits of any Series of Bonds as to which interest is deferred and compounded rather than being paid currently during any period

of calculation required by the Resolution, such calculation shall be made as if interest on such Bonds accrued and was deemed paid at a rate determined on the date of such calculation by a nationally known investment banking firm selected by the City (which firm may be an owner or underwriter of any Bonds) to be the rate which, if earnings at such rate were compounded on the initial public sale price as set forth in the Supplemental Resolution authorizing such Bonds in the manner required by the terms of such Bonds through the maturity date or earlier date on which such compounding is scheduled to cease, would produce the amount of such Bonds scheduled to mature on such maturity date or the accrued value of such Bonds scheduled to exist on such earlier date, as the case may be. For purposes of computing Required Debt Service Fund Deposits at any time with respect to any such Series of Bonds then outstanding, such calculation shall be made in accordance with the provisions of the Supplemental Resolution authorizing the issuance of such Series of Bonds.

“Revenues” shall mean and include all receipts, revenues, rentals, investment earnings, income and other moneys received by or on behalf of the City from or in connection with the ownership or operation of all or any part of the Airport Property, whether existing at the date of adoption of the Resolution or thereafter coming into existence and whether held by the City at such date or thereafter acquired, including, without limitation, all tolls and charges, landing fees, terminal rentals, real property rentals, concession fees, parking receipts, interest income, proceeds of business interruption insurance and condemnation awards from temporary takings, but not including (i) proceeds of insurance (except business interruption insurance, if any) and of condemnation awards (except awards for temporary takings), (ii) proceeds of the sale of the Secured Bonds or any other Indebtedness, (iii) Grant Receipts, PFC Revenues or special deposits described in the Resolution, (iv) proceeds of the sale of any portion of the Airport Property permitted by the Resolution, (v) moneys derived from facilities financed with the proceeds of Indebtedness permitted under the Resolution to finance a facility for a particular person to the extent that such moneys are pledged to the payment of such Indebtedness under a separate resolution, indenture or other agreement of the City, (vi) interest income or other investment earnings on the Project Fund or the PFC Fund or (vii) any Swap Termination Payments paid to the City pursuant to a Swap; provided, that there shall be included in “Revenues” amounts transferred from the Revenue Credit Account to the Revenue Fund pursuant to the Resolution.

“Revenues Available for Bond Debt Service” shall mean, with respect to a twelve-month period, the difference of (a) Net Revenues for such period minus (b) the principal of and interest on the Prior Bonds required to be paid during such period (excluding any such amounts payable solely because of an optional redemption of Prior Bonds).

“Revenues Available for Subordinated Debt Service” shall mean with respect to a Fiscal Year, Revenues Available for Bond Debt Service less Required Debt Service Fund Deposits on all Series of Bonds Outstanding during such Fiscal Year.

“S&P” shall mean Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., and its successors.

“Secured Bonds” or “Secured Indebtedness” shall mean all Bonds and all Subordinated Bonds.

“Series” or “Series of Secured Bonds” shall mean all of the Secured Bonds or other Indebtedness authenticated and delivered on original issuance identified pursuant to the Supplemental Resolution authorizing such Secured Bonds or other Indebtedness as a separate Series of Secured Bonds or other Indebtedness and any Secured Bonds or other Indebtedness thereafter authenticated and delivered in lieu of or in substitution therefor regardless of variations in maturity, interest rate or other provisions.

“Series 1998 Bonds” means the City of Manchester, New Hampshire General Airport Revenue Bonds, Series 1998A (Non-AMT), Series 1998B (AMT) and Series 1998C (Federally Taxable) issued by the City on October 15, 1998.

“Sinking Fund Installment” shall mean, as of any particular date of calculation, the amount required by the Resolution or any Supplemental Resolution to be paid by the City on a future date for the retirement of the principal amount of Outstanding Bonds or Subordinated Bonds which are stated to mature subsequent to such future date, but does not include any amount payable by the City by reason only of the maturity of a Bond or Subordinated Bond.

“Special Indebtedness” shall mean Indebtedness not secured from or payable from Revenues and Indebtedness issued in anticipation of Revenues, each as permitted by the Resolution.

“Subordinated Bond Coverage Requirement” shall mean the requirement, if any, set forth in a Supplemental Resolution authorizing the issuance of a Series of Subordinated Bonds.

“Subordinated Bonds” shall mean bonds or indebtedness issued or incurred pursuant to the Resolution which have a lien subordinate to the lien of the Bonds on the Revenues and shall also mean any Subordinated Parity Bond Anticipation Notes and any Parity Reimbursement Obligation incurred with respect to Subordinated Bonds.

“Subordinated Debt Service Reserve Fund Requirement” shall mean the aggregate of the amounts, if any, required to be deposited in the Subordinated Debt Service Reserve Fund pursuant to all Supplemental Resolutions authorizing the issuance of Subordinated Bonds.

“Subordinated Parity Bond Anticipation Notes” shall mean Bond Anticipation Notes the interest on which is payable from and secured by a pledge of, and a lien on, the Revenues on a parity with the lien created by the Resolution to secure Subordinated Bonds.

“Supplemental Resolution” shall mean a resolution of the City authorizing the issuance of a Series of Bonds or Subordinated Bonds or otherwise amending or supplementing the Resolution, adopted in accordance with the Resolution.

“Swap” shall mean any financial arrangement between the City and a Swap Provider which provides that

(a) each of the parties shall pay to the other an amount or amounts calculated as if such amount were interest accruing during the term of the arrangement at a specified rate (whether fixed or a variable rate or measured against some other rate) on a Designated Debt, and payable from time to time or at a designated time or times (whether before, during or after the term of the arrangement); (b) if such amount is to be paid before it is deemed to have accrued, the amount paid shall reflect the present value of such future amount (i.e., an upfront premium), while an amount to be paid after it is deemed to have accrued shall reflect the time value of such funds; and (c) payment dates and calculated accrual rates need not be the same for each payor, but to the extent payment dates coincide, the arrangement may (but need not) provide that one shall pay to the other any net amount due under such arrangement.

“Swap Provider” shall mean a party to a Swap with the City.

“Swap Termination Payment” shall mean an amount payable to the City or a Swap Provider, in accordance with a Swap, to compensate the other party to the Swap for any losses and costs that such

other party may incur as a result of an event of default or the early termination of the obligations, in whole or in part, of the parties under such Swap.

“Synthetic Fixed Rate Debt” means Indebtedness which (a) is combined, as Designated Debt, with a Qualified Swap and creates, in the opinion of a Consultant, a substantially fixed-rate maturity or maturities for a term not exceeding such maturity or maturities, or (b) consists of an arrangement in which two inversely related variable-rate securities are issued in equal principal amounts with interest based on offsetting indices resulting in a combined payment which is economically equivalent to a fixed rate.

“Tax Exempt Indebtedness” shall mean Indebtedness the interest on which is excluded from gross income of the holder thereof for federal income tax purposes which was accompanied by a favorable Bond Counsel’s Opinion regarding such exclusion on the date of such Indebtedness.

“Tender Option Price” shall mean, with respect to any Option Bond tendered for purpose or payment in accordance with the Supplemental Resolution authorizing such Option Bond, an amount equal to the principal amount of such Option Bond.

“Variable Rate Indebtedness” shall mean, as of any date of determination, any Indebtedness on which the interest rate borne thereby may vary during any part of its remaining term. (Section 101)

The Pledge Effected by the Resolution

(a) Under the Resolution, there are pledged for the payment of the Bonds, in accordance with their terms and the provisions of the Resolution, subject only to the prior pledge created by the Prior Bond Indenture and to the provisions of the Resolution permitting the application thereof for or to the purposes and on the terms and conditions therein set forth: (i) all Revenues and (ii) all moneys or securities in any of the Funds, Accounts and Subaccounts established under the Resolution (except the Revenue Fund, the Operating Fund, the Rebate Fund, the Note Payment Fund, the PFC Fund and the Subordinated Debt Service Reserve Fund) together with the investment earnings thereon except to the extent such earnings are required to be deposited in the Rebate Fund pursuant to a Supplemental Resolution.

(b) Subject only to the prior pledge created by the Prior Bond Indenture and to the prior pledge created for the payment of the Bonds as described in the preceding paragraph (a), and on the terms and conditions set forth therein with respect to such prior pledge, the property described in clauses (i) and (ii) of said paragraph (a) (except moneys or securities in the Debt Service Fund and the Debt Service Reserve Fund) and the Subordinated Debt Service Reserve Fund are further pledged under the Resolution to the payment of the Subordinated Bonds. (Section 501)

Conditions Precedent to Delivery of a Series of Bonds

The Bonds of a Series shall be executed by the City for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the City or upon its order, but only upon the receipt by the Trustee of certain documents and opinions relating to such Bonds and:

(a) any Series of Refunding Secured Bonds issued as described under the heading “Conditions Precedent to Delivery of Refunding Secured Bonds”, any Series of Completion Secured Bonds with respect to which the conditions related in subsection (c) below are satisfied, or any Parity Bond Anticipation Notes,

(i) a certificate of an Authorized Representative of the City, confirmed by the certificate of an Accountant, certifying that for any period of twelve consecutive

months included wholly within the most recent period of 18 consecutive months preceding the date on which such Bonds are to be issued for which such information is available (A) Revenues Available for Bond Debt Service for such period of twelve consecutive months were at least equal to the sum of Required Debt Service Fund Deposits plus deposits required to be made under the Resolution to the Debt Service Reserve Fund, the Subordinated Debt Service Fund, the Subordinated Debt Service Reserve Fund, the Operation and Maintenance Fund, the Renewal and Replacement Fund, the Insurance Fund and the Rebate Fund (excluding deposits to the Subordinated Debt Service Fund made from Capitalized Interest, interest or other earnings on the Project Fund, amounts paid from other funds of the City that are not Revenues and are not transferred from other Funds or Accounts established under the Resolution or amounts transferred from the PFC Revenues Account) for such twelve-month period and (B) the sum of Revenues Available for Bond Debt Service plus the Coverage Amount for such period of twelve consecutive months was at least equal to 125% of the Required Debt Service Fund Deposits on all then-outstanding Bonds for such twelve-month period; and

(ii) either

(A) a certificate of an Authorized Representative of the City, confirmed by the certificate of an Accountant, certifying that for any period of twelve consecutive months included wholly within the most recent period of 18 consecutive months preceding the date on which such Bonds are to be issued for which such information is available, the sum of Revenues Available for Bond Debt Service plus the Coverage Amount for such period of twelve consecutive months was at least equal to 125% of maximum annual Adjusted Debt Service on all Outstanding Bonds after giving effect to the issuance of such Bonds (and to the refunding of any Prior Bonds or Bonds to be refunded from the proceeds thereof); provided, however, that solely for the purpose of making such certification (x) in computing the Adjusted Debt Service of Bonds which constitute Synthetic Fixed Rate Debt, the interest rate payable thereon shall, if the City so elects, be that rate as provided for by the terms of the Swap or the net interest rate payable pursuant to offsetting indices, as applicable, (y) in computing the Adjusted Debt Service of Bonds with reference to which a Qualified Swap has been entered into whereby the City has agreed to pay the floating variable rate thereunder, if the City so elects, no fixed interest rate amounts payable on the Bonds to which such Swap pertains shall be included and the interest rate payable thereon shall be that rate as provided by the terms of the Swap, except that for any future period such rate shall be estimated in the manner provided for estimating interest on Variable Rate Indebtedness in the definition of "Debt Service" in the Resolution, and (z) for purposes of computing the Adjusted Debt Service of any Series of Bonds as to which interest is deferred and compounded rather than being paid currently during any period of calculation required by the Resolution, such calculation shall be made as if interest on such Bonds accrued and was deemed paid at a rate determined on the date of such calculation by a nationally known investment banking firm selected by the City (which firm may be an owner or underwriter of any Bonds) to be the rate which, if earnings at

such rate were compounded on the initial public sale price as set forth in the Supplemental Resolution authorizing such Bonds in the manner required by the terms of such Bonds through the maturity date or earlier date on which such compounding is scheduled to cease, would produce the amount of such Bonds scheduled to mature on such maturity date or the accrued value of such Bonds scheduled to exist on such earlier date, as the case may be (and for purposes of computing Adjusted Debt Service at any time with respect to any such Series of Bonds then outstanding, such calculation shall be made in accordance with the provisions of the Supplemental Resolution authorizing the issuance of such Series of Bonds); or

- (B) a certificate of the Airport Consultant estimating that, for each Fiscal Year during the period commencing with (and including) the Fiscal Year in which such Bonds are to be issued and ending with (and including) the later of the fifth subsequent Fiscal Year or the second Fiscal Year following the date on which all Projects financed in whole or in part by such Bonds are estimated to have been completed and placed in operation, the requirements set forth in clauses (1) and (2) of the preceding subparagraph (i) shall be met, taking into account the particular Series of Bonds to be issued (and the refunding of any Prior Bonds or Bonds to be refunded from the proceeds thereof), such estimations to be based on estimates by the Independent Engineer of the cost to complete and the time for completion and initial operation of such Projects and to be after giving effect, among other factors as the Airport Consultant shall consider relevant, to any estimated increases in Operation and Maintenance Expenses and in Revenues as the result of the completion of such Projects or any portion thereof;

(b) a certificate of the Authorized Representative of the City, dated as of the date of such delivery, stating that there is no Event of Default by the City with respect to the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution, provided, however, that the City need deliver no such certification with respect to compliance with covenants as to Rates and Charges for a Series of Refunding Secured Bonds issued as described under the heading “Conditions Precedent to Delivery of Refunding Secured Bonds”; and

(c) in the case of any Series of Completion Secured Bonds which are Bonds, a certificate of the Authorized Representative of the City, dated as of the date of such delivery, stating (i) that the aggregate principal amount of the Bonds of such Series does not exceed an amount equal to 15% of the aggregate principal amount of Bonds previously issued for a Project the Costs of completing which are to be paid from the proceeds of such Completion Secured Bonds and reasonably allocated to such Project, (ii) that all of the proceeds of such prior Bonds reasonably allocable to such Project have been or will be used to pay Costs of such Project, (iii) that the then estimated Costs of such Project exceed the sum of the Costs of such Project already paid plus moneys available in the Project Fund therefor (including unspent proceeds of such prior Bonds) and (iv) that the nature and purpose of such Project have not changed materially from those contemplated at the time of the issuance of the prior Bonds. (Section 206)

Conditions Precedent to Delivery of a Series of Subordinated Bonds

The Subordinated Bonds of a Series shall be executed by the City for issuance and delivery to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the City or upon its order,

but only upon the receipt by the Trustee of the items, opinions and certificates required by the provisions described under the heading “Conditions Precedent to Delivery of a Series of Bonds”, except for paragraphs (a) and (b) under such heading and by the Supplemental Resolution authorizing such Subordinated Bonds. (Section 206A)

Conditions Precedent to Delivery of Refunding Secured Bonds

One or more Series of Refunding Secured Bonds may be issued pursuant to the Resolution at any time to refund any of the Prior Bonds or any Outstanding Secured Bonds provided that either (i), but only with respect to Bonds issued to refund Prior Bonds or Bonds, (A) Adjusted Debt Service on the Prior Bonds and the Bonds Outstanding immediately after the issuance of such Refunding Secured Bonds for each Fiscal Year shall be no greater than Adjusted Debt Service on the Prior Bonds and the Bonds Outstanding immediately prior to the issuance of such Refunding Secured Bonds and (B) the final maturity of all Bonds Outstanding immediately after the issuance of such Refunding Secured Bonds shall be no later than the final maturity of the Bonds Outstanding immediately prior to the issuance of such Refunding Secured Bonds or (ii) the requirements described in paragraph (a) under the heading “Conditions Precedent to Delivery of a Series of Bonds”, or with respect to an issue of Subordinated Bonds, the requirements of any Supplemental Resolution with respect to the issuance of additional Subordinated Bonds, shall have been satisfied after giving effect to the proposed refunding, all as shown in a certificate signed by an Authorized Representative of the City (and, as to certain matters, a certificate of the Airport Consultant) and delivered to the Trustee prior to the authentication and delivery of such Series of Refunding Secured Bonds. Refunding Secured Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds, Accounts and Subaccounts required by the provisions of the Supplemental Resolution authorizing such Secured Bonds. (Section 207)

Bond Anticipation Notes

Whenever the City shall authorize the issuance of a Series of Secured Bonds, the City may, by resolution, authorize the issuance of notes (and renewals thereof) in anticipation of such Secured Bonds. The principal of and interest on such notes and renewals thereof shall be payable from the proceeds of such notes or from the proceeds of the sale of the Series of Secured Bonds in anticipation of which such notes are issued. The proceeds of such Secured Bonds may be pledged for the payment of the principal of and interest on such notes and any such pledge shall have a priority over any other pledge of such proceeds created by the Resolution. The City may pledge the Revenues to the payment of the interest on such notes which pledge may be on a parity with the pledge securing all Bonds in which event such interest shall be payable from the Debt Service Fund. The City may also pledge the Revenues and moneys on deposit in the General Fund to the payment of the principal of such notes but such pledge shall be subordinate to the pledge securing the payment of the Secured Bonds. (Section 208)

Credit Facilities

(a) In connection with the issuance of any Series of Secured Bonds hereunder, the City may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the Principal Installments, or Redemption Price or interest due or to become due on such Secured Bonds, providing for the purchase of such Secured Bonds by the issuer of such Credit Facility or providing funds for the purchase of such Secured Bonds by the City.

(b) The City may secure such Credit Facility by an agreement providing for the purchase of the Series of Secured Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the City in the applicable

Supplemental Resolution. The City may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the “Reimbursement Obligation”); provided, however, that no Reimbursement Obligation shall be deemed to be Outstanding, for purposes of the Resolution, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation may be secured by a pledge of, and a lien on, Revenues on a parity with the lien created by the Resolution (a “Parity Reimbursement Obligation”). Any such Parity Reimbursement Obligation shall be deemed to be a Secured Bond of the Series of Secured Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation related.

(c) Any such Credit Facility shall be for the benefit of and secure such Series of Secured Bonds or portion thereof as specified in the applicable Supplemental Resolution. (Section 209)

Establishment of Funds and Accounts

(a) Pursuant to the Prior Bond Indenture, the City has established a Revenue Fund. The City hereby agrees to continue to maintain the Revenue Fund, regardless of any amendment or termination of the Prior Bond Indenture. Prior to the occurrence of an event of default under the Prior Bond Indenture or of any Event of Default hereunder, the Revenue Fund shall be under the exclusive control of the City.

(b) The following Funds and Accounts are established by the Resolution:

- (i) Project Fund;
- (ii) Operating Fund;
- (iii) Debt Service Fund, containing a
 - (A) Principal Account;
 - (B) Interest Account;
 - (C) Redemption Account; and
 - (D) Capitalized Interest Account;
- (iv) Debt Service Reserve Fund containing a Common Account;
- (v) Subordinated Debt Service Fund, containing a
 - (A) Principal Account;
 - (B) Interest Account;
 - (C) Redemption Account; and
 - (D) Capitalized Interest Account;
- (vi) Subordinated Debt Service Reserve Fund containing a Common Account;
- (vii) Operation and Maintenance Reserve Fund;
- (viii) Renewal and Replacement Reserve Fund;
- (ix) Insurance Reserve Fund;
- (x) Rebate Fund;

- (xi) General Fund, containing a
 - (A) Coverage Account; and
 - (B) Revenue Credit Account;
- (xii) Note Payment Fund;
- (xiii) PFC Fund, containing a
 - (A) PFC Revenues Account; and
 - (B) PFC Project Account;
- (xiv) LOI Fund, containing a
 - (A) LOI Revenues Account; and
 - (B) LOI Project Account.

(c) Any Supplemental Resolution which provides for a Credit Facility to secure the payment of the Principal Installments of and interest on the Secured Bonds authorized thereby or to secure the payment of the Tender Option Price of any Option Bonds authorized thereby, may establish one or more “Special Accounts” in the Debt Service Reserve Fund or the Subordinated Debt Service Reserve Fund.

(d) The City or, at the request of the City, the Trustee shall establish within any Fund held by the City or the Trustee, as applicable, such Accounts as shall be designated in a Supplemental Resolution or in the written instructions of an Authorized Representative of the City and shall in like manner establish within any Fund or Account such Subaccounts as shall be so designated.

(e) Unless otherwise expressly provided in the Resolution, all of the Funds, Accounts and Subaccounts shall be held by the City, except that (1) the Debt Service Fund, the Subordinated Debt Service Fund, the Debt Service Reserve Fund, the Subordinated Debt Service Reserve Fund and the Note Payment Fund shall be held by the Trustee, (2) at the election of the City, any Fund initially held by the City or any Account or Subaccount therein may be transferred to the Trustee or any one or more Depositories on such terms and for so long as the City may determine and (3) the Project Fund shall be held by the Trustee or any one or more Depositories as the City may elect. (Section 502)

Project Fund

There shall be deposited from time to time in the Project Fund (i) the proceeds of casualty insurance, contractors’ performance bonds and any condemnation, as determined by the City in accordance with the Resolution; (ii) the balance remaining of the proceeds of any Bond Anticipation Notes issued to pay the Costs of a Project after payment or provision for payment of such notes; (iii) any amounts required to be deposited therein pursuant to the Resolution or any Supplemental Resolution; (iv) any moneys transferred from the General Fund pursuant to the Resolution (which moneys shall be held separately from Subaccounts in the Project Fund holding proceeds of the sale of any Secured Bonds or any earnings thereon); and (v) any other amounts received by the City for or in connection with the Airport Property and determined by the City to be deposited in the Project Fund, which are not otherwise required to be applied in accordance with the Resolution. Except as otherwise provided under the heading “Priority of Funds in Event of Debt Service Fund Shortfall” or “Priority of Funds in Event of Subordinated Debt Service Fund Shortfall” or if investment earnings in the Project Fund are required to be transferred to the Rebate Fund, amounts in the Project Fund shall be expended only to pay Costs of a Project pursuant to requisitions filed in accordance with the Resolution and the applicable Supplemental

Resolution. At any time from time to time the Trustee may transfer amounts on deposit therein between a particular Subaccount within the Project Fund and another Subaccount within the Project Fund upon receipt of a certificate of an Authorized Representative of the City requesting such transfer. If the City at any time cannot certify that it reasonably expects the moneys on deposit in any Subaccount of the Project Fund which constitute the proceeds of Tax Exempt Indebtedness to be expended for the Costs of a Project, then the moneys as to which the City cannot so certify shall be transferred to the Redemption Account and applied solely to the redemption of Secured Bonds of the Series to which such moneys relate on the first date on which such Secured Bonds may be called without premium (unless the City shall elect to call such Secured Bonds earlier at a premium). (Section 503)

Deposits of Revenues

The City shall promptly deposit all Revenues in the Revenue Fund. There shall also be deposited into the Revenue Fund all other amounts required by the Resolution to be so deposited. (Section 504)

Flow of Funds from the Revenue Fund

(a) On the last Business Day of each month the City shall, after making any transfers required pursuant to the Prior Bond Indenture or the Prior Bond Guaranty or otherwise pursuant to the Resolution, from the available amounts on deposit in the Revenue Fund, make the following deposits in the following order:

- (i) To the Operating Fund, the amount necessary to make the amount on deposit therein equal to Operation and Maintenance Expenses for the next succeeding month, as shown on the Operating Budget.
- (ii) To the Debt Service Fund:
 - (A) on a pro rata basis the amount necessary to make up any deficiency in any Subaccount resulting from an increase in the applicable interest rate on any Variable Rate Bonds over the rate which was assumed in calculating the amount required for a prior deposit pursuant to the Resolution;
 - (B) on a pro rata basis to each Subaccount of the Interest Account, after taking into account any available moneys in the corresponding Subaccount of the Capitalized Interest Account, if any, the amount necessary to increase the amount on deposit in each such Subaccount so that it equals interest included in Adjusted Debt Service next coming due on Outstanding Bonds of the applicable Series accrued and unpaid and to accrue to and including the last day of the next succeeding month (assuming, in the case of Variable Rate Bonds, no further adjustments in the applicable interest rate);
 - (C) on a pro rata basis to each Subaccount of the Principal Account the amount necessary to increase the amount on deposit in each such Subaccount so that it equals that portion of the Principal Installment included in Adjusted Debt Service next coming due on Outstanding Bonds of the applicable Series accrued and unpaid and to accrue (assuming such Principal Installment accrues on the same basis as simple interest on a debt) to and including the last day of the next succeeding

month; provided, however, that no deposit shall be required to be made with respect to a Bond prior to twelve months before the next Principal Installment coming due on such Bond; and

- (D) on a pro rata basis to each Subaccount of the Redemption Account the amount, if any, necessary to increase the amount on deposit in each Subaccount so that it equals the Redemption Price of Outstanding Bonds of the applicable Series then called for redemption (other than from Sinking Fund Installments) as of any date on or prior to last day of the next succeeding month, after taking into account amounts on deposit in the applicable Subaccount within the Principal Account, if any, available to pay such Bonds called for redemption.

The City shall not be required to make any payments into the Debt Service Fund when the aggregate amount of money in the Debt Service Fund and the Debt Service Reserve Fund is at least equal to the amount required to defease the lien of the Resolution granted to secure payment of Bonds pursuant to the Resolution.

- (iii) To the Debt Service Reserve Fund,
 - (A) to the Common Account therein one-twelfth (1/12) the amount, if any, necessary to increase the amount on deposit therein, determined as of the first day of the Fiscal Year, to an amount equal to the Aggregate Debt Service Reserve Fund Requirement (provided that no such deposit shall be required in a Fiscal Year following the funding of the Common Account in connection with the issuance of a Series of Bonds pursuant to the Resolution); and
 - (B) to each such Special Account the deposit required by any Supplemental Resolution.
- (iv) To the Subordinated Debt Service Fund, deposits determined with respect to Subordinated Bonds in the same manner as the deposits set forth in clause (ii) above with respect to the Bonds:

The City shall not be required to make any payments into the Subordinated Debt Service Fund when the aggregate amount of money in the Debt Service Fund and the Debt Service Reserve Fund is at least equal to the amount required to defease the lien of the Resolution granted to secure payment of Bonds and when the aggregate amount of money in the Subordinated Debt Service Fund and the Subordinated Debt Service Reserve Fund is at least equal to the amount required to defease the lien of the Resolution granted to secure payment of Subordinated Bonds, all pursuant to the provisions described under the heading "Defeasance".

- (v) To the Subordinated Debt Service Reserve Fund:
 - (A) to the Common Account therein or to each Series Subaccount thereof the amount, if any, necessary to increase the amount on deposit in such Account or Subaccount, as the case may be, to the level required by any Supplemental Resolution; and

- (B) to each such Special Account the deposit required by any Supplemental Resolution.
- (vi) To the Operation and Maintenance Reserve Fund, the amount necessary to make the amount on deposit therein equal to Operation and Maintenance Expenses for three consecutive months following the next succeeding month, as shown on the Operating Budget.
- (vii) To the Renewal and Replacement Reserve Fund, one-twelfth of the difference between the amount on deposit in such Fund on the first day of the current Fiscal Year and the Renewal and Replacement Reserve Requirement for the current Fiscal Year.
- (viii) To the Insurance Reserve Fund, one-twelfth of the difference between the amount on deposit in such Fund on the first day of the current Fiscal Year and the Insurance Reserve Fund Requirement for the current Fiscal Year.
- (ix) To the Rebate Fund, the amount necessary to make the amount on deposit therein equal to the Rebate Fund Requirement, if any, determined in accordance with the applicable Supplemental Resolution.
- (x) Subject to the provisions described in paragraph (b) below, to the General Fund, any moneys remaining after making the deposits set forth above.

(b) On any day on which deposits are to be made as described in paragraph (a) above, after making the deposits required by subparagraphs (i) through (ix) of paragraph (a), the City may retain all or any portion of the remaining moneys in the Revenue Fund to provide additional moneys for deposits required under paragraph (a) during the next month or thereafter; provided, however, in the event that certain Swap Termination Payments are due and owing the City will not retain all or any portion of such remaining moneys. (Section 505)

Operating Fund

The Operating Fund shall be established as one or more accounts with one or more banks or trust companies, as the City shall determine. Moneys held in the Operating Fund shall be applied by the City to the payment of Operation and Maintenance Expenses in accordance with the Operating Budget. Moneys in the Revenue Fund shall be deposited into the Operating Fund pursuant to the Resolution, and from time to time moneys on deposit in the Operation and Maintenance Reserve Fund may be deposited into the Operating Fund pursuant to the Resolution. (Section 506)

Debt Service Fund

(a) The Trustee shall, for each Series of Bonds Outstanding, pay (i) on each Payment Date with respect to a Series of Bonds, from the moneys on deposit in the applicable Subaccounts within the Principal Account and Interest Account of the Debt Service Fund the amounts required for the payment of the Principal Installments and for the payment of interest, respectively, due on such Payment Date; (ii) on any redemption date other than for sinking fund redemption, from the applicable Subaccounts within the Interest Account and Redemption Account of the Debt Service Fund the amounts required for the payment of accrued interest and for the payment of principal of and premium, if any, respectively, on Bonds to be redeemed; and (iii) on any date of purchase from the applicable Subaccounts within the Principal Account of the Debt Service Fund and Interest Account of the Debt Service Fund, the amounts

required for the payment of principal and interest, respectively, on Bonds to be purchased to the extent sufficient amounts are not available therefor under a Credit Facility in accordance with the applicable Supplemental Resolution.

(b) The amounts accumulated in the applicable Subaccount within the Principal Account of the Debt Service Fund for each Sinking Fund Installment shall, at the direction of an Authorized Representative of the City, be applied (together with amounts in the applicable Subaccount within the Interest Account of the Debt Service Fund with respect to interest on the Bonds for which such Sinking Fund Installment was established) by the Trustee prior to the 45th day preceding the due date of such Sinking Fund Installment as follows:

- (1) to the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price payable for such Bonds when such Bonds are redeemable by application of such Sinking Fund Installment plus unpaid interest accrued to the date of purchase; or
- (2) to the redemption of such Bonds, if then redeemable by their terms, at or below the Redemption Price referred to in clause (1) above;

provided, however, that the Trustee shall not call for redemption or purchase any Bonds as described in this paragraph (b) which have already been called for redemption pursuant to the provisions of the Resolution.

(c) Upon the purchase or redemption of any Bond pursuant to paragraph (b) above, an amount equal to the principal amount of the Bond so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited against future Sinking Fund Installments in direct chronological order.

(d) As soon as practicable after the 45th day preceding the due date of any such Sinking Fund Installment, the City shall proceed to call for redemption, pursuant to the Resolution, on such due date Bonds of the Series and maturity for which such Sinking Fund Installment was established in the amount of such Sinking Fund Installment. The Trustees shall so call such Bonds for redemption whether or not it then has moneys in the Debt Service Fund sufficient to pay the applicable Redemption Price thereof on the redemption date. (Section 507)

Priority of Funds in Event of Debt Service Fund Shortfall

If on any Bond Payment Date there shall be insufficient moneys available in the applicable Subaccount within the applicable Account in the Debt Service Fund to provide for payment of the Principal Installments of or interest on any Series of Bonds then due, after drawing any moneys available for such purpose from any applicable Credit Facility or Special Account in the Debt Service Reserve Fund, the City or, as the case may be, the Trustee shall withdraw and apply the necessary moneys to provide for such insufficiency from the following Funds and Accounts in the following order: (i) amounts in the Redemption Account not yet committed to the redemption of Bonds, (ii) the General Fund, (iii) the Subordinated Debt Service Fund, (iv) the Common Account in the Debt Service Reserve Fund, (v) the Insurance Reserve Fund, (vi) the Renewal and Replacement Reserve Fund and (vii) the Project Fund. (Section 507(e))

Debt Service Reserve Fund

(a) Amounts on deposit in the Common Account in the Debt Service Reserve Fund shall be applied, to the extent other funds are not available therefor pursuant to the Resolution, solely to pay the Principal Installments of and interest on the Bonds when due. Amounts on deposit in each of the Special Accounts in the Debt Service Reserve Fund shall be applied, to the extent other funds are not available therefor pursuant to the Resolution, solely to pay the Principal Installments of and interest on the Bonds of the Series to which such Special Account relates as and when specified in the applicable Supplemental Resolution.

(b) On each June 30 any excess in the Common Account over the Aggregate Debt Service Reserve Fund Requirement and any excess in any Special Account over its requirement under the applicable Supplemental Resolution shall be deposited into the Debt Service Fund.

(c) Whenever the amount (exclusive of Financial Guaranties) in all of the Accounts in the Debt Service Reserve Fund, together with the amount in the Debt Service Fund, is sufficient to pay all Outstanding Series of Bonds in accordance with their respective terms, the funds on deposit in the Debt Service Reserve Fund shall be transferred to the Debt Service Fund and applied to the redemption or payment at maturity of all Bonds Outstanding.

(d) In lieu of the required deposits and transfers to any Account in the Debt Service Reserve Fund or any portion thereof, the City may cause to be deposited in any such Account Financial Guaranties. The Financial Guaranties shall be payable (upon the giving of notice as required under the Resolution) on any date on which moneys will be required to be withdrawn from the applicable Account in the Debt Service Reserve Fund and applied to the payment of a Principal Installments of or interest on any Bonds and such withdrawal cannot be met by moneys on deposit in the applicable Account. If a disbursement is made pursuant to Financial Guaranties, the City shall be obligated either (i) to reinstate the maximum limits of such Financial Guaranties or (ii) to deposit into the applicable Account, funds in the amount of the disbursement made under such Financial Guaranties, or a combination of such alternatives, as shall provide that the amount in such Account equals the applicable Requirement.

(e) In the event of the refunding of any Bonds, the Trustee shall, upon the written direction of the City, withdraw from the Subaccount and Account related to the Bonds to be refunded all or any portion of the amounts accumulated therein with respect to the Bonds to be refunded and deposit such amounts as provided in such written direction; provided that such withdrawal shall not be made unless (i) immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to the Resolution, and (ii) after giving effect to any amounts being simultaneously deposited therein, the amount remaining in each Account after such withdrawal shall not be less than the applicable Requirement. (Section 508)

Subordinated Debt Service Fund

(a) The Trustee shall, for each Series of Subordinated Bonds Outstanding, make payments similar to those set forth with respect to Bonds under the heading "Debt Service Fund". The Trustee shall also apply moneys in the Subordinated Debt Service Fund as set forth under the heading "Priority of Funds in Event of Debt Service Fund Shortfall". Moneys in the Subordinated Debt Service Fund shall also be transferred to the Note Payment Fund and applied to the payment of interest on notes issued pursuant to the terms described under the heading "Bond Anticipation Notes" to the extent provided in any Supplemental Resolution authorizing such notes.

(b) The amounts accumulated in the applicable Subaccount within the Principal Account of the Subordinated Debt Service Fund for each Sinking Fund Installment may be applied (together with amounts in the applicable Subaccount within the Interest Account of the Subordinated Debt Service Fund with respect to interest on the Subordinated Bonds for which such Sinking Fund Installment was established) by the Trustee to the purchase or redemption of Subordinated Bonds of the Series and maturity for which such Sinking Fund Installment was established in the same manner as moneys in the Debt Service Fund may be applied to Bonds as set forth in paragraph (b) under the heading “Debt Service Fund”. Upon such purchase or redemption, an amount equal to the principal amount of the Subordinated Bond so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited against future Sinking Fund Installments in direct chronological order.

(c) As soon as practicable after the 45th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption on such due date Subordinated Bonds of the Series and maturity for which such Sinking Fund Installment was established in the amount of such Sinking Fund Installment. The Trustee shall so call such Subordinated Bonds for redemption whether or not it then has moneys in the Subordinated Debt Service Fund sufficient to pay the applicable Redemption Price thereof on the redemption date. (Section 509)

Priority of Funds in Event of Subordinated Debt Service Fund Shortfall

If on any Subordinated Bond Payment Date there shall be insufficient moneys available in the applicable Subaccount within the applicable Account in the Subordinated Debt Service Fund to provide for payment of the Principal Installments of or interest on any Series of Subordinated Bonds then due, after drawing any moneys available for such purpose from any applicable Credit Facility or Special Account in the Subordinated Debt Service Reserve Fund, subject to any transfers to be made on such date pursuant to the terms described under the heading “Priority of Funds in Event of Debt Service Fund Shortfall”, the City or, as the case may be, the Trustee shall withdraw and apply the necessary moneys to provide for such insufficiency from the following Funds and Accounts in the following order: (i) amounts in the Redemption Account of the Subordinated Debt Service Fund not yet committed to the redemption of Bonds, (ii) the General Fund (excluding the Coverage Account and Revenue Credit Account) and (iii) the Common Account in the Subordinated Debt Service Reserve Fund. (Section 509(e))

Subordinated Debt Service Reserve Fund

Moneys in the Subordinated Debt Service Reserve Fund shall be applied to the payment of Subordinated Bonds in a manner similar to the application of moneys in the Debt Service Reserve Fund to payment of Bonds. (Section 510)

Operation and Maintenance Reserve Fund

(a) Moneys in the Operation and Maintenance Reserve Fund shall be transferred to the Operating Fund to be applied to the payment of Operation and Maintenance Expenses upon delivery to the Trustee of a certificate of an Authorized Representative of the City to the effect that moneys on deposit in the Operating Fund are insufficient therefor. The City shall also apply moneys in the Operation and Maintenance Reserve Fund as set forth under the heading “Priority of Funds in Event of Debt Service Fund Shortfall”.

(b) if on any day on which a transfer from the Revenue Fund is required pursuant to the Resolution, Revenues are insufficient to make the deposits to the Operation and Maintenance Reserve Fund required by the Resolution, or if on any date the City delivers a certificate to the Trustee to the

effect that moneys in the Operating Fund and the Operation and Maintenance Reserve Fund are insufficient to meet Operation and Maintenance Expenses then due and payable then, subject to any transfers to be made on such date as described under the heading “Priority of Funds in Event of Debt Service Fund Shortfall”, the Trustee shall withdraw and apply the necessary moneys to provide for such insufficiency from the following Funds and Accounts in the following order: (i) the General Fund; (ii) the Insurance Reserve Fund; and (iii) the Renewal and Replacement Reserve Fund.

(c) If on any June 30, or if such day is not a Business Day, on the next preceding Business Day, the amount on deposit in the Operation and Maintenance Reserve Fund is in excess of the Operation and Maintenance Expenses for the next succeeding August, September and October, as shown on the Operating Budget, such excess shall be transferred to the Revenue Fund. (Section 511)

Renewal and Replacement Reserve Fund

(a) Moneys in the Renewal and Replacement Reserve Fund shall be applied as provided in the Resolution to the Cost of any Capital Improvement which is not provided for by moneys available in the Project Fund, the General Fund or the Operating Fund, including without limitation the costs of unanticipated or emergency repairs or replacements of any part of the Airport Property which are properly chargeable to plant or property accounts under generally accepted accounting principles. The City shall also apply moneys in the Renewal and Replacement Reserve Fund as set forth under the heading “Priority of Funds in Event of Debt Service Fund Shortfall”.

(b) If on any day on which a transfer from the Revenue Fund is required pursuant to the Resolution, Revenues are insufficient to make the deposits to the Renewal and Replacement Reserve Fund required by the Resolution, or if on any date the City delivers a certificate to the Trustee to the effect that moneys in the Renewal and Replacement Reserve Fund are insufficient to meet the Costs of a Capital Improvement to be funded therefrom pursuant to the Resolution then due and payable then, subject to any transfers to be made on such date as described under the heading “Priority of Funds in Event of Debt Service Fund Shortfall”, the City shall withdraw and apply the necessary moneys to provide for such insufficiency from the General Fund.

(c) If on any June 30, or, if such day is not a Business Day, on the next preceding Business Day, the amount on deposit in the Renewal and Replacement Fund is in excess of the Renewal and Replacement Reserve Fund Requirement for the Fiscal Year then ending, such excess shall be transferred to the Revenue Fund or shall be retained in the Renewal and Replacement Reserve Fund upon the delivery of a certificate of an Authorized Representative of the City to the effect that such amounts being retained are necessary to meet the Costs of Capital Improvements properly payable from such Fund in accordance with the Resolution. (Section 512)

Insurance Reserve Fund

(a) Moneys in the Insurance Reserve Fund may be applied by the City only to the purpose and in the manner provided for the proceeds of insurance set forth in the Resolution. The City shall also apply moneys in the Insurance Reserve Fund as set forth under the heading “Priority of Funds in Event of Debt Service Fund Shortfall”.

(b) If on any day on which a transfer from the Revenue Fund is required pursuant to the Resolution, Revenues are insufficient to make the deposits to the Insurance Reserve Fund required by such Section, or if on any date the City delivers a certificate to the Trustee to the effect that moneys in the Insurance Reserve Fund are insufficient to meet claims properly payable from such Fund then due and payable then, subject to any transfers to be made on such date as described under the heading “Priority of

Funds in Event of Debt Service Fund Shortfall”, the Trustee shall withdraw and apply the necessary moneys to provide for such insufficiency from the General Fund.

(c) If on any June 30, or, if such day is not a Business Day, on the next preceding Business Day, the amount on deposit in the Insurance Reserve Fund is in excess of the Insurance Reserve Fund Requirement, such excess shall be transferred to the Revenue Fund.

(d) The City shall review the sufficiency of the Insurance Reserve Fund Requirement annually and no later than 120 days after the end of each Fiscal Year shall deliver to the Trustee a certificate of an Authorized Representative setting forth the Insurance Reserve Fund Requirement for the next ensuing Fiscal Year. Notwithstanding the foregoing provision, the initial Insurance Reserve Fund Requirement shall be zero. Each third Fiscal Year following the delivery of the initial Series of Bonds issued hereunder, the City shall cause the Independent Engineer or an insurance consultant to review the adequacy of the Insurance Reserve Fund and the Insurance Reserve Fund Requirement and the policies of insurance then maintained by the City, and to deliver a report thereon to the City and the Trustee. (Section 513)

General Fund

(a) Moneys shall be deposited in the Coverage Account of the General Fund to the extent that the City is obligated, pursuant to contractual arrangements with users of the Airport Property or otherwise, to fund such Account and to such additional extent as the Governing Body from time to time shall determine. Subject to the requirements of any such contractual arrangements, the City may withdraw moneys from the Coverage Account from time to time. Such moneys also shall be subject to application as described in paragraph (d) below.

(b) Moneys shall be deposited in the Revenue Credit Account of the General Fund to the extent that the City is obligated, pursuant to contractual arrangements with users of the Airport Property or otherwise, to apply such moneys against the obligation of such users to make future payments of the Rates and Charges to the City. Not later than the 181st day of each Fiscal Year in which such credits are to be afforded to users of the Airport Property, the portion of the moneys in the Revenue Credit Account corresponding to such credits will be transferred to the Revenue Account.

(c) Moneys in the General Fund may be disbursed for any lawful purpose relating to the Airport Property, including without limitation, by way of transfer to any Fund or Account established pursuant to the Resolution or any Supplemental Resolution. Moneys in the General Fund shall also be transferred to the Note Payment Fund and applied to the payment of principal of and interest on notes issued pursuant to the terms described under the heading “Bond Anticipation Notes” to the extent provided in any Supplemental Resolution authorizing such notes. For all purposes of the General Resolution, any obligation incurred by the City for any lawful purpose relating to the Airport Property, including the obligation to pay any Swap Termination Payment, may be paid from amounts to be deposited to the General Fund prior to making any deposits in any account in the General Fund.

(d) The City shall also apply moneys in the General Fund as set forth under the headings “Priority of Funds in Event of Debt Service Fund Shortfall” and “Priority of Funds in Event of Subordinated Debt Service Fund Shortfall”, in paragraph (b) under the heading “Renewal and Replacement Reserve Fund” and in paragraph (b) under the heading “Insurance Reserve Fund”.

(e) The City may deposit to the credit of the General Fund any sum received by the City with respect to the Airport Property from any source for any purpose for which the moneys held for the credit of the General Fund may be disbursed.

(f) If then permitted by law, moneys held for the credit of the General Fund (or any portion thereof) may be pledged by the City to the payment of the principal of and interest on any notes or other obligations issued by the City for any purpose for which the moneys held to the credit of the General Fund may be disbursed. (Section 514)

Note Payment Fund

(a) The City shall deposit into a separate account of the Note Payment Fund the proceeds of any Secured Bonds issued to provide for the payment of Bond Anticipation Notes of the City as directed by the Supplemental Resolution for such Secured Bonds and shall deposit amounts transferred as described in paragraph (a) under the heading "Subordinated Debt Service Fund", paragraph (c) under the heading "General Fund" and in paragraph (b) under the heading "PFC Fund".

(b) Moneys on deposit in a subaccount of the Note Payment Fund shall be applied to the payment of the Bond Anticipation Notes with respect to which such subaccount was established upon receipt by the City of a certificate of the Trustee as required by the Resolution. Any moneys remaining in a subaccount of the Note Payment Fund after payment of the Bond Anticipation Notes with respect to which such account was established shall be transferred to and deposited in a separate subaccount established within the Project Fund. (Section 515)

PFC Fund

(a) The City shall deposit into the PFC Revenues Account of the PFC Fund, promptly upon their receipt by the City, all PFC Revenues, including without limitation all investment earnings on the PFC Revenues Account and all other Accounts established within the PFC Fund.

(b) On the last Business Day of each month the City shall transfer from the PFC Revenues Account the following amounts:

- (i) To the Debt Service Fund, such portion of the amount required to be deposited therein pursuant to the Resolution as the City shall elect, provided that the amount so transferred shall not exceed the portion of the deposit requirement which represents principal of and interest on PFC-approved Secured Bonds which are Bonds and provided further that the amount so transferred shall not be less than the amount, if any, provided in the current operating Budget.
- (ii) To the Subordinated Debt Service Fund, such portion of the amount required to be deposited therein pursuant to the Resolution as the City shall elect, provided that the amount so transferred shall not exceed the portion of the deposit requirement which represents principal of and interest on PFC-approved Secured Bonds which are Subordinated Bonds and provided further that the amount so transferred shall not be less than the amount, if any, provided in the current Operating Budget.
- (iii) To the extent provided in any Supplemental Resolution authorizing notes issued pursuant to the terms described under the heading "Bond Anticipation Notes", to the Note Payment Fund to pay interest on such notes which are PFC-approved Secured Bonds.

Any PFC Revenues not so transferred may be transferred, at the election of the City, to the PFC Project Account or to such other Account within the PFC Fund as the City may determine in conformity with federal statutes and regulations governing the use of the PFC Revenues.

(c) Funds on deposit in the PFC Project Account shall be applied by the City to the costs of Projects authorized to be financed from PFC Revenues.

(d) In addition, funds on deposit in the PFC Project Account and any additional Accounts established within the PFC Fund may be transferred or applied as the City shall determine in conformity with applicable law. (Section 516)

LOI Fund

(a) The City shall deposit into the LOI Revenues Account of the LOI Fund, promptly upon their receipt by the City, all LOI Revenues, including without limitation all investment earnings on the LOI Revenues Account and all other Accounts established within the LOI Fund.

(b) On the last Business Day of each month the City shall transfer from the LOI Revenues Account the following amounts:

- (i) To the Debt Service Fund, such portion of the amount required to be deposited therein pursuant to Section 505(a)(ii) of the Resolution as the City shall elect, provided that the amount so transferred shall not exceed the amount permitted by applicable law and provided further that the amount so transferred shall not be less than the amount, if any, provided in the current Operating Budget of the City.
- (ii) To the Subordinated Debt Service Fund, such portion of the amount required to be deposited therein pursuant to Section 505(a)(iv) of the Resolution as the City shall elect, provided that the amount so transferred shall not exceed the amount permitted by applicable law and provided further that the amount so transferred shall not be less than the amount, if any, provided in the current Operating Budget of the City.
- (iii) To the extent provided in any Supplemental Resolution authorizing notes issued pursuant to Section 208 of the Resolution, to the Note Payment Fund to pay interest on such notes which are LOI approved Secured Bonds.

Any LOI Revenues not so transferred may be transferred, at the election of the City, to the LOI Project Account or to such other Account within the LOI Fund as the City may determine in conformity with federal statutes and regulations governing the use of the LOI Revenues.

(c) Funds on deposit in the LOI Project Account shall be applied by the City to the costs of Projects authorized to be financed from LOI Revenues.

(d) In addition, funds on deposit in the LOI Project Account and any additional Accounts established within the LOI Fund may be transferred or applied as the City shall determine in conformity with applicable law. (Section 516A)

Depositories

All moneys or securities held by the City or the Trustee under the provisions of the Resolution shall constitute trust funds. The City may and the Trustee may (and shall, if directed in writing by an Authorized Representative of the City) deposit such moneys or securities with one or more Depositories in trust for the City or the Trustee, as the case may be. All moneys or securities deposited under the provisions of the Resolution with the Trustee or any Depository shall be held in trust and applied only in accordance with the provisions of the Resolution, and each of such Funds established by the Resolution shall be a trust fund for the purposes thereof. Each Depository holding moneys or securities in trust for the City or the Trustee shall be a bank or trust company organized under the laws of a state of the United States of America or a national banking association organized under the laws of the United States of America, having capital stock, surplus and undivided earnings aggregating at least \$100,000,000 (or such greater amount as set forth in a Supplemental Resolution) and willing and able to accept the office on reasonable and customary terms and authorized by law to act in accordance with the provisions of the Resolution. (Section 517)

Investment of Certain Funds

(a) Moneys held in the Debt Service Fund, the Subordinated Debt Service Fund, and the Note Payment Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities of the type described in clause (a), (b), (c), (d), (f), (h), (i) or (j) of the definition of Investment Securities in the Resolution. Moneys held in the Debt Service Reserve Fund and the Subordinated Debt Service Reserve Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities of the type described in clause (a), (b), (c), (d), (f), (h) or (i) of the definition of Investment Securities which mature not later than 15 years from the date of such investment; provided that such maturities shall not exceed five years from the date of investment except with the written approval of the Series 1998 Bonds bond insurer. Moneys held in any other Fund or Account established under the Resolution may be invested and reinvested in any Investment Securities. The Trustee shall make all such investments of moneys held by it in accordance with written instructions from any Authorized Representative of the City, which may for this purpose include one or more investment advisors designated in writing by such Representative from time to time. In making any investment in any Investment Securities with moneys in any Fund or Account established under the Resolution, the City may, and may instruct the Trustee to, combine such moneys with moneys in any other Fund or Account, but solely for purposes of making such investment in such Investment Securities.

(b) Interest and other investment earnings on any moneys or investment in the Funds and Accounts, other than the Project Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Subordinated Debt Service Fund, the Subordinated Debt Service Reserve Fund, the Note Payment Fund and the PFC Fund, shall be paid into the Revenue Fund on the last Business Day of each month. Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) and other investment earnings on any moneys or investments in the Debt Service Fund, the Subordinated Debt Service Fund, the Note Payment Fund and the PFC Fund shall be retained in the Fund in which such earnings accrued. Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) and other investment earnings on any moneys or investments in the Project Fund shall be paid, on the last Business Day of each month, to the related Subaccounts of the Debt Service Fund (or the Subordinated Debt Service Fund if so specified in the applicable Supplemental Resolution) first to the Interest Account and second to the Principal Account; provided, however, that the City may from time to time direct that all or a portion of such earnings may be retained in the Project Fund for any period of time. Earnings retained in the Project Fund will not be included in the calculation of Revenues Available for Bond Debt Service. Interest and other investment earnings on any moneys or investments in the Debt Service Reserve Fund shall be paid, on the last

Business Day of each month, first to the Interest Account of the Debt Service Fund and second to the Principal Account of the Debt Service Fund, and interest and any other investment earnings on the Subordinated Debt Service Reserve Fund shall be paid on the last Business Day of each month first to the Interest Account of the Subordinated Debt Service Fund and second to the Principal Account of the Debt Service Fund or the Subordinated Debt Service Fund; provided, however, that the City may direct that investment earnings on any moneys or investments in the Debt Service Reserve Fund or the Subordinated Debt Service Reserve Fund may be deposited for such period of time as the City may determine in the Revenue Fund or the Project Fund if the City shall obtain a Bond Counsel's Opinion to the effect that such application of earnings shall not adversely affect the exclusion of interest on any Tax Exempt Indebtedness from gross income of the holder for federal income tax purposes. For purposes of this paragraph, interest shall not include the return of accrued interest paid in connection with the purchase of any investment.

(c) Notwithstanding the foregoing, the City may direct that investment earnings reasonably expected to be subject to the requirements of section 148(f) of the Code or the Treasury Regulations applicable thereto may be deposited directly to the Rebate Fund to the extent desirable to comply with the requirements of section 148(f) of the Code or the Treasury Regulations applicable thereto. (Section 519)

Valuation and Sale of Investments

Obligations purchased as an investment of moneys in any Fund created under the provisions of the Resolution shall be deemed at all times to be a part of such Fund and any profit realized from the liquidation of such investment shall be credited to such Fund and any loss resulting from the liquidation of such investment shall be charged to such Fund.

In computing the amount in any Fund created under the provisions of the Resolution for any purpose provided in the Resolution, obligations purchased as an investment of moneys therein shall be valued at the amortized cost of such obligations or the market value thereof, whichever is lower. Any deficiency resulting from a decrease in the valuation of investments held in the Debt Service Reserve Fund may be disregarded for purposes of calculating deposits required from the Revenue Fund (but not for purposes of deposits required to make the amount on deposit in the Common Account upon each sale of Bonds equal to the Aggregate Debt Service Reserve Fund Requirement) provided that the amount on deposit in the Debt Service Reserve Fund is at least 95% of the Aggregate Debt Service Reserve Fund Requirement. The accrued interest paid in connection with the purchase of any obligation shall be included in the value thereof until interest on such obligation is paid. Such computation shall be made annually on June 30 for all Funds and at such other times as the City shall determine or as may be required by the Resolution. (Section 520)

Rebate Fund

Upon the issuance, sale and delivery of any Series of Indebtedness subject to the Rebate Fund Requirement, the Trustee shall establish a separate account within the Rebate Fund for such Series. Funds on deposit in the Rebate Fund shall be applied as set forth in the applicable Supplemental Resolution. Unless otherwise specified in the applicable Supplemental Resolution, interest or other income derived from the investment or deposit of moneys in the Rebate Fund shall be transferred to the Revenue Fund. (Section 521)

Holding of Special Deposits

Except as otherwise provided in any Supplemental Resolution, (i) any Grant Receipts held by or for the account of the City in connection with the Airport Property which are required to be applied under

the terms of the applicable Grant Agreement directly to the payment of Costs of acquisition, construction or alteration of a Project which is the subject of such Grant Agreement, (ii) any Grant Receipts or other moneys which have been pledged to the payment of any Special Indebtedness issued as described in paragraph (b)(i) or (iii) or (c) under the heading “Indebtedness and Liens” (including, without limitation, proceeds of any such Indebtedness) and (iii) any moneys which are subject to refund by the City or held for the account of others including, without limitation, any amounts which, under any agreement by the City providing for adequate separation of such amounts from Revenues, are collected by the City on behalf of others for services rendered or commodities provided to users or customers of the Airport Property, any amounts deducted by the City from wage and salary payments to the employees of the City, any amounts contributed by the City to any pension or retirement fund or system which amounts are held in trust for the benefit of the employees of the City and any amounts held as deposits, together with any investments of such Grant Receipts or other moneys and interest and profits thereon to the extent such interest and profits are also pledged, segregated or held for the account of others or subject to refund to others, may be held by the City in such manner and in such depositaries or accounts, outside of the various Funds and Accounts established by the Resolution, as the City may otherwise by resolution provide. At the election of the City such Grant Receipts and other moneys may be deposited in separate accounts maintained by the City with the Trustee or any other Depositary. (Section 522)

Rate Covenant

(a) The City shall for each Fiscal Year fix and adjust Rates and Charges with respect to its Airport Property, which Rates and Charges shall be adopted by the Governing Body and which adoption shall be conclusive and final and not subject to supervision or regulation by any office, department, division, commission, board, bureau or agency of the State or any of its political subdivisions. The City covenants that in each Fiscal Year (1) Revenues Available for Bond Debt Service shall equal or exceed the sum of Required Debt Service Fund Deposits plus deposits required to be made as described in clauses (iii) through (ix) of paragraph (a) under the heading “Flow of Funds from the Revenue Fund” (excluding deposits to the Subordinated Debt Service Fund made from Capitalized Interest, interest or other earnings on the Project Fund, amounts paid from other funds of the City that are not Revenues and are not transferred from other Funds or Accounts established under the Resolution or amounts transferred from the LOI Revenues Account and the PFC Revenues Account), and (2) the sum of Revenues Available for Bond Debt Service plus the Coverage Amount for such Fiscal Year shall equal or exceed 125% of Required Debt Service Fund Deposits.

(b) Without limiting the provisions described in paragraph (a) above, the City shall fix and adjust Rates and Charges, which Rates and Charges shall be adopted by the Governing Body, and which adoption shall be conclusive and final and not subject to supervision or regulation by any office, department, division, commission, board, bureau or agency of the State or any of its political subdivisions, so as to provide funds in each Fiscal Year which are sufficient, together with the amounts referred to in paragraph (a) above, to provide Revenues Available for Subordinated Debt Service in each Fiscal Year at least equal to the Subordinated Bond Coverage Requirement, if any.

(c) If in any Fiscal Year Revenues shall not satisfy the requirements described in paragraph (a) or (b) above, then the City shall not be deemed to be in default under the Resolution so long as it shall have complied or is diligently proceeding to comply with the requirements described in paragraphs (d) and (e) below; provided, however, that if the City shall not satisfy the requirements described in paragraphs (a) and (b) above for the first full Fiscal Year following its failure to satisfy such requirements, then notwithstanding the foregoing such failure shall constitute a default under the Resolution.

(d) On or before the last day of each Fiscal Year the City shall review the adequacy of its rates, fees, rentals and other charges with respect to the Airport Property to satisfy the requirements described in paragraphs (a) and (b) above for the next succeeding Fiscal Year. If such review, or any report of an Airport Consultant provided in connection with such review or in accordance with any provision of the Resolution, indicates that the rates, fees, rentals and other charges with respect to the Airport Property are, or are likely to be, insufficient to meet such requirements for the next succeeding Fiscal Year, or if it otherwise appears at any time during such Fiscal Year that rates, fees, rentals and other charges with respect to the Airport Property are or are likely to be insufficient to meet such requirements, the City shall promptly take such steps as are permitted by law and as are necessary to cure or avoid the deficiency.

(e) Within 180 days of the close of each Fiscal Year while Bonds are Outstanding, the City shall deliver to the Trustee a certificate of an Authorized Representative stating, if such was the case, that the City satisfied the requirements described in paragraphs (a) and (b) above in such Fiscal Year or, if such was not the case, specifying in reasonable detail the corrective steps taken by the City so that it will comply with such requirements in the then current Fiscal Year. Such certificate shall be accompanied by a certificate of an Accountant in accordance with the Resolution setting forth the amounts for the preceding Fiscal Year which are necessary to determine compliance with such requirements. If the amounts set forth in the certificate of an Accountant indicate that the City was not in compliance for such Fiscal Year with such requirements, the Airport Consultant shall review the adequacy of the City's rates, fees, rentals and other charges with respect to the Airport Property and shall recommend changes necessary for the City to be in compliance with such requirements by the end of the then current Fiscal Year and for the following Fiscal Year. The City covenants, to the extent permitted by law and existing contractual obligations, to use its best efforts to effect such changes as are so recommended by the Airport Consultant. (Section 705)

Sale, Lease or Encumbrance of Property

(a) Except as described under this heading, no part of Airport Property shall be sold mortgaged, leased or otherwise disposed of or encumbered.

(b) The City may from time to time sell or exchange or otherwise dispose of at any time and from time to time any property or facilities constituting part of the Airport Property which either (1) are worn out or obsolete or (2) in the opinion of the City are no longer useful in the operation of the Airport Property and, if the market value of such property or facilities to be sold or otherwise disposed of in any Fiscal Year, as determined by the City, is in excess of one tenth of one percent (.1%) of the book value of the entire Airport Property, the City delivers to the Trustee a certificate of an Authorized Representative stating, in the opinion of the signer, that the sale, exchange or other disposition of such property or facilities will not impair the ability of the City to satisfy the Rates and Charges covenants in the then current or any future Fiscal Year. Any proceeds of such sale, exchange or other disposition not used to replace the property so sold or exchanged shall be deposited by the City in the General Fund.

(c) The City may lease as lessee any real or personal property to be used in the operation of the Airport Property, provided that the aggregate annual payments required to be made by the City under all such leases shall not in any Fiscal Year exceed twenty-five percent (25%) of the total Operation and Maintenance Expenses for such Fiscal Year as shown in the Operating Expense Budget then in effect.

(d) The City may lease as lessor or make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the Airport Property if such lease, contract, license, easement or right does not, in the opinion of the City (as evidenced, in the event of any such lease, contract, license, easement or right which extends for more than one year or which is irrevocable,

by a certificate of an Authorized Representative delivered to the Trustee), impede the operation by the City of the Airport Property. Except as described under the heading “Indebtedness and Liens”, any payments to the City under or in connection with any such lease, contract, license, easement or right (except any such payments specifically excluded from the definition of Revenues) shall constitute Revenues under the Resolution. (Section 706)

Operation, Maintenance and Reconstruction

(a) The City shall operate, or cause to be operated, the Airport Property properly and in a sound, efficient and economical manner and shall maintain, preserve, and keep the same or cause the same to be maintained, preserved, and kept in good repair and operating condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that the operation of the Airport Property may be properly and advantageously conducted, and if any useful part of the Airport Property is damaged or destroyed or taken through the exercise of eminent domain, the City shall, as expeditiously as practicable, commence and diligently prosecute the replacement or reconstruction of such damaged or destroyed part so as to restore the same to use and the replacement of such part so taken; provided, however, that nothing in the Resolution shall require the City to operate, maintain, preserve, repair, replace, renew or reconstruct any part of the Airport Property if there shall have been filed with the Trustee (1) a certificate of an Authorized Representative stating that in the opinion of the signer (a) abandonment of operation of such part is economically justified and (b) failure to operate, maintain, preserve, repair, replace, renew or reconstruct such part will not impair the ability of the City to satisfy the Rates and Charges in the current or any future Fiscal Year, and (2) a certificate of a Independent Engineer concurring in such opinion of the Authorized Representative if the book value of such part of the Airport Property exceeds one percent (1%) of the book value of the entire Airport Property.

(b) The Governing Body shall establish and enforce reasonable rules and regulations governing the operation, use and services of the Airport Property. All compensation, salaries, fees and wages paid by the City in connection with the maintenance, repair and operation of the Airport Property shall be reasonable.

(c) Nothing in the Resolution shall be deemed to preclude the City from undertaking such other projects or exercising such other powers unrelated to the operation of the Airport Property as may be permitted by law. (Section 707)

Insurance and Condemnation

(a) The City shall at all times either (i) keep all property which is a part of the Airport Property and which is of an insurable nature and of the character usually insured by airport operators similar to the City insured against loss or damage by fire and from other causes customarily insured against and in such relative amounts as are customary, and also at all times maintain insurance against loss or damage from such hazards and risks to persons and the property of others as are usually insured against by airport operators similar to the City or (ii) maintain the Insurance Reserve Fund at the Insurance Reserve Fund Requirement. In determining the amounts and types of insurance to be maintained, the City may rely upon the advice of an Independent Engineer or an insurance consultant of recognized standing selected by the City. All policies of insurance shall be payable to the City or to the Trustee. On or before the last day of each Fiscal Year, the City shall deliver to the Trustee a certificate of an Authorized Representative listing the types and amounts of insurance then maintained by the City in accordance with the Resolution and the insurers therefor.

(b) All proceeds of insurance maintained as described in paragraph (a) above shall be applied as provided in the Resolution. Such application may include the redemption of Secured Bonds of the Series to which such moneys relate on the first date on which such Secured Bonds may be called without premium (unless the City shall elect to call such Secured Bonds earlier at a premium).

(c) If any property or facility comprising part of the Airport Property shall be taken through the exercise of the power of eminent domain, the City shall apply the proceeds of any award received on account of such taking to the replacement of the property or facility so taken or deposit such proceeds in the Renewal and Replacement Reserve Fund, the Operation and Maintenance Reserve Fund or the Operating Fund to the extent that the costs of such replacement were paid from such Fund, unless the City determines in accordance with the Resolution not to replace such property or facility. Any proceeds of such award not applied to such replacement or remaining after such work has been completed shall be deposited in the Revenue Fund, except that any proceeds resulting from the taking of all or substantially all of the Airport Property shall be deposited with the Trustee in the Redemption Account of the Debt Service Fund for the purpose of redemption of Secured Bonds or for the defeasance of Secured Bonds as provided in the Resolution. (Section 708)

Indebtedness and Liens

(a) Except as provided in the Resolution, the City shall not issue any bonds, notes or other evidences of indebtedness secured by a pledge of or other lien or charge on the Revenues and shall not create or cause to be created any lien or charge on such Revenues or on any amounts held by any Fiduciary under the Resolution; but this prohibition not prevent the City from issuing bonds or notes or other obligations for the purposes of the Airport Property payable out of, or secured by a pledge of, Revenues to be derived on and after the date that the pledge of Revenues provided in the Resolution shall be discharged and satisfied as provided in the Resolution and which recite on their face that such pledge of said amounts is and shall be in all respect, subordinate to the provisions of the Resolution and the lien and pledge created by the Resolution. Without limiting the generality of the foregoing the City agrees that it shall not permit the issuance of any "Additional Bonds" under the Prior Bond Indenture or other bonds payable from or secured by a pledge of or lien on Revenues prior or superior to the lien securing the Bonds.

(b) Notwithstanding anything in the Resolution to the contrary, so long as no default shall have occurred under the Resolution and be continuing, the City may issue at any time or from time to time:

- (i) Indebtedness issued in anticipation of Grant Receipts which may be secured solely by a pledge of the proceeds of such Indebtedness, the Grant Receipts anticipated, other amounts on deposit from time to time in any separate account established by the City to hold Grant Receipts, earnings thereon and other amounts not constituting Revenues; or
- (ii) Indebtedness issued in anticipation of the Revenues to be received in a particular Fiscal Year, whether unsecured or secured by a pledge of Revenues; provided that (a) any such Indebtedness shall be payable no later than one year from its date of issue (or, in the case of Indebtedness issued to renew any such Indebtedness, no later than one year from the date of issue of the original issue of Indebtedness), (b) the aggregate principal amount of such Indebtedness Outstanding at any one time in a Fiscal Year shall not exceed fifty percent (50%) of the Revenues for the immediately preceding Fiscal Year and (c) the proceeds

of such Indebtedness (other than the proceeds of Indebtedness issued to pay a prior issue of such Indebtedness) shall be deposited in the Revenue Fund; or

- (iii) Other Indebtedness which is not payable from or secured by Revenues, including without limitation indebtedness which is payable from and secured solely by one or more of (A) amounts on deposit in or to be deposited in the General Fund (other than in the Coverage Account or the Revenue Credit Account) pursuant to the Resolution, (B) PFC Revenues (excluding amounts required to be deposited into the Debt Service Fund, the Subordinated Debt Service Fund or the Note Payment Fund pursuant to the Resolution) and (C) proceeds of such Indebtedness.

(c) Notwithstanding anything in the Resolution to the contrary, the City may issue Indebtedness secured solely by the revenues, receipts or other moneys derived by the City from the lease, license, operation, sale or other disposition of any facility or equipment (whether or not part of the Airport Property) constructed or acquired by or on behalf of the City with the proceeds of such Indebtedness. Such Indebtedness shall be special, limited obligations of the City payable solely out of the revenues, receipts and other moneys pledged therefor. Such revenues, receipts and other moneys shall not be considered Revenues under the Resolution provided that (i) neither the debt service on such Indebtedness nor any cost of the acquisition, construction, operation, maintenance or repair of any such facility or equipment nor provision for reserves for any of the foregoing shall be paid from the proceeds of Secured Indebtedness or from Revenues (other than Revenues deposited in or available for deposit in the General Fund) or shall be included in Operation and Maintenance Expenses, (ii) any such revenues, receipts and moneys in excess of such debt service, cost of acquisition, construction, operation, maintenance and repair and reserves shall be deposited in the Revenue Fund (and upon such deposit shall be deemed Revenues), and (iii) prior to the issue of any such Indebtedness, the City shall deliver to the Trustee a certificate of the Airport Consultant certifying that the lease, license, operation, sale or other disposition of such facility or equipment and the application of the revenues, receipts and other moneys derived therefrom to the operation, maintenance and repair thereof and the payment of the debt service on the Indebtedness issued therefor and the provision of reserves for the foregoing, will not result in any decrease in the Revenues projected by such Airport Consultant to be received by the City during the succeeding five Fiscal Years (including the Fiscal Year in which such Indebtedness is issued). (Section 709)

Independent Engineer

The City shall, until the Secured Bonds and the interest thereon shall have been paid or provision for such payment shall have been made, when required to assure the performance of the duties imposed on the Independent Engineer by the Resolution, employ an independent architect or engineer or firm of architects or engineers having a nationwide and favorable repute for skill and experience in reviewing and advising with respect to the plans, specifications, costs, schedules and procedures for constructing airport facilities and, except in the case of the firm serving as Independent Engineer at the time of the adoption of the Resolution, who shall be reasonably acceptable to the Trustee. (Section 710)

Airport Consultant

The City shall, until the Secured Indebtedness and the interest thereon shall have been paid or provision for such payment shall have been made, for the purpose of performing and carrying out the duties imposed on the Airport Consultant by the Resolution, employ an independent accountant or firm of independent accountants, or a management consultant or management consulting firm, or independent engineer or engineering firm (which may also be the Independent Engineer), having, in any case, a

nationwide and favorable repute for skill and experience in passing upon questions relating to the affairs, financial and otherwise, of airport facilities of the size, type and scope of the Airport Property and, except in the case of the firm serving as Airport Consultant at the time of the adoption of the Resolution, who shall be reasonably acceptable to the Trustee. (Section 711)

Operating Budget

(a) Not less than 30 days prior to the beginning of each Fiscal Year the City shall prepare and deliver to the Trustee a preliminary Operating Budget, and not less than one day prior to the beginning of each Fiscal Year, shall adopt and file with the Trustee a copy of the Operating Budget, duly certified by an Authorized Representative of the City, showing on a monthly basis the estimated Operation and Maintenance Expenses, as well as the Revenues or other moneys held under the Resolution estimated to be available to pay such Operation and Maintenance Expenses (including the amount of each item constituting a component thereof) for the ensuing Fiscal Year, together with any other information required to be set forth therein by the Resolution; provided, however, that the Operating Budget for the Fiscal Year, or portion thereof, in which the first Series of Secured Bonds is issued, maybe adopted by any Authorized Representative of the City. Such Operating Budget may set forth such additional information as the City may determine. The City shall not incur aggregate Operation and Maintenance Expenses in any Fiscal Year in excess of the amount budgeted in the Operating Budget, as amended and supplemented for such Fiscal Year, except in case of emergency or as required by law and shall promptly file with the Trustee a written report of any such excess expenditure signed by an Authorized Representative and as soon as practicable thereafter adopt and file with the Trustee an amendment to the Operating Budget.

(b) In conjunction with the adoption and filing, or any amendment, of the Operating Budget for each Fiscal Year commencing after June 30, 2002, the City shall certify the Renewal and Replacement Reserve Fund Requirement for the Fiscal Year to which such Budget relates; provided that for each such Fiscal Year the City's certificate shall be consistent with the latest recommendation of the Airport Consultant or the Independent Engineer made pursuant to the Resolution. In addition, the City will certify the assumed interest rate on each Series of Variable Rate Indebtedness then Outstanding for which deposits will be required to be made pursuant to the Resolution. If the City shall not certify the Renewal and Replacement Reserve Fund Requirement as aforesaid, the requirement for the Fiscal Year shall be such Requirement in effect for the previous Fiscal Year until the new requirement is certified as aforesaid.

(c) If for any reason the City shall not have adopted the Operating Budget as described in paragraph (a) above, the Operating Budget for the then current Fiscal Year shall be deemed to be the Operating Budget for the ensuing Fiscal Year until a new Operating Budget is adopted.

(d) The City may at any time adopt an amended Operating Budget for the then current or ensuing Fiscal Year, but no such amended Operating Budget shall supersede any prior Budget until the City shall have filed with the Trustee a copy of such amended Operating Budget.

(e) In addition to the City's right to amend the Operating Budget described in paragraph (d) above, the City may reallocate amounts budgeted to specific items or months within the Operating Budget then in effect at any time by delivery of a certificate of its Authorized Representative provided that no such reallocation shall result in an increase in the aggregate Operation and Maintenance Expenses for the Fiscal Year covered by such Operating Budget. (Section 712)

Accounts and Reports

(a) The City shall maintain its books and accounts in accordance with generally accepted accounting principles applicable to airport operators such as the City and in accordance with such other principles of accounting as the City deems appropriate. Said books and accounts shall at all times be subject to the inspection of the Trustee and the Holder or Holders of not less than one percent (1%) in principal amount of Outstanding Secured Bonds of any category or their representatives duly authorized in writing.

(b) The City shall annually, as soon as available and in any event within 270 days after the close of each Fiscal Year, file with the Trustee a copy of an annual report for such year, accompanied by financial statements, audited by and containing the report of an Accountant, relating to the operations and properties of the Airport Property for such Fiscal Year and setting forth in reasonable detail its financial condition as of the end of such year and the income and expenses for such year, and including a summary of the receipts in and disbursements from the Funds and Accounts maintained under the Resolution during such Fiscal Year and the amounts held therein at the end of such Fiscal Year. Each report of such Accountant or firm of accountants shall state that such financial statements of the City were prepared in accordance with generally accepted accounting principles, or shall state in what respects such financial statements do not conform with such generally accepted accounting principles. If in connection with such annual audit such Accountant submits any written recommendations as to internal accounting controls or related matters, such recommendations shall also be filed with the Trustee. Each annual report shall be accompanied by a certificate of the Accountant or firm of accountants auditing the same to the effect that in the course of and within the scope of their examination of such financial statements made in accordance with generally accepted auditing standards nothing came to their attention that would lead them to believe that a default had occurred under the Resolution or, if such is not the case, specifying the nature of the default.

(c) Within 120 days after the close of every third Fiscal Year following the Fiscal Year in which the initial Series of Bonds under the Resolution is issued, the City shall file with the Trustee a copy of a certificate of the Airport Consultant or the Independent Engineer setting forth in reasonable detail (1) its findings as to whether the Airport Property has been maintained during such three-year period, and is then being maintained, in good repair and sound operating condition, (2) its estimate of the amount, if any, required to be expended to place such properties in such condition and the approximate time required therefor, (3) its recommendations, if any, as to proper maintenance, repair, and operation of, and capital improvements to, the Airport Property during the ensuing three-year period and (4) its recommendations as to the adequacy of the Renewal and Replacement Reserve Fund Requirement. If such certificate sets forth that the Airport Property is not then being maintained in good repair and sound operating condition, the City shall restore the Airport Property to good repair and sound operating condition as promptly as is practicable. (Section 713)

Tax Covenants

The City shall take or require to be taken such action as may from time to time be required to assure the continued exclusion from the federal gross income of holders of any Series of Tax Exempt Indebtedness including, without limitation, the preparation and filing of any statements required to be filed by the City in order to establish and maintain such exclusion. In addition, the City shall not take, or permit to be taken on its behalf, any action which would adversely affect the exclusion from federal gross income of the interest on any Series of Tax Exempt Indebtedness. (Section 714)

Passenger Facility Charges

So long as the imposition and use of a passenger facility charge are necessary to operate the Airport Property in accordance with the requirements of the Resolution, the City will use its best efforts both to continue to impose a passenger facility charge and use PFC Revenues at the Airport Property and to comply with all valid and applicable federal laws and regulations pertaining thereto necessary to maintain such passenger facility charge. (Section 715)

Obligations Under Qualified Swap; Nonqualified Swap

(a) The obligation of the City to make Regularly Scheduled Swap Payments under a Qualified Swap with respect to a Series of Bonds may be on a parity with the obligation of the City to make payments with respect to such Series of Bonds and other Bonds under the Resolution, except as otherwise provided by a Supplemental Resolution and in the Resolution with respect to any Swap Termination Payments. The City may provide in any Supplemental Resolution that Regularly Scheduled Swap Payments under a Qualified Swap shall be secured by a pledge of or lien on the Revenues on a parity with the Bonds of such Series and all other Bonds, regardless of the principal amount, if any, of the Bonds of such Series remaining Outstanding. The Trustee shall take all action consistent with the provisions of the Resolution as shall be requested in writing by the Qualified Swap Provider necessary to preserve and protect such pledge, lien and assignment and to enforce the obligations of the City with respect thereto. In the event the action requested to be taken pursuant to the preceding sentence shall require the Trustee either to exercise the remedies granted in the Resolution or to institute any action, suit or proceeding in its own name, the Qualified Swap Provider shall provide to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred in connection therewith.

(b) In the event that a Swap Termination Payment or any other amounts other than as described in clause (a) above are due and payable by the City under a Qualified Swap, such Swap Termination Payment and any such other amounts shall be expressly subordinate to the payment of the Bonds.

(c) Obligations of the City to make payments, including Swap Termination Payments, under a Swap other than a Qualified Swap shall be expressly subordinate to the payment of the Bonds. (Section 716)

Supplemental Resolutions

Supplemental Resolutions Effective Upon Filing with Trustee. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted by the City, which upon the filing with the Trustee of a copy thereof certified by an Authorized Representative, shall be fully effective in accordance with its terms:

(a) to close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the authentication and delivery of Secured Bonds or the issuance of other Indebtedness;

(b) to add to the covenants and agreements of the City in the Resolution other covenants and agreements to be observed by the City which are not contrary to or inconsistent with the Resolution as theretofore in effect including any covenants necessary for compliance with the Code, including without limitation section 148(f) thereof or regulations promulgated thereunder;

(c) to add to the limitations and restrictions in the Resolution other limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(d) to surrender any right, power or privilege reserved to or conferred upon the City by the terms of the Resolution, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the City contained in the Resolution;

(e) to authorize Secured Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in the Resolution with respect to conditions precedent to the delivery of a Series of Secured Bonds, and also any other matters and things relative to such Secured Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Secured Bonds including, without limiting the generality of the foregoing, provisions amending or modifying the Resolution to provide for the issuance of Secured Bonds in book-entry form or in coupon form payable to bearer;

(f) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Resolution, of the Revenues or of any other moneys, securities or funds;

(g) to modify any of the provisions of the Resolution in any respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds or Subordinated Bonds of any Series affected by the amendment Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds or Subordinated Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds or Subordinated Bonds issued in exchange therefor or in place thereof;

(h) to modify the definition of Investment Securities as directed by the City, provided that the City shall have provided evidence to the Trustee that the details of such modification have been provided in writing to each Rating Agency then assigning a rating on Outstanding Secured Bonds and that each such Rating Agency has either (i) confirmed in writing that such modification will not adversely affect such ratings or (ii) issued a rating on a Series of Bonds to be issued which is not lower than the rating assigned by such Rating Agency to Outstanding Bonds prior to such modification, or any other evidence satisfactory to the Trustee that modification will not adversely affect the then current ratings, if any, assigned to the Secured Bonds by any Rating Agency, and provided, further, that such modification shall have been approved in writing by the Series 1998 Bonds bond insurer; or

(i) to subject to the lien of the Resolution additional revenues, security or collateral. (Section 801) Supplemental Resolutions Effective upon Consent of Trustee. (a) For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Representative, and (ii) the filing with the City of an instrument in writing made by the Trustee consenting thereto shall be fully effective in accordance with its terms:

(1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; or

- (2) to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect; or
- (3) to provide for additional duties of the Trustee.

(b) Any such Supplemental Resolution may also contain one or more of the purposes permitted in Supplemental Resolutions that are effective upon filing with the Trustee, and in that event, the consent of the Trustee required as described in paragraph (a) above shall be applicable only to those provisions of such Supplemental Resolution as shall contain one or more of the purposes set forth in paragraph (a) above. (Section 802)

Supplemental Resolutions Effective with Consent of Bondholders. At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by holders of any Secured Bonds in accordance with and subject to the provisions of the Resolution relating to amendments, which Supplemental Resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Representative and upon compliance with the provisions of the Resolution, shall become fully effective in accordance with its terms as provided in the provisions of the Resolution relating to amendments. (Section 803)

Amendments

Mailing of Notice of Amendment. Any provision in the Resolution for the mailing of a notice or other paper to any holder of the Secured Bonds shall be fully complied with if it is mailed, by first-class mail, postage prepaid only (i) to each owner of Bonds or Subordinated Bonds, respectively, then Outstanding at his address appearing upon the registry books, and (ii) to the Trustee. (Section 901)

Powers of Amendment. Any modification or amendment of the Resolution or of the rights and obligations of the City and of the holders of the Secured Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in Resolution (i) of the holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given and at least two-thirds in principal amount of the Subordinated Bonds Outstanding at the time such consent is given and (ii) in case less than all of the several Series of Secured Bonds of then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in aggregate principal amount of the Secured Bonds of the several Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Secured Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Secured Bonds shall not be required and such Secured Bond shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Secured Bonds as described in this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or Subordinated Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond or Subordinated Bond, or shall reduce the percentages or otherwise affect the classes of Secured Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the holders of Secured Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment Secured Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution. For the purposes of this paragraph the holders of the Secured Bonds may

include the initial holders thereof, regardless of whether such Secured Bonds are being held for immediate resale. A bond insurer shall be deemed to be the holder of Secured Bonds insured by it as described under the caption “Insurer Deemed Holder of Secured Bonds for Certain Purposes” herein. (Section 902)

Modifications by Unanimous Consent. Notwithstanding anything contained in the Resolution with respect to Supplemental Resolutions and amendments, the terms and provisions of the Resolution and the rights and obligations of the City and of the holders of Secured Bonds may be modified or amended in any respect upon the adopting and filing of a Supplemental Resolution and the consent of the holders of all Secured Bonds then Outstanding, such consent to be given as provided in the Resolution except that no notice to the holders of Secured Bonds either by mailing or publication shall be required; but no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the holders of Secured Bonds. (Section 904)

Events of Default

The occurrence of any one or more of the following events shall constitute an Event of Default under the Resolution:

(a) a default in the due and punctual payment of a Principal Installment or the Redemption Price of any Secured Bonds when and as the same shall become due and payable, whether at maturity or upon earlier redemption, or otherwise; or

(b) a default in the due and punctual payment of any installment of interest on any Secured Bonds, when and as such interest installment shall become due and payable; or

(c) default by the City in the performance or observance of any other of the covenants, agreements or conditions on its part or on the part of the City in the Resolution, in any Supplemental Resolution or in the Secured Bonds contained, and such default shall continue for a period of 60 days after written notice thereof stating that such notice is a “Notice of Default” to the City by the Trustee or to the City and to the Trustee by the holders of not less than a majority in principal amount of the Secured Bonds Outstanding; provided that such 60-day period shall be extended to such longer period of time as the Trustee may deem appropriate in the event of defaults which by their nature will require such longer period of time to cure if the City shall commence such cure within such 60-day period and pursue the same diligently to completion; or

(d) if the City (i) admits in writing its inability to pay its debts generally as they become due, (ii) commences voluntary proceeds in bankruptcy or seeking a composition of indebtedness, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a receiver of the whole or any substantial part of the Airport Property, or (v) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the City or of the whole or any substantial part of the Airport Property.

Upon the happening and continuance of any Event of Default, the Trustee shall give notice of such occurrence to the registered holders of the Secured Bonds. Upon the happening and continuance of any Event of Default, neither the Trustee may nor the holders of the Bonds or Subordinated Bonds shall have the right to declare the principal of any Secured Bonds then Outstanding, or the interest accrued thereon, to be due and payable prior to its stated maturity. (Section 1001)

Application of Revenues and Other Moneys After Default

(a) The City covenants that if an Event of Default shall happen and shall not have been remedied, the City, upon demand of the Trustee, shall pay over or cause to be paid over to the Trustee (i) forthwith, any moneys, securities and funds then held by the City or a Depositary in any Fund, Account or Subaccount under the Resolution, (excluding the Rebate Fund and the PFC Fund), and (ii) as promptly as practicable after receipt thereof, the Revenues.

(b) During the continuance of an Event of Default, the Trustee shall apply such Revenues and the income therefrom as follows and in the following order:

(1) to the payment of the reasonable and proper fees, charges and expenses (including reasonable attorneys fees) of the Fiduciaries and of any engineer or firm of engineers or accountants or firm of accountants selected by the Trustee and to the payment of any fees and expenses required to keep any Financial Guaranties or Credit Facilities in full force and effect;

(2) to the payment of the amounts required for reasonable and necessary Operation and Maintenance Expenses, including reasonable and necessary reserves and working capital therefor, and for the reasonable repair and replacement of the Airport Property necessary to prevent loss of Revenues or to provide for the continued operation of the Airport Property, as certified to the Trustee by an independent engineer or firm of engineers of recognized standing (who may be an engineer or firm of engineers retained by the City for other purposes) selected by the Trustee;

(3) to the payment of the interest and principal or Redemption Price then due on the Bonds as follows:

(i) unless the principal of all of the Bonds shall be due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments maturing, and, if the amount available shall not be sufficient to pay in full all installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to persons entitled thereto, without any discrimination or preference; or

(ii) if the principal of all of the Bonds shall be due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably,

- according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference;
- (4) to the payment of the interest and principal or Redemption Price then due on the Subordinated Bonds in a manner similar to the payment of such amounts with respect to Bonds, as set forth above.

Any amounts on deposit in the Subordinated Debt Service Reserve Fund shall not be applied as set forth above to the payment of principal amount and interest on Bonds, and any amounts on deposit in the Debt Service Fund and the Debt Service Reserve Fund shall not be applied as set forth above to the payment of the principal amount and interest on Subordinated Bonds.

(c) If and when all overdue installments of interest on all Secured Bonds, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the City under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Secured Bonds which shall then be payable by declaration or otherwise, shall either be paid by or for the account of the City, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Secured Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the City all such Revenues then remaining unexpended in the hands of the Trustee (except Revenues deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Trustee), and thereupon the City and the Trustee shall be restored, respectively, to their former position and rights under the Resolution, and all Revenues shall thereafter be applied as provided in the Resolution. (Section 1003)

Proceedings Brought by Trustee

(a) If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, if the Trustee shall deem it advisable, may proceed to protect and enforce its rights and the rights of the holders of the Secured Bonds under the Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the Resolution, or in aid of the execution of any power granted in the Resolution, or for an accounting against the City as if the City were the Trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Resolution.

(b) The holders of a majority in principal amount of the Bonds at the time Outstanding or, if no Bonds are Outstanding, of Subordinated Bonds Outstanding, may direct by instrument in writing the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the holders of Secured Bonds not parties to such direction.

(c) Upon commencing a suit in equity or upon the commencement of judicial proceedings by the Trustee to enforce any right under the Resolution, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Resolution and provided to be exercised by the Trustee upon the occurrence of an Event of Default; and, as a matter of right against the City, without notice or demand and without regard to the adequacy of the security for the Secured Bonds, the Trustee shall, to the extent permitted by law, be entitled to the appointment of a receiver of the moneys, securities and funds then held by the Trustee in any Fund, Account or Subaccount under the Resolution and, subject to application

of the Revenues, with all such powers as the court or courts making such appointment shall confer; but notwithstanding the appointment of any receiver, the Trustee shall be entitled to retain possession and control of and to collect and receive income from, any moneys, securities and funds deposited or pledged with it under the Resolution or agreed to provide to be delivered or pledged with it under the Resolution.

(d) Regardless of the happening of an Event of Default, the Trustee shall have the power to, but (unless requested in writing by the holders of a majority in principal amount of the Secured Bonds then Outstanding, and furnished with reasonable security and indemnity) shall be under no obligation to, institute and maintain such suits and proceedings, including, without limitation, proceedings for declaratory judgment or injunctive or other equitable relief, as it may determine shall be necessary or expedient to prevent any impairment of the security under the Resolution, any impairment of the ability of the City or the Trustee to satisfy any of its agreements or obligations under the Resolution, or the impairment of any protection provided by the Resolution of the interests of the holders of Secured Bonds by any acts which may be unlawful or in violation of the Resolution, and such suits and proceedings, including, without limitation, proceedings for declaratory judgment or injunctive or other equitable relief, as the Trustee may determine shall be necessary or expedient to preserve or protect its interest and the interests of the holders of any Secured Bonds. (Section 1004)

(e) A bond insurer shall be deemed to be the holder of Secured Bonds insured by it as described under the caption "Insurer Deemed Holder of Secured Bonds for Certain Purposes" herein.

Restrictions on Action by Holders of Secured Bonds

No holder of any Secured Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless such holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Resolution, and the holders of at least a majority in principal amount of the Bonds then Outstanding, or if no Bonds are Outstanding of Subordinated Bonds Outstanding, shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted as provided under this heading or to institute such action, suit or proceeding in its own name, and unless such holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request within a reasonable time; it being understood and intended that no one or more holders of Secured Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Resolution, or to enforce any right under the Resolution, except in the manner therein provided, and that all proceedings at law or in equity to enforce any provision of the Resolution shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all holders of the Outstanding Bonds, in accordance with their rights and interests under the Resolution and all holders of Outstanding Subordinated Bonds, in accordance with their rights and interests under the Resolution. (Section 1005)

The Trustee

Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the Resolution by giving not less than 60 days' written notice to the City and publishing notice thereof, at the Trustee's expense, specifying the date when such resignation shall take effect once in each week for two successive calendar weeks in an authorized newspaper, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the City or the holders of any Secured Bonds as provided in the Resolution, in which event such resignation shall take effect immediately on the appointment of such successor. (Section 1107)

Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the holders of a majority in principal amount of the Bonds then Outstanding, or if no Bonds are Outstanding, of the Subordinated Bonds then Outstanding, or their attorneys-in-fact duly authorized, excluding any Secured Bonds held by or for the account of the City. The Trustee may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Resolution with respect to the duties and obligations of the Trustee, by any court of competent jurisdiction upon the application of the City or the holders of not less than 25% in aggregate principal amount of Bonds Outstanding, or if no Bonds are Outstanding, Subordinated Bonds Outstanding, excluding any Secured Bonds held by or for the account of the City. Notwithstanding the foregoing provisions, at the end of the fifth Fiscal Year following the Fiscal Year in which the first series of Secured Bonds is issued under the Resolution, and at the end of every fifth Fiscal Year thereafter, the City may remove the Trustee, except during the existence of an Event of Default, upon 120 days' written notice to the Trustee by filing with the Trustee an instrument signed by an Authorized Representative of the City. (Section 1108)

Appointment of Successor Trustee. (a) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or its property, shall be appointed, or if any public offering shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the holder of a majority in principal amount of the Bonds then Outstanding, or if no Bonds are Outstanding of the Secured Bonds then Outstanding, excluding any Secured Bonds held by or for the account of the City, by an instrument or concurrent instruments in writing signed and acknowledged by such holders of any Secured Bonds or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the City and the predecessor Trustee; but (unless a successor Trustee shall have been appointed by the holders of the Secured Bonds as aforesaid) the City by a duly executed written instrument signed by an Authorized Representative shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by the holders of the Secured Bonds as authorized in the Resolution. The City shall publish notice of any such appointment made by it once in each week for two consecutive calendar weeks, in an authorized newspaper, the first publication to be made within 20 days after such appointment. Any successor Trustee appointed by the City shall, immediately and without further act, be superseded by a Trustee appointed by the holders of the Secured Bonds as authorized in the Resolution.

(b) If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions within 45 days after the Trustee shall have given to the City written notice as provided in the Resolution or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the holder of any Secured Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(c) Any Trustee appointed under the provisions of the Resolution in succession to the Trustee shall be a bank or trust company organized under the laws of any state or a national banking association, and having a capital and surplus aggregating at least \$100,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution. (Section 1109)

Defeasance

(a) If the City shall pay or cause to be paid to the holders of all Secured Bonds then Outstanding, the Principal Installments and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the City, expressed in an instrument in writing signed by an Authorized Representative and delivered to the Trustee, the covenants, agreements and other obligations of the City to the holders of such Secured Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the City, execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the City all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment or redemption of Secured Bonds not theretofore surrendered for such payment or redemption.

(b) Secured Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit by the City of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above. Subject to the provisions described in paragraph (c) below, any Outstanding Secured Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above if (i) in case any of said Secured Bonds are to be redeemed on any date prior to their maturity, the City shall have given to the Trustee irrevocable instructions accepted in writing by the Trustee to publish as provided in the Resolution notice of redemption of such Secured Bonds (other than the Secured Bonds which have been purchased by the Trustee at the direction of the City as provided in the Resolution prior to the publication of such notice of redemption) on said date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal installments of and/or the interest on which when due, without reinvestment, will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the Principal Installments or Redemption Price, if applicable, and interest due and to become due on said Secured Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Secured Bonds are not to be redeemed within the next succeeding 60 days, the City shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in the authorized newspapers a notice to the holders of such Secured Bonds that the deposit required by (i) above has been made with the Trustee and that said Secured Bonds are deemed to have been paid as provided under this heading and stating such maturity or redemption date upon which moneys are to be available for the payment of the Principal Installments or Redemption Price, if applicable, on said Secured Bonds (other than Secured Bonds which have been purchased by the Trustee at the direction of the City as provided in the Resolution prior to the publication of the notice of redemption referred to in clause (i)); provided, however, that in connection with the provision for payment of any Secured Bonds which are then in non-certificated form, the requirements of clause (iii) above shall be deemed satisfied upon mailing of the notice required by said clause (iii) by registered mail to the securities depository which is the registered owner, or whose nominee is the registered owner, of such Secured Bonds. The Trustee shall, as and to the extent necessary, apply moneys held by it as provided under this heading to the retirement of said Secured Bonds in amounts equal to the unsatisfied balances of any Sinking Fund Installments with respect to such Secured Bonds, all in the manner provided in the Resolution.

The Trustee shall, if so directed by the City (x) prior to the maturity date of Secured Bonds deemed to have been paid which are not to be redeemed prior to their maturity date or (y) prior to the publication of the notice of redemption referred to in clause (i) above with respect to any Secured Bonds deemed to have been paid as provided under this heading which are to be redeemed on any date prior to

their maturity, apply moneys deposited with the Trustee in respect of such Secured Bonds and redeem or sell Defeasance Obligations so deposited with the Trustee and apply the proceeds thereof to the purchase of such Secured Bonds and the Trustee shall immediately thereafter cancel all such Secured Bonds so purchased; provided, however, that the Trustee shall receive a certificate of an Accountant showing that the moneys and Defeasance Obligations remaining on deposit with the Trustee after the purchase and cancellation of such Secured Bonds shall be sufficient to pay when due the Principal Installment or Redemption Price, if applicable, and interest due or to become due on all Secured Bonds, in respect of which such moneys and Defeasance Obligations are being held by the Trustee on or prior to the redemption date or maturity date thereof, as the case may be and a Bond Counsel's Opinion to the effect that such redemption or sale of such Defeasance Obligations will not adversely affect the exclusion of the interest on such Secured Bonds from gross income of the holders thereof for federal income tax purposes and that such redemption or sale otherwise complies with the provisions of the Resolution. Except as otherwise provided in paragraphs (b) and (c) under this heading, neither Defeasance Obligations nor moneys deposited with the Trustee as described under this heading nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Secured Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the City as received by the Trustee, free and clear of any trust, lien or pledge securing said Secured Bonds or otherwise existing under the Resolution, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested at the written direction of an Authorized Representative of the City in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Secured Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment, shall be paid over to the City, as received by the Trustee, free and clear of any lien or pledge securing said Secured Bonds or otherwise existing under the Resolution.

(c) For purposes of determining whether Variable Rate Indebtedness shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Obligations and moneys, if any, in accordance with the second sentence of paragraph (b) under this heading, the interest to come due on such Variable Rate Indebtedness on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Rate Indebtedness having borne interest at less than such maximum rate for any period, the total amount of moneys and Investment Securities on deposit with the Trustee for the payment of interest on such Variable Rate Indebtedness is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Rate Indebtedness in order to satisfy the second sentence of paragraph (b) under this heading, the Trustee shall, if requested by the City, pay the amount of such excess to the City free and clear of any lien or pledge securing the Secured Bonds or otherwise existing under the Resolution.

(d) Option Bonds shall be deemed to have been paid in accordance with the second sentence of paragraph (b) under this heading only if, in addition to satisfying the requirements of clauses (i) and (iii) of such sentence, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Option Bonds which could become payable to the holders of such Option Bonds upon the exercise of any options provided to the holders of such Option Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to the provisions described in paragraph (b) under this heading, the options originally exercisable by the holder of an Option Bond are no longer exercisable, such Option Bond shall not be considered an Option Bond for purposes of this paragraph (d). If any portion of the

moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose the Trustee shall, if requested by the City, pay the amount of such excess to the City free and clear of any trust, lien or pledge securing said Option Bonds or otherwise existing under the Resolution.

(e) Anything in the Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Secured Bonds which remain unclaimed for two years after the date when such Secured Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for two years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Secured Bonds become due and payable, shall, at the written request of the City, be repaid by the Fiduciary to the City, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the holders of any Secured Bonds shall look only to the City for the payment of such Secured Bonds; provided, however, that before being required to make any such payment to the City, the Fiduciary may, at the expense of the City, cause to be published at least twice, at an interval of not less than seven days between publications, in an authorized newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the City. (Section 1201)

Preservation and Inspection of Documents

All documents received by any Fiduciary under the provisions of the Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City, any other Fiduciary, and any holder of any Secured Bonds and any person that the Trustee can reasonably determine is a beneficial owner of any Secured Bonds held by or on behalf of a securities depository, and their agents and their representatives, any of whom may make copies thereof. Upon the receipt of a written request by any such beneficial owner or any holder of any Secured Bonds, or their agents or their representatives, the Trustee shall provide copies of any reports or certificates delivered to the Trustee pursuant to any provision of the Resolution. At the direction of the City, the Trustee shall require the party requesting such reports or certificates to pay or reimburse the Trustee for the direct costs of reproducing and mailing such reports or certificates. (Section 1204)

No Recourse on the Secured Bonds

No recourse shall be had for the payment of the principal of or interest on the Secured Bonds or for any claim based thereon or on the Resolution against any elected official, other officer, employee or agent of the City or any person executing the Secured Bonds. (Section 1206)

Insurer Deemed Holder of Secured Bonds for Certain Purposes

A bond insurer shall have the right to exercise any option, vote, right, power or the like available to holders of the Secured Bonds that it insures under the Resolution. Each holder of an insured Secured Bond by virtue of its purchase of such Secured Bond is deemed to have granted the following rights and privileges to the bond insurer as a condition to, and in consideration for, the bond insurer's issuance and delivery of its bond insurance policy; provided, however, such grant to the bond insurer shall be in effect only while its bond insurance policy is in effect and the bond insurer is not in default under the policy: the bond insurer shall be deemed to be the owner of a principal amount of the Secured Bonds equal to the principal amount of the Secured Bonds so insured for purposes of the right to direct the exercise of, or consent to, rights and remedies to be taken by the Trustee (to the extent that the principal amount of the Outstanding Secured Bonds would give the holders thereof the right to so direct the Trustee) under the

Resolution in circumstances that give rise to the Trustee's rights to exercise rights and remedies, and to take any other action which a holder of such a Secured Bond is, or would be, permitted to take under the Resolution.

SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE AGREEMENTS

The City currently has Airline Operating Agreements and Terminal Building Leases with the following passenger airlines serving the Airport and/or their regional affiliates: Air Canada, Continental Airlines, Delta Air Lines, Southwest Airlines, United Airlines and US Airways. The current Airline Operating Agreements and Terminal Building Leases are effective through June 30, 2010. The Airport has negotiated a First Amendment to the Airline Operating Agreement and Terminal Building Lease (the "Amendment") to extend the term of the Airline Operating Agreement and Terminal Building Lease to June 30, 2015. The Amendment has not yet been executed by any airline. The following is a summary of certain provisions of the Airline Operating Agreements and Terminal Building Leases and is qualified in its entirety by reference to the Airline Operating Agreements and Terminal Building Leases, copies of which are available from the Airport Director.

Certain Definitions

Definitions. Unless the context shall clearly indicate some other meaning, the terms defined in this section shall, for all purposes of the Agreement, have the meanings defined herein. Such meanings shall be equally applicable to both the singular and plural forms of the terms. All words, terms, or phrases that are not specifically defined in the Agreement shall have the meanings set forth in the Bond Documents, unless otherwise indicated.

"Additional Revenue Credit" shall mean forty percent (40%) of the revenue remaining after satisfying the requirements of the flow of funds established in the Bond Documents and in the agreement.

"Affiliate" shall mean any non-tenant Air Transportation company that is either a wholly-owned subsidiary of Airline or operates under essentially the same trade name as Airline at the Airport and uses essentially the same livery as Airline. An Affiliate shall have the rights afforded the Airline without incurring any additional charges or premiums so long as Airline remains a Signatory to the Agreement. Airline and any Affiliate shall be counted as one entity for the purposes of computing any Common Use charges. An Affiliate shall be primarily liable for the payment of Landing Fees and other fees incurred at the Airport; provided, however, that Airline shall be secondarily liable as a guarantor for all unpaid fees or charges incurred by such Affiliate while such Affiliate operates at the Airport. Unless specifically stated otherwise, "Airline" as used in throughout the Agreement shall be deemed to include "Affiliate".

"Agreement" shall mean the "Airline Operating Agreement and Terminal Building Lease, Manchester-Boston Regional Airport," and as the Agreement may subsequently be amended.

"Airfield Cost Center" shall mean that cost center representing those areas and facilities that provide for the landing, taking off, and taxiing of aircraft, including, but not limited to, runway approach zones, runways, taxiways, setbacks, infield areas, and navigational aids, but not including the Apron.

"Airfield Requirement" is that requirement established in Section 6.06 of the Agreement.

"Airport" shall mean Manchester-Boston Regional Airport, as shown on Exhibit A to the Agreement, "Airport Layout and Cost Center Plan," and as such Airport may subsequently be improved, enlarged, or otherwise modified or developed.

“Airport Cost Centers” shall mean the cost centers representing the areas and facilities at the Airport, and as such cost centers may be modified, changed, or developed by the City to be used in accounting for Airport Revenues and expenses and for calculating and adjusting the Rental and Fee Rates.

“Airport Director” shall mean the Airport Director or such other person designated by the City of Manchester, Board of Mayor and Alderman to exercise authority with respect to the rights and obligations of the City under the Agreement or the Airport Director’s designated representative.

“Air Transportation” shall mean the transportation by air of Persons, property, cargo, mail, or express mail to or from the Airport and all other activities directly related thereto.

“Air Transportation Company” shall mean any Person engaged in Air Transportation.

“Amortization” shall mean the repayment of costs, amortized at the then current City cost of borrowed funds when said capital investment is made in substantially equal annual installments over the estimated useful lives of the expenditures, for capital expenditures at the Airport funded by the City out of the Capital Improvement Account. Total amortization expenses for all Airport Cost Centers are limited to \$1 million during any Fiscal Year.

“Annual Budget” shall mean the Airport capital and operating budget approved by the City of Manchester Board of Mayor and Aldermen.

“Approved Maximum Landing Weight” shall mean the FAA-approved maximum certificated landing weight for an aircraft as recited in the airline’s flight manual governing that aircraft type. If an aircraft is registered in a foreign country and has not been certified by the FAA, the Approved Maximum Landing Weight of such an aircraft shall be the maximum landing weight approved by the counterpart to the FAA in that foreign country.

“Apron” shall mean those parts of the Airport illustrated on Exhibits A, D and E to the Agreement.

“Apron Cost Center” shall mean that cost center representing those areas and facilities on the Airport that provide for the parking, loading, unloading, and servicing of passenger aircraft, including, but not limited to, the Apron, as illustrated on Exhibits D and E to the Agreement.

“Apron Fee” shall mean the annual fee payable by airline under the Agreement for the use of the Apron.

“Apron Fee Rate” shall mean that rate per square foot of leased Apron area, established in Section 6.05, payable by the airline under the Agreement.

“Apron Requirement” shall mean all costs including Operation and Maintenance Expenses and Bond Debt Service incurred in or allocated to the Apron Cost Center.

“Bond Debt Service” shall mean the aggregate amount of principal, interest expense, and any premium required to be paid on all Bonds pursuant to the terms in the Bond Documents.

“Bond Documents” shall mean the General Airport Revenue Bond Resolution, City of Manchester, dated October 1, 1998, as amended.

“Bonds” shall mean the debt instruments created as a result of the Bond Documents.

“Capital Improvement” shall mean (1) the acquisition of land or easements; (2) the planning, design, or construction of new facilities; and (3) the performance of any extraordinary, nonrecurring major maintenance of existing facilities that may be acquired, purchased, or constructed by City to improve, maintain, or develop the Airport.

“Capital Improvement Account” shall mean an account established within the flow of funds prescribed in Article 8 of the Agreement and allowable within the General Fund established in the Bond Documents. After annual deposits to the Capital Improvement Account have reached one million dollars (\$1,000,000) in any one Fiscal Year, the City shall then deposit additional revenues in the Revenue Credit Account up to five hundred thousand dollars (\$500,000). Sixty percent (60%) of the revenue remaining after satisfying the requirements of the flow of funds established in the Bond Documents shall be deposited into the Capital Improvement Account. The City shall use the Capital Improvement Account for any lawful purpose at its sole discretion. Capital Improvements funded from the Capital Improvement Account will be amortized and included in the calculation of rentals and fees as set forth in Article 6 of the Agreement.

“City” shall mean the City of Manchester, New Hampshire.

“Common Use Formula” shall mean the formula used to prorate the specified charge on the basis of twenty percent (20%) of the total monthly rental divided equally among all such Air Transportation Companies using such space. The remaining eighty percent (80%) of the total monthly rental shall be apportioned among all such airlines on the ratio of the number of each Air Transportation Companies’ enplaning passengers at the Airport, during the most recent month for which such information is available, to the total number of enplaning passengers of all Air Transportation Company users at the Airport, during that same month, or such other formula as may be agreed upon by all Signatory airlines using the service or space.

“Common Use Space” shall mean space and facilities leased under the Agreement to the airline and to all other Air Transportation Companies operating at the Airport for their shared use.

“Coverage” shall mean, for any series of Bonds, an amount equal to the requirement set forth in the Bond Documents.

“Coverage Account” shall mean an account established within the flow of funds prescribed in Article 8 and in accordance with the General Fund established in the Bond Documents to fund twenty-five percent (25%) of the annual Debt Service Requirement. If at any time the balance in the Coverage Account falls below the required amount of twenty-five percent (25%) of the Debt Service Requirement, the deficiency shall be made up from Revenues.

“Debt Service Requirement” shall mean the total amount required to be deposited in any Fiscal Year to any interest, principal, or sinking fund accounts established by the Bond Documents for any Bonds issued for the Airport; it also includes any and all other debt incurred by other means for the capital improvement of the Airport.

“Enplaned Passengers” shall mean any local boarding, interline transfer, or intraline transfer fare-paying passengers at the Airport.

“FAA” shall mean the Federal Aviation Administration of the Department of Transportation of the United States of America or its authorized successor.

“Fiscal Year” shall mean the twelve (12) month period beginning on July 1st of any calendar year and ending on June 30th of the following calendar year or such other period adopted by the City as its Fiscal Year.

“Fixtures” shall mean the equipment and fixtures, excluding aircraft loading bridges owned or operated by the airline and installed or used at the Airport in connection with the airline’s operations at the Airport that cannot be removed from the Premises without substantial damage thereto.

“Gate” shall mean an aircraft loading position, including the associated passenger loading bridge and passenger holdroom, at the Airport.

“General Fund” shall mean a fund established pursuant to the flow of funds established in the Bond Documents after satisfying all funds of higher priority.

“Government” shall mean the government of the United States of America.

“Improvements” shall mean any modifications, additions, or improvements made to the Premises by the airline.

“Landed Weight” shall mean the product obtained by multiplying the Certified Maximum Landing Weight for each aircraft operated by an Air Transportation Company by the number of Landings such aircraft makes at the Airport expressed in one thousand (1,000) pound units.

“Landing” shall mean any landing at the Airport by an aircraft operated by any Air Transportation Company, but shall not include a landing by an aircraft operated by an Air Transportation Company that returns to the Airport because of weather, mechanical, operational, or other emergency or precautionary reasons without landing at another airport.

“Landing Fee” shall mean the fee payable by the airline under the Agreement for Landings at the Airport.

“Landing Fee Rate” shall mean that rate, established in Section 6.06, for each one thousand (1,000) pounds of Certified Maximum Landing Weight payable by the airline under the Agreement for Landings at the Airport.

“Net Airfield Requirement” shall mean the Airfield Requirement minus: (1) amounts credited from the Revenue Credit Account, and (2) all Other Airfield Revenues.

“Operation and Maintenance Expenses” shall mean the current expenses of operation, including administrative expenses, maintenance, and current repair of the Airport. Operation and Maintenance Expenses shall not include any allowance for depreciation, renewals, extensions, or any charges for the accumulation of reserves for capital replacements, renewals, or extensions.

“Operation and Maintenance Reserve Account” shall mean an account established within the flow of funds prescribed in the Bond Documents to pay for extraordinary or unanticipated Operation and Maintenance Expenses to the extent that other funds are not available for such purposes. During the term of the Agreement, the balance of the Operation and Maintenance Reserve Account shall not be less than the Operation and Maintenance Expenses for the three (3) consecutive months following the next succeeding month in the Annual Budget for that Fiscal Year. Deficiencies in this fund shall be recovered in the Fiscal Year in which such deficiency occurs.

“Other Airfield Revenues” shall mean all Revenues allocable to the Airfield Cost Center.

“Other Buildings and Areas Cost Center” shall mean that cost center representing those areas of the Airport not included in the other Airport Cost Centers, including the facilities, installations, and improvements thereon as they now exist, or as they may be modified, changed, or developed as illustrated on Exhibits A through G.

“Parking and Roadways Cost Center” shall mean that cost center representing public and employee parking areas and associated access and circulation roadways, rights-of-way, and landscaped areas of the Airport, as illustrated on Exhibits A through F to the Agreement.

“Passenger Facility Charge (PFC)” shall mean the fee that may be assessed on each Enplaned Passenger under 14 CFR Part 158.

“Person” shall mean any association, joint venture, firm, partnership, corporation, public body, or natural person.

“Personal Property” shall mean the furniture, furnishings, draperies, decorations, signs, appliances, trade fixtures, equipment, and any other similar items or supplies owned or operated by airline including specialty airline equipment, and installed or used at the Airport in connection with the airline’s operations at the Airport, that can be removed from the Premises without damage thereto.

“Preferential Use” shall mean the priority scheduling rights given to the Airline to use a specific gate and apron area.

“Premises” shall mean all Common Use Space and Preferential Use Space leased to the airline in the Terminal Building.

“Program” shall mean the specific program of capital improvements undertaken by the City.

“Public Areas” shall mean those areas designated for the use of the airline in common with the general public.

“Rebate Fund” shall mean a fund established within the flow of funds prescribed in the Bond Documents for the purpose of compliance with Section 148(f) of the Code.

“Renewal and Replacement Account” shall be a fund established within the flow of funds prescribed in the Bond Documents to pay for unanticipated or emergency repairs or replacements at the Airport.

“Rental and Fee Rates” shall mean all rentals and fees payable under the terms of the Agreement.

“Rental and Fee Payments” shall mean payment of all rentals and fees established under the terms of the Agreement.

“Requesting Air Transportation Company” shall mean any Air Transportation Company, whether or not already an Airport tenant, that requests to be accommodated on Airport under the procedures specified in Section 4.05 of the Agreement.

“Revenues” shall mean all rentals, fees, charges, concession revenues, and all other revenues received by or on behalf of the City in its proprietary capacity as operator of the Airport in connection

with the operation, improvement, and enhancement of the Airport or any part thereof, and all income, interest, or revenues resulting from the investment of any Airport funds by the City. Revenue shall not include any revenue or income from gifts, State or federal grants-in-aid or reimbursement, proceeds of insurance coverage and condemnation awards, proceeds of disposition of assets, restricted funds, or payments received from governmental units or public agencies. Revenue shall also not include any Passenger Facility Charge revenue.

“Revenue Credit Account” shall mean an account established pursuant to the flow of funds established in the Bond Documents after satisfying the requirements of all funds of higher priority. Balances in the Revenue Credit Account shall be credited to the Airfield Requirement in succeeding years. The initial deposit to the Revenue Credit Account shall not exceed Five Hundred Thousand Dollars (\$500,000) in any one Fiscal Year. Any remaining revenue after an initial deposit to the Revenue Credit Account of Five Hundred Thousand Dollars (\$500,000) shall be divided as follows: sixty percent (60%) to City, referred to herein as additional deposit to Capital Improvement Account, forty percent (40%) to Signatory airlines, referred to herein as Additional Revenue Credit.

“Revenue Fund” shall mean a fund in which all Revenues are deposited for application to various funds and accounts as set forth in the Bond Documents.

“Rules and Regulations” shall mean those lawful rules and regulations of the Airport, as the same may be amended, modified, or supplemented from time to time, by the City for the orderly use of the Airport by both the airline and other tenants and users of the Airport to the extent that such rules and regulations are not inconsistent with the provisions and purposes of the Agreement.

“Signatory Airline” shall mean those Air Transportation Companies providing Air Transportation to and from the Airport that have entered into agreements substantially similar to the Agreement with the City covering the use and occupancy of the Airport.

“State” shall mean the State of New Hampshire.

“Subordinate Security” shall mean bonds or other securities or obligations relating to the Airport, payable from Revenues, and having a lien thereon subordinate and junior to the lien thereon of the Bonds.

“Terminal Building” shall mean the passenger Terminal Building constructed by the City as illustrated on Exhibit A to the Agreement and as the passenger Terminal Building may be modified, changed or enlarged.

“Terminal Building Rental” shall mean the annual rent payable by the airline under the Agreement for the use of the Terminal Building.

“Terminal Building Rental Rate” shall mean the rate, established in Section 6.04, for each square foot of the Terminal Building payable by the airline under the Agreement.

“Terminal Building Requirement” shall mean that requirement established in Section 6.04 of the Agreement.

“Terminal Building Cost Center” shall mean the Terminal Building and related facilities and as such Terminal Building and related facilities may be modified, changed, enlarged, or developed as illustrated on Exhibit A to the Agreement.

“Usable Space” shall mean the total square feet in the Terminal Building minus the space required for mechanical, utility, and the City administrative functions.

Rental and Fee Rates

The Agreement establishes Rental and Fee Rates using cost recovery principles. The recoverable cost elements consist of: (1) Operation and Maintenance Expenses allocable to the Terminal, Airfield, and Apron Cost Centers, (2) the total portion of the Airport’s annual Debt Service Requirement and Coverage (if any) allocable to such cost centers, (3) the portion of the required repayment of any Subordinate Security or loans made by the City allocable to such cost centers, (4) estimated amounts (if any) for required deposits to funds and accounts established in Bond Documents allocable to such cost centers, and (5) the annual Amortization (at the then current City cost of borrowed funds when said capital investment is made and based on the economic life of each Capital Improvement) of the total amount of any expenditures made by the City for Capital Improvements allocable to such costs centers.

Two months prior to the beginning of each Fiscal Year, the City presents a report to the airlines that includes estimates concerning the City’s proposed Annual Budget for the succeeding Fiscal Year. This report must show: estimated Operation and Maintenance Expenses, the City’s annual Bond Debt Service, lease payments, or other debt installments (if any) and any required Bond fund deposits, and a preliminary calculation of the three primary Rental and Fee Rates (that is, (a) the Terminal Building Rental Rate, (b) the Apron Fee Rate, and (c) the Landing Fee Rate). Year-end adjustments are made to the Terminal Building Rental Rate, Apron Fee Rate, and the Landing Fee Rate based upon actual information and the amount an airline actually paid that was initially established using budgeted and estimated information. Any surplus shall be credited to the Revenue Credit Account and any deficit shall be carried over to the following fiscal year as an additional charge imposed upon the airlines. The calculation of the Apron Fee Rate is a function of the total annual Debt Service Requirement allocable to the Apron Cost Center.

Terminal Building Rental Rate. In general, the Terminal Building Rental Rate is calculated by dividing certain projected annual Airport costs allocable to the Terminal Cost Center (see recoverable costs as described above) by total Usable Space in the terminal. This cost per square foot is multiplied by a particular airline’s Exclusive Use Space (which is the area of the terminal leased to the airline for its sole and exclusive use). The product, when added to the Common Use Space rentals, is the annual Terminal Building Rental Rate for an airline, which is divided by twelve and payable monthly.

Apron Fee Rate. The Apron Fee Rate is calculated by dividing the total annual Apron Requirement by the total usable Apron area expressed in square feet. This cost per square foot is multiplied by the amount of square feet of Apron area leased by a particular airline. The product is the annual Apron Fee Rate for an airline, which is divided by twelve and payable monthly.

Extraordinary Coverage Protection. The Amendment provides that if the City estimates that it will not meet the requirements of the Covenant as to Rates and Charges in the Bond Documents during any Fiscal Year of the Term, the City may adjust the Terminal Building Rental Rate, the Apron Fee Rate and/or the Landing Fee Rate to meet such requirements, upon thirty (30) days prior written notice to the Signatory Airlines. The Amendment further provides that the City will deposit and retain such Extraordinary Coverage Protection payments in the Coverage Account only to the extent necessary to meet requirements of the Covenant as to Rates and Charges in the Bond Documents. The Amendment further provides that excess Extraordinary Coverage Protection payments shall be credited back to the Signatory Airlines in proportion to the amounts paid by each Airline.

Landing Fee Rate. The Landing Fee equals an airline's total Landed Weight for the month multiplied by the Landing Fee Rate then in effect. This amount is payable on or before the fifteenth day of each month. The Landing Fee Rate constitutes the Net Airfield Requirement divided by the composite estimate of total Landed Weight for all Air Transportation Companies at the Airport. The Net Airfield Requirement is equal to certain projected annual Airport costs allocable to the Airfield Cost Center (see recoverable costs as described above) less amounts posted to the Revenue Credit Account and Other Airfield Revenues. A separate Landing Fee Rate, applicable to non-Signatory Airlines (that is, an airline that owns or operates aircraft landing at the Airport that has not signed the Agreement), is equal to 125% of the Landing Fee Rate for a Signatory Airline.

Extraordinary Adjustments or Special Increases in Rates. If, during the course of the Fiscal Year, total Landing Fees for any quarter vary by more than ten percent (10%) from the projected total Landing Fees for such quarter, then the City may adjust the Landing Fee Rate for the balance of such Fiscal Year by an amount equal to the difference between the projected and actual total Landing Fees divided by the estimated total Landed Weight of all Signatory airlines during the balance of such Fiscal Year.

If, during the term of the Agreement, one or more of the airlines declares bankruptcy and pre-petition arrears are owed to the City by the airline declaring bankruptcy, then the full amount of the arrears are recovered through additional charges to the remaining airlines.

Other Fees and Charges. An amount, referred to as additional rent, is payable after due notice to an airline where the City incurs costs attributable curing an airline's default under the Agreement.

The City has the right to assess airline passengers a Passenger Facility Charge in accordance with the requirements of 14 CFR Part 158, and an airline shall collect this amount on behalf of the City.

Term; Airline Rights; Premises

In general, the Agreement term constitutes five years. The existing Agreements expire June 30, 2010. The Agreement provides the airline with the right to use the Airport, including all facilities, improvements, equipment, and services that are provided for common use at the Airport.

An airline may conduct Air Transportation and all activities reasonably incidental to such operations. The Agreement limits an airline's rights in certain respects. For example, an airline cannot make use of Airport Premises if the conduct interferes with airport operations generally (that is, creates a hazard). An airline cannot provide food and beverages on the Airport to airline employees or the public, nor can it provide vending machines or public telephones.

The Agreement delineates an airline's space in the Terminal Building by type, which includes: (a) Gates, (b) ticket counter and associated offices, (c) baggage markup area, (d) baggage claim area, (e) baggage breakdown area, (f) baggage office, (g) operations space, (h) passenger screening, and (i) apron area. The City may require the relocation or reallocation of an airline's Gates and Apron Area if the City determines a reasonable need for use of the area by another Air Transportation Company, and the airline fails to make minimum use of the area on a day-to-day basis. The City makes appropriate reimbursement in the event of a relocation or reallocation. Similarly, an airline must cooperate with the City to maximize Gate usage and the accommodation of new Air Transportation Companies at the Airport.

Relinquishment of Premises

An airline must surrender possession of the Premises upon the early termination or expiration of the Agreement, or the reallocation of Preferential Use Gate, Apron, Ticket Counter, Offices, or Baggage Make-Up areas. An airline may release part of its leased premises to the City, but the City is not obligated to take back the space. If the City takes back the space, then the City must amend the Agreement to relieve the airline of its obligations in regard to the released space.

Assignment or Sublease

An airline may not assign, transfer, convey, sell, mortgage, pledge, or encumber the Agreement, nor may it sublet the premises or any of its rights under the Agreement without prior written approval of the Airport Director. This restriction does not apply to assignments between the airline and any Airline Affiliate, or successor in business (through merger, consolidation, voluntary sale, or transfer of substantially all of its assets). The City has the right to transfer or assign the Agreement without limitation to another public or quasi-public entity, so long as the entity to which the Agreement is transferred agrees to be bound by all the rights and obligations of the Agreement.

Termination

Termination by Airline. An airline may terminate the Agreement at any time the airline is not in default in its Rental and Fee Payments or other obligations under the Agreement by giving the City thirty (30) days advance written notice on or after the occurrence of any one of the following events:

The breach by the City of any of the covenants or agreements contained in the Agreement for a period exceeding sixty (60) days after receipt of written notice of such breach from the airline.

Action by the City or such other federal, state, or local entity having proper jurisdiction prohibiting an airline from using the Airport for a period exceeding sixty (60) days because of any deficiency of the Airport or an unsafe operating condition existing at the Airport or in the surrounding airspace.

Termination by City. The City has the right to terminate the Agreement and all of its obligations thereunder immediately upon written notice, and may exercise all rights of entry and re-entry upon the Premises immediately after such notice is given, without forfeiture, waiver, or release of City's rights to any sum of money payable by the airline, immediately upon or after the occurrence of any one of the following events:

The failure of the airline to pay Rentals and Fees when due under the Agreement for a period of fifteen (15) days after receipt of written notice of such breach from the City; a default notice shall be issued within five (5) days of default.

The breach by the airline of any of the terms, covenants, agreements, or conditions contained in the Agreement for a period exceeding thirty (30) days after receipt of written notice of such breach from the City; provided that, if the breach is of such a nature that it cannot be cured within thirty (30), a reasonable period shall be allowed.

The cessation by the airline of scheduled air service at the Airport for a period of thirty (30) consecutive days unless such cessation of service is directly attributable to circumstances for which the airline is not responsible and which are not within the airline's control.

The airline becomes insolvent; fails to pay its debts as they mature; takes the benefit of any present or future federal or State insolvency statute; makes a general assignment for the benefit of creditors; files a voluntary petition in bankruptcy or a petition or answer seeking an arrangement of its indebtedness under the Federal Bankruptcy Code or under any other law or statute of the United States or of any state thereof; consents to the appointment of a receiver, trustee, custodian, liquidator, or other similar official, of all or substantially all of its property; or an order for relief shall be entered be or against the airline under any chapter of the Federal Bankruptcy Code.

The airline is adjudged a debtor or bankrupt by order or decree of a court, or an order is made approving a petition filed by any of the airline's creditors or by any of its stockholders, seeking its reorganization or the restructuring of its indebtedness under the Federal Bankruptcy Code or under any other law or statute of the United States or any state thereof, and such order or decree shall not be stayed or vacated within sixty (60) days of its issuance.

A petition under any chapter of the Federal Bankruptcy Code or an action under any federal or State insolvency law or statute shall be filed against the airline and is not dismissed or stayed within sixty (60) days after the filing thereof.

A receiver, trustee, custodian, liquidator, or other similar official takes possession or control of all or substantially all of the property of the airline by or pursuant to, or under the City of any legislative act, resolution, or rule, or any order or decree of any court or governmental board, agency, or officer, and such possession or control continues in effect for a period of sixty (60) days.

The airline becomes a corporation in dissolution.

The transfer, passing, or devolving of any interests or rights of the airline hereunder, by operation of law or otherwise, to any other Person by, in connection with, or as a result of any bankruptcy, insolvency, trusteeship, liquidation, or other proceedings or occurrence described herein.

The failure of the airline to maintain the minimum insurance levels as required in the Agreement.

The failure of the airline to comply with the terms and conditions of Extraordinary Adjustments or Special Increases in Rates.

The conduct of any business, practice, or performance of any act at the Airport that is not specifically authorized by the Agreement, or by any other Agreement between the City and the airline, if said business or act does not cease permanently within fifteen (15) days of receipt of the City's written notice to cease said business, practice, or act.

Reletting by City. In any instance in which the City shall have the right to terminate the Agreement, the City shall, in the alternative, have the right, without terminating the Agreement, to re-enter the Premises and improve and relet all or any part of it to others, for the account of the airline and on terms that are commercially reasonable, including costs of renovation and an administrative fee not to exceed fifteen percent (15%) paid to the City for all sublease rentals received, and the airline shall promptly reimburse the City for any deficiency in rentals or other payments received under such subletting as compared to the airline's obligations under the Agreement. The City shall have all additional rights and remedies as may be provided to landlords by law.

Indemnity and Liability Insurance

Indemnification. The airline agrees fully to indemnify, defend, and hold the City harmless from and against all claims and actions (and all expenses incidental to the investigation and defense thereof) based on or arising out of damages or injuries or death to any person or property caused by or arising out of the use, occupancy, or operations of the airline at the Airport. The airline shall not be liable for any injuries, death, damage, or loss to the extent that such injury, death, damage, or loss is caused by the fault or negligence of the City, its agents, or employees. The City shall give to the airline prompt and reasonable notice of any such claims or actions. The City agrees to indemnify the Airline for claims or actions arising from direct negligence on the part of the City.

Release of Liability. The City shall not be liable for, and is hereby released from all liability to the airline, to the airline's insurance carrier for bodily injury or for any loss or damage to real or personal property occasioned by flood, fire, earthquake, hurricane, tornado, lightning, windstorm, hail, explosion, riot, strike, civil commotion, smoke, vandalism, malicious mischief, or acts of civil authority other than negligent or intentionally wrongful acts of omission or commission of employees or agents of the City. The Agreement does not limit the duties, responsibilities, and liability of the City as landlord, pursuant to the laws of the State of New Hampshire.

The City shall not be liable for, and is hereby released from all liability to the airline, to the airline's insurance carrier, or to anyone claiming under or through the airline for any loss or damage whatsoever to the property or effects of the airline resulting from the discharge of water or other substances from pipes, sprinklers or conduits, containers or appurtenances thereof or fixtures thereto, or for any damage resulting from the discharge or failure of electric current, regardless of cause or origin, except to the extent that such damage is caused by the negligence of the City, its employees or agents.

Insurance. The airline, at its sole cost and expense, shall throughout the term of the Agreement, keep all of its operations on the Airport, and its obligation to indemnify the City continuously insured in accordance with the Agreement.

All insurance shall be in a form and with an insurance company or companies that is reasonably acceptable to the City. Said insurance shall be in occurrence form, not claims made.

Each liability insurance policy shall include severability of interest language, specifying that coverage afforded thereunder applies separately to each insured thereunder.

All airline insurance policies shall name the Airport and the City of Manchester as additional insureds. All such policies shall provide that such policy may not be materially changed, materially altered, or cancelled by the insurer during its term without first giving at least thirty (30) days' written notice to the City.

Additionally, the airline shall carry and maintain airline liability insurance in respect to all aircraft owned, leased or operated by the airline for bodily injury or death and property damage liability in a combined single limit amount of not less than one hundred million dollars (\$100,000,000) per occurrence and shall include aircraft liability, airport liability, passenger liability and baggage and cargo liability. Provided, however, if the airline operates at the Airport only as a Regional/Commuter Air Carrier, the airline shall maintain aircraft liability insurance in a combined single limit amount of not less than fifty million dollars (\$50,000,000) per occurrence. A twenty-five million dollars (\$25,000,000) per occurrence sub-limit for personal injury, bodily injury (including death) and property damage liability shall cover: premises-operation, medical payments, contractual liability, liability of independent contractors, personal

injury, and fire legal liability. If the airline operates a club or “VIP” room serving alcoholic beverages, liquor liability insurance must be provided.

The airline shall also carry and maintain comprehensive automobile liability insurance for all owned, hired, and non-owned vehicles against death, bodily injury, and property damage claims, in a combined single limit amount of not less than five million dollars (\$5,000,000).

The airline shall carry and maintain workers’ compensation and employers’ liability insurance in accordance with New Hampshire Statutory Limits with an All States Endorsement and one million dollars (\$1,000,000) in Employer’s Liability coverage.

The City, in operating the Airport, shall carry and maintain comprehensive liability insurance in such amounts as would normally be maintained by public bodies engaged in carrying on similar activities. Nothing in the Agreement prevents the City from self-insuring to the extent the City deems appropriate.

If at any time the airline fails to obtain or maintain in force the insurance required in the Agreement, such failure shall constitute an incurable default permitting the City, at its option, to immediately terminate the Agreement and take possession of the leased premises upon giving the notice. The City shall have all available remedies specified in the Agreement or permitted by law.

[Form of Opinion of Bond Counsel for the Series 2009A Bonds]

December __, 2009

Board of Mayor and Aldermen
of the City of Manchester, in the
County of Hillsborough, New Hampshire

Ladies and Gentlemen:

We have acted as bond counsel to the City of Manchester, a municipal corporation of the State of New Hampshire, situate in the County of Hillsborough (the "City"), and have examined a record of proceedings relating to the issuance by the City of its \$_____ General Airport Revenue Bonds, Refunding Series 2009A (the "Series 2009A Bonds").

The Series 2009A Bonds are being issued under and by virtue of Chapter 33-B of the New Hampshire Revised Statutes, as amended (the "Act"), and a resolution duly adopted by the City on _____, 2009 (the "Authorizing Resolution"), and under and pursuant to a resolution entitled: "General Airport Revenue Bond Resolution", adopted by the City as of October 1, 1998, as amended (the "General Airport Bond Resolution"), and a supplemental resolution entitled: "Ninth Supplemental Resolution Authorizing the Issuance of \$_____ City of Manchester, New Hampshire, General Airport Revenue Bonds, Refunding Series 2009A and \$_____ City of Manchester, New Hampshire, General Airport Revenue Bonds, Refunding Series 2009B", adopted by the City as of December __, 2009 (the "Ninth Supplemental Resolution" and, together with the General Airport Bond Resolution, the "Airport Bond Resolution").

The Series 2009A Bonds are dated the date of delivery thereof, and bear interest from such date at the respective interest rates per annum (payable semi-annually on January 1 and July 1 in each year until maturity or earlier redemption, commencing July 1, 2010) and mature on January 1 in the years and in the respective principal amounts, all as set forth below:

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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The Series 2009A Bonds are payable as to principal or redemption price, if any, at the corporate trust office of The Bank of New York Mellon, Boston, Massachusetts (the “Trustee”). Interest on the Series 2009A Bonds is payable to the registered owners thereof whose names appear on the registration books of the City maintained by the Trustee as of the January 1 and July 1 next preceding any interest payment date of the Series 2009A Bonds. The Series 2009A Bonds are each of the denomination of \$5,000 or any integral multiple of \$5,000 in excess thereof, all exchangeable at the expense of the registered owner for fully registered bonds in any other authorized denomination. The Series 2009A Bonds are subject to redemption prior to maturity upon the terms and conditions and at the prices set forth therein.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2009A Bonds in order that interest on the Series 2009A Bonds be and remain excluded from gross income under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the City delivered in connection with the issuance of the Series 2009A Bonds which contains provisions and procedures regarding compliance with the requirements of the Code. By said Arbitrage and Use of Proceeds Certificate, the City has covenanted that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest paid on the Series 2009A Bonds is excludable from gross income under Section 103 of the Code. In rendering this opinion, we have assumed that the City will comply with the provisions and procedures set forth in its Arbitrage and Use of Proceeds Certificate.

Based on the foregoing, we are of the opinion that:

1. The City has the right and power to adopt the Authorizing Resolution and the Airport Bond Resolution under the Act.
2. The Authorizing Resolution and the Airport Bond Resolution have been duly and lawfully adopted by the City, are in full force and effect, and are valid and binding upon the City and are enforceable against the City.
3. The Airport Bond Resolution creates the valid pledge which it purports to create of the Revenues (as defined in the Airport Bond Resolution) and the moneys or securities in certain of the funds, accounts and subaccounts established under the Airport Bond Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Airport Bond Resolution.
4. All conditions required by the Airport Bond Resolution precedent to the issuance of the Series 2009A Bonds have been met, and the Series 2009A Bonds have been duly and validly authorized and issued in accordance with the Act, the Authorizing Resolution and the Airport Bond Resolution. The Series 2009A Bonds are valid and binding limited obligations of the City enforceable in accordance with their terms and the terms of the Airport Bond Resolution and are payable, on a parity with certain bonds and other obligations heretofore and hereafter

issued or incurred under the Airport Bond Resolution, from the Revenues and other moneys and securities pledged therefor under the Airport Bond Resolution.

5. Under existing statutes and court decisions, interest on the Series 2009A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax.

6. Under existing statutes, interest on the Series 2009A Bonds is exempt from the New Hampshire personal income tax on interest.

[7. For any Series 2009A Bonds having original issue discount (a “Discount Bond”), original issue discount that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2009A Bonds.]

The foregoing opinions are qualified to the extent that the enforceability of the Series 2009A Bonds and the Airport Bond Resolution may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, or other laws or equitable principles from time to time in effect relating to the enforcement of creditors’ rights generally.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the City other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to the purchaser of the Series 2009A Bonds.

We express no opinion regarding any other federal or state consequences with respect to the Series 2009A Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2009A Bonds, or under state and local tax law.

Very truly yours,

Hawkins Delafield & Wood LLP

[Form of Opinion of Bond Counsel for the Series 2009B Bonds]

December __, 2009

Board of Mayor and Aldermen
of the City of Manchester, in the
County of Hillsborough, New Hampshire

Ladies and Gentlemen:

We have acted as bond counsel to the City of Manchester, a municipal corporation of the State of New Hampshire, situate in the County of Hillsborough (the “City”), and have examined a record of proceedings relating to the issuance by the City of its \$_____ General Airport Revenue Bonds, Refunding Series 2009B (the “Series 2009B Bonds”).

The Series 2009B Bonds are being issued under and by virtue of Chapter 33-B of the New Hampshire Revised Statutes, as amended (the “Act”), and a resolution duly adopted by the City on _____, 2009 (the “Authorizing Resolution”), and under and pursuant to a resolution entitled: “General Airport Revenue Bond Resolution”, adopted by the City as of October 1, 1998, as amended (the “General Airport Bond Resolution”), and a supplemental resolution entitled: “Ninth Supplemental Resolution Authorizing the Issuance of \$_____ City of Manchester, New Hampshire, General Airport Revenue Bonds, Refunding Series 2009A and \$_____ City of Manchester, New Hampshire, General Airport Revenue Bonds, Refunding Series 2009B”, adopted by the City as of December __, 2009 (the “Ninth Supplemental Resolution” and, together with the General Airport Bond Resolution, the “Airport Bond Resolution”).

The Series 2009B Bonds are dated the date of delivery thereof, and bear interest from such date at the respective interest rates per annum (payable semi-annually on January 1 and July 1 in each year until maturity or earlier redemption, commencing July 1, 2010) and mature on January 1 in the years and in the respective principal amounts, all as set forth below:

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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The Series 2009B Bonds are payable as to principal or redemption price, if any, at the corporate trust office of The Bank of New York Mellon, Boston, Massachusetts (the “Trustee”). Interest on the Series 2009B Bonds is payable to the registered owners thereof whose names appear on the registration books of the City maintained by the Trustee as of the January 1 and July 1 next preceding any interest payment date of the Series 2009B Bonds. The Series 2009B Bonds are each of the denomination of \$5,000 or any integral multiple of \$5,000 in excess thereof, all exchangeable at the expense of the registered owner for fully registered bonds in any other authorized denomination. The Series 2009B Bonds are subject to redemption prior to maturity upon the terms and conditions and at the prices set forth therein.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2009B Bonds in order that interest on the Series 2009B Bonds be and remain excluded from gross income under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the City delivered in connection with the issuance of the Series 2009B Bonds which contains provisions and procedures regarding compliance with the requirements of the Code. By said Arbitrage and Use of Proceeds Certificate, the City has covenanted that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest paid on the Series 2009B Bonds is excludable from gross income under Section 103 of the Code. In rendering this opinion, we have assumed that the City will comply with the provisions and procedures set forth in its Arbitrage and Use of Proceeds Certificate.

Based on the foregoing, we are of the opinion that:

1. The City has the right and power to adopt the Authorizing Resolution and the Airport Bond Resolution under the Act.
2. The Authorizing Resolution and the Airport Bond Resolution have been duly and lawfully adopted by the City, are in full force and effect, and are valid and binding upon the City and are enforceable against the City.
3. The Airport Bond Resolution creates the valid pledge which it purports to create of the Revenues (as defined in the Airport Bond Resolution) and the moneys or securities in certain of the funds, accounts and subaccounts established under the Airport Bond Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Airport Bond Resolution.
4. All conditions required by the Airport Bond Resolution precedent to the issuance of the Series 2009B Bonds have been met, and the Series 2009B Bonds have been duly and validly authorized and issued in accordance with the Act, the Authorizing Resolution and the Airport Bond Resolution. The Series 2009B Bonds are valid and binding limited obligations of the City enforceable in accordance with their terms and the terms of the Airport Bond Resolution and are payable, on a parity with certain bonds and other obligations heretofore and hereafter

issued or incurred under the Airport Bond Resolution, from the Revenues and other moneys and securities pledged therefor under the Airport Bond Resolution.

5. Under existing statutes and court decisions, interest on the Series 2009B Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

6. Under existing statutes, interest on the Series 2009B Bonds is exempt from the New Hampshire personal income tax on interest.

[7. For any Series 2009B Bonds having original issue discount (a “Discount Bond”), original issue discount that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2009B Bonds.]

The foregoing opinions are qualified to the extent that the enforceability of the Series 2009B Bonds and the Airport Bond Resolution may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, or other laws or equitable principles from time to time in effect relating to the enforcement of creditors’ rights generally.

Attention is called to the fact that we have not been requested to examine and have not examined any documents or information relating to the City other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to the purchaser of the Series 2009B Bonds.

We express no opinion regarding any other federal or state consequences with respect to the Series 2009B Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update this opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2009B Bonds, or under state and local tax law.

Very truly yours,

Hawkins Delafield & Wood LLP

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”) dated as of December 22, 2009 by and between the City of Manchester, New Hampshire (the “Issuer”) and The Bank of New York Mellon, as trustee (the “Trustee”) under the General Airport Revenue Bond Resolution adopted by the Issuer as of October 1, 1998, as amended and supplemented (the “Resolution”), is executed and delivered in connection with the issuance of the Issuer’s \$64,830,000 principal amount of General Airport Revenue Bonds, Refunding Series 2009A (the “Series 2009A Bonds”) and \$20,705,000 principal amount of General Airport Revenue Bonds, Refunding Series 2009B (the “Series 2009B Bonds” and together with the Series 2009B Bonds, the “Bonds”). Capitalized terms used in this Agreement which are not otherwise defined in the Resolution shall have the respective meanings specified above or in Article IV hereof.

ARTICLE I

THE UNDERTAKING

Section 1.1. Purpose. This Agreement is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) The Issuer shall provide Annual Financial Information with respect to each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2010, by no later than nine (9) months after the end of the respective fiscal year, to the MSRB.

(b) The Issuer shall provide, in a timely manner, notice of any failure of the Issuer to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof because not available, the Issuer shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 1.4. Material Event Notices. (a) If a Material Event occurs, the Issuer shall provide, in a timely manner, notice of such Material Event to (i) the MSRB and (ii) the Trustee.

(b) Any such notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) The Trustee shall promptly advise the Issuer whenever, in the course of performing its duties as Trustee under the Resolution, the Trustee has actual notice of an occurrence which, if material, would require the Issuer to provide notice of a Material Event hereunder; provided, however, that the failure of the Trustee so to advise the Issuer shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Resolution.

Section 1.5. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Issuer under such laws.

Section 1.6. Additional Information. Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this

Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Material Event hereunder, in addition to that which is required by this Agreement. If the Issuer chooses to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Material Event hereunder.

Section 1.7. No Previous Non-Compliance. The Issuer represents that in the previous five (5) years it has not failed to comply in all material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE II

OPERATING RULES

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Issuer provides Annual Financial Information by specific reference to documents either (1) available to the public on the MSRB website or (2) filed with the SEC.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. Dissemination Agents. The Issuer may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Issuer under this Agreement, and revoke or modify any such designation.

Section 2.5. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.6. Fiscal Year. (a) The Issuer's current fiscal year is July 1 to June 30, and the Issuer shall promptly notify (i) the MSRB and (ii) the Trustee of each change in its fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than twelve (12) calendar months.

ARTICLE III

EFFECTIVE DATE, TERMINATION, AMENDMENT AND ENFORCEMENT

Section 3.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The Issuer's and the Trustee's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (1) delivers to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have delivered to the Trustee an opinion of Counsel or a determination by a person, in each case unaffiliated with the Issuer (such as bond counsel or the Trustee) and acceptable to the Issuer, addressed to the Issuer and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Resolution with consent of holders of Bonds pursuant to Section 902 of the Resolution as in effect on the date of this Agreement, and (5) the Issuer shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the effect that performance by the Issuer and the Trustee under this Agreement as so amended will not result in a violation of the Rule and (3) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Trustee shall have delivered copies of such opinion and amendment to the MSRB.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Issuer in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably

feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and subsection (b) of this Section.

(b) The obligations of the Issuer to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or by the Trustee on behalf of the holders of Outstanding Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the written direction of the holders of not less than two-thirds in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity.

The holders' and Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the Issuer or the Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

DEFINITIONS

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) updated versions of the following financial information and operating data contained in the Official Statement, for each fiscal year of the Issuer, as follows:

To the extent not included in the Audited Financial Statements, the information appearing in the Official Statement under the headings "THE AIRPORT", "AIRPORT ACTIVITY AND AGREEMENTS" (including without limitation the information contained in the table entitled "Manchester-Boston Regional Airport - Segmentation of Historical Enplanements"), "CAPITAL

PROGRAM” and “FINANCIAL INFORMATION” (including without limitation the information contained in the tables appearing under the subheadings “Summary of Historical Operating Statements” and “Summary of Historical Debt Service Coverage Ratio”); provided, however, that references to the Official Statement for the Bonds as a means of identifying such financial information and operating data shall not prevent the Issuer from reorganizing such material in subsequent official statements or annual information reports;

and (ii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(d) and (e) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) “Audited Financial Statements” means the annual financial statements, if any, of the Issuer, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Section 3.2(a) hereof, the Issuer may from time to time, if required by federal or State legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific federal or State law or regulation describing such accounting principles, or other description thereof.

(3) “Counsel” means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

(4) “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(5) “Material Event” means any of the following events with respect to the Bonds, whether relating to the Issuer or otherwise, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) modifications to rights of holders of the Bonds;
- (viii) bond calls (other than mandatory sinking fund redemptions);
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds; and

(xi) rating changes.

(6) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto or to the function of the MSRB contemplated by this Agreement.

(8) “Official Statement” means the Official Statement dated December 8, 2009 of the Issuer relating to the Bonds.

(9) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(10) “SEC” means the United States Securities and Exchange Commission.

(12) “State” means the State of New Hampshire.

(13) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

(14) “Underwriters” means J.P. Morgan Securities Inc., as representative of the Underwriters.

ARTICLE V

MISCELLANEOUS

Section 5.1. Duties, Immunities and Liabilities of Trustee. Article XI of the Resolution is hereby made applicable to this Agreement as if this Agreement were, solely for this purpose, contained in the Resolution. The Trustee shall have only such duties under the Agreement as are specifically set forth in this Agreement, and the Issuer agrees to indemnify and save the Trustee, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Trustee’s negligence or willful misconduct in the performance of its duties hereunder. Such indemnity shall be separate from and in addition to that provided to the Trustee under the Resolution. The obligations of the Issuer under this Section shall survive resignation or removal of the Trustee and payment of the Bonds. The Trustee shall not be under any obligation or duty to examine or verify the content of any Annual Financial Information or Material Event Notice, or to determine whether the same complies with or satisfies the requirements of this Agreement or the Rule, and shall have no responsibility for the sufficiency of this Agreement for purposes of satisfying the Rule or otherwise.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

CITY OF MANCHESTER,
NEW HAMPSHIRE

By: _____

Name: William Sanders
Title: Finance Officer

THE BANK OF NEW YORK MELLON,
as Trustee

By: _____

Name: Nathan Harris
Title: Senior Associate

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APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.
(FORMERLY KNOWN AS FINANCIAL
SECURITY ASSURANCE INC.)

By _____
Authorized Officer

(212) 826-0100

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