OFFICIAL STATEMENT DATED AUGUST 12, 2021

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

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the State, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any 2021B Bond or 2021C Bond for any period that such 2021B Bond or 2021C Bond is held by a "substantial user" of the facilities financed or refinanced by the 2021B Bonds or the 2021C Bonds or by a "related person" within the meaning of Section 147(a) of the Code. In the further opinion of Bond Counsel, interest on the 2021A Bonds and the 2021B Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel observes, however, that interest on the 2021C Bonds is a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion based upon existing laws of the State of Alaska that interest on the Bonds is exempt from taxation by the State of Alaska except for transfer, inheritance, and estate taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$85,510,000
STATE OF ALASKA
INTERNATIONAL AIRPORTS SYSTEM

consisting of

$11,710,000	$7,460,000	$66,340,000
Revenue Refunding Bonds	**Revenue Refunding Bonds**	**Revenue Refunding Bonds**
Series 2021A	**Series 2021B**	**Series 2021C**
(Governmental – Non-AMT)	**(Private Activity – Non-AMT)**	**(Private Activity – AMT)**

Dates, Interest Rates, Prices or Yields, Are Shown on the Inside Cover Page

The State of Alaska is issuing $11,710,000 principal amount of its International Airports System Revenue Refunding Bonds, Series 2021A (Governmental – Non-AMT) (the "2021A Bonds"), $7,460,000 principal amount of its International Airports System Revenue Refunding Bonds, Series 2021B (Private Activity – Non-AMT) (the "2021B Bonds"), and $66,340,000 principal amount of its International Airports System Revenue Refunding Bonds, Series 2021C (Private Activity – AMT) (the "2021C Bonds," and together with the 2021A Bonds and the 2021B Bonds, the "Bonds").

The Bonds are being issued in the form of fully registered bonds in book-entry form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds under a book-entry only system as described herein. Individual purchasers of beneficial ownership interests in the Bonds may be made in the principal amount of $5,000 or any integral multiple thereof. Beneficial Owners of the Bonds will not receive physical delivery of certificates representing their interests in the Bonds purchased. Principal of and interest on the Bonds are payable directly to DTC by The Bank of New York Mellon Trust Company, N.A., San Francisco, California, as registrar (the "Registrar"), disbursement of payments to DTC participants is the responsibility of DTC, and subsequent disbursement of payments to beneficial owners of the Bonds is the responsibility of DTC participants, all as further described herein.

The Bonds are special, limited obligations of the State of Alaska and are payable as to interest on, principal of and premium, if any (except to the extent paid from bond proceeds or the income from investments), solely from, and are secured by a pledge of, the Revenues derived by the State of Alaska from the operation of the Alaska International Airports System (the "System") consisting of the Ted Stevens Anchorage International Airport and the Fairbanks International Airport. The Bonds are not general obligations of the State of Alaska, and neither the full faith and credit nor the taxing power of the State of Alaska are pledged for the payment of the Bonds.

The purchase and ownership of beneficial ownership interests in the Bonds involve investment risks. Prospective purchasers should read this Official Statement in its entirety, giving particular attention to the matters addressed under "CERTAIN INVESTMENT CONSIDERATIONS." For a discussion of the impact of COVID-19 on the System and associated risks, see "IMPACT OF COVID-19 PANDEMIC ON THE SYSTEM" and "CERTAIN INVESTMENT CONSIDERATIONS – COVID-19 Risks."

The Bonds are being issued to (i) refund certain Outstanding Parity Bonds (as described herein), and (ii) finance costs of issuance of the Bonds.

THIS COVER PAGE CONTAINS INFORMATION FOR QUICK REFERENCE ONLY AND IS NOT A SUMMARY OF THE TERMS OF OR SECURITY FOR THE BONDS. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING APPENDICES, TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. THERE ARE RISKS ASSOCIATED WITH PURCHASE OF THE BONDS, AS FURTHER DESCRIBED HEREIN.

The Bonds are offered when, as and if issued, subject to the approval of their validity and enforceability by Orrick, Herrington &Sutcliffe LLP, Seattle, Washington, Bond Counsel. Certain legal matters will be passed upon for the State of Alaska by the Attorney General for the State of Alaska, and for the Underwriters by Underwriters' Counsel, Jermain, Dunnagan & Owens, P.C., Anchorage, Alaska. Acacia Financial Group, Inc. serves as municipal advisor to the State of Alaska. It is expected that the Bonds in definitive form will be available for delivery through the facilities of DTC, on or about August 26, 2021.

RBC Capital Markets

BofA Securities **J.P. Morgan**

STATE OF ALASKA

$11,710,000
International Airports System
Revenue Refunding Bonds, Series 2021A
(Governmental Non-AMT)

Dated: Date of Delivery Due: October 1, as shown below

The Series 2021A Bonds will be issued in fully registered form without coupons in denominations of $5,000 on any integral multiple thereof. Interest on the Series 2021A Bonds will be payable October 1 and April 1, commencing October 1, 2021.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICE, AND CUSIP†

Maturity (October 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† 011842
2033	$3,365,000	4.00%	1.450%	123.870*	UE9
2034	4,095,000	4.00	1.500	123.342*	UF6
2035	4,250,000	4.00	1.540	122.921*	UG4

* Price to the par call date of October 1, 2031.

STATE OF ALASKA

$7,460,000
International Airports System
Revenue Refunding Bonds, Series 2021B
(Private Activity – Non-AMT)

Dated: Date of Delivery Due: October 1, as shown below

The Series 2021B Bonds will be issued in fully registered form without coupons in denominations of $5,000 on any integral multiple thereof. Interest on the Series 2021B Bonds will be payable October 1 and April 1, commencing October 1, 2021.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICE, AND CUSIP†

Maturity (October 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† 011842
2031	$3,655,000	4.00%	1.320%	125.255	UH2
2032	3,805,000	4.00	1.390	124.507*	UJ8

* Price to the par call date of October 1, 2031.

STATE OF ALASKA

$66,340,000
International Airports System
Revenue Refunding Bonds, Series 2021C
(Private Activity – AMT)

Dated: Date of Delivery | Due: October 1, as shown below

The Series 2021C Bonds will be issued in fully registered form without coupons in denominations of $5,000 on any integral multiple thereof. Interest on the Series 2021C Bonds will be payable October 1 and April 1, commencing October 1, 2021.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, PRICE, AND CUSIP†

Maturity (October 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† 011842
2021	$3,000,000	5.00%	0.090%	100.477	UK5
2022	2,000,000	5.00	0.140	105.326	UL3
2023	5,370,000	5.00	0.200	110.040	UM1
2025	13,255,000	5.00	0.410	118.629	UN9
2026	8,945,000	5.00	0.580	122.167	UP4
2027	9,090,000	5.00	0.780	125.079	UQ2
2028	2,895,000	5.00	0.940	127.810	UR0
2029	10,515,000	5.00	1.080	130.313	US8
2030	11,270,000	5.00	1.210	132.554	UT6

STATE OF ALASKA
Mike Dunleavy, Governor
Kevin Meyer, Lt. Governor
P.O. Box 110001
Juneau, Alaska 99811
http://www.alaska.gov*

STATE BOND COMMITTEE

Julie Anderson, Chair
Commissioner
Department of Commerce,
Community and Economic Development

Lucinda Mahoney, Secretary
Commissioner
Department of Revenue

Amanda Holland, Member
Acting Commissioner
Department of Administration

Dave Donley, Designee for
Department of Administration
Deputy Commissioner of the
Department of Administration

Deven J. Mitchell
Debt Manager, State of Alaska
Department of Revenue

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
John MacKinnon, Commissioner

John R. Binder III, Deputy Commissioner - Aviation
(Executive Director, Alaska International Airports System)

ALASKA INTERNATIONAL AIRPORTS SYSTEM
Jim Szczesniak, Airport Manager
Ted Stevens Anchorage International Airport

Angie Spear, Airport Manager
Fairbanks International Airport

Keith Day, **CPA,** Controller
Alaska International Airports System

MUNICIPAL ADVISOR TO THE STATE
Acacia Financial Group, Inc.
Anchorage, Alaska

BOND COUNSEL
Orrick, Herrington & Sutcliffe LLP
Seattle, Washington

REGISTRAR
The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

*The reference to the State's website is not a hyperlink and the State's website, by this reference, is not incorporated herein.

TABLE OF CONTENTS

PRELIMINARY NOTICES

Each entity listed below has provided the information under the caption or captions following its name. Each such entity is responsible only for the information provided under the captions following its name, unless otherwise stated herein.

Underwriters	"UNDERWRITING"
DTC	Appendix D – "DTC AND ITS BOOK-ENTRY ONLY SYSTEM"

All other information contained herein has been obtained from the State of Alaska and other sources that the State of Alaska believes to reliable, but such other information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the State of Alaska or the Underwriters. The information and expressions of opinion herein are 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 parties listed above since the date of this Official Statement.

No dealer, broker, salesperson, or other person has been authorized by the State of Alaska or the Underwriters to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any offer, solicitation, or sale of the Bonds, by any person in any jurisdiction in which such offer, solicitation, or sale is not authorized or in which the person making such offer, solicitation, or sale is not qualified to do so or to any person to whom it is unlawful to make such offer, solicitation, or sale.

Certain statements contained in this Official Statement do not reflect historical facts, but rather are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "forecast," "project," "anticipate," "expect," "intend," "believe," and other similar expressions are intended to identify forward-looking statements. The forward-looking statements in this Official Statement are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by such statements. All estimates, projections, forecasts, assumptions, and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The State of Alaska specifically disclaim any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of this Official Statement.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information set forth in this Official Statement in accordance with, and as part of, their responsibility 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 and completeness of such information.

Information on web site addresses set forth in this Official Statement is not incorporated into this Official Statement and cannot be relied upon to be accurate as of the date of this Official Statement, nor can any such information be relied upon in making investment decisions regarding the Bonds.

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

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE GENERAL BOND RESOLUTION, AS SUPPLEMENTED, BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION

OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This official statement is being provided to prospective purchasers in bound printed form ("original bound format") or in electronic format on the following website: www.munios.com. This official statement may be relied upon only if it is in its original bound format or if printed in full directly from such website.

OFFICIAL STATEMENT

Relating to

STATE OF ALASKA
INTERNATIONAL AIRPORTS SYSTEM

$11,710,000 **Revenue Refunding Bonds,** **Series 2021A** **(Governmental – Non-AMT)**	**$7,460,000** **Revenue Refunding Bonds,** **Series 2021B** **(Private Activity –Non-AMT)**	**$66,340,000** **Revenue Refunding Bonds,** **Series 2021C** **(Private Activity – AMT)**

INTRODUCTION

The following introduction is subject in all respects to the more complete information set forth in this Official Statement. The descriptions and summaries of various documents set forth in this Official Statement do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the General Bond Resolution. See Appendix B - "Summary of Certain Provisions of the General Bond Resolution and the Eighth Supplemental Resolution."

This Official Statement, including the cover page and the appendices hereto, sets forth certain information concerning the State of Alaska (the "State"), the State of Alaska International Airports System ("AIAS" or "System" or "Airports"), the Ted Stevens Anchorage International Airport ("ANC" or "Anchorage International Airport"), the Fairbanks International Airport ("FAI" or "Fairbanks International Airport") and certain other matters in connection with the initial offering of $11,710,000 principal amount of State of Alaska International Airports System Revenue Refunding Bonds, Series 2021A (Governmental Non-AMT) (the "2021A Bonds"), $7,460,000 principal amount of State of Alaska International Airports System Revenue Refunding Bonds, Series 2021B (Private Activity – Non-AMT) (the "2021B Bonds"), and $66,340,000 principal amount of State of Alaska International Airports System Revenue Refunding Bonds, Series 2021C (Private Activity – AMT) (the "2021C Bonds," and together with the 2021A Bonds and the 2021B Bonds, the "Bonds").

The Bonds are issued under Alaska Statutes 37.15.410 – 37.15.550, inclusive (the "Act"). The Bonds are issued pursuant to, and are secured by the State Bond Committee's Resolution No. 99-01 adopted January 28, 1999, as amended and supplemented (the "General Bond Resolution"), as most recently supplemented by the State Bond Committee's Supplemental Bond Resolution No. 2021-02, adopted July 1, 2021, (together, the "Eighth Supplemental Resolution"). The Bonds are being issued to refund certain Outstanding Parity Bonds, pursuant to the terms of the General Bond Resolution, all as more fully described under the caption "PLAN OF REFUNDING."

The Bonds are secured by and are payable from (on a parity basis with all other bonds which have been issued (the "Outstanding Parity Bonds") and may be issued (the "Future Parity Bonds") under the General Bond Resolution) the Revenues derived by the State from the ownership, lease, use and operation of the System. Other than Revenues derived by the State from the System, funds held in the State's International Airports Construction Fund, and certain Passenger Facility Charges ("PFC's") collected by the System which have been used, at the State's option, to pay debt service, no money has been, or is expected to be, provided from any other source for the payment of the Bonds or of any other bonds issued under the General Bond Resolution. See, "SECURITY FOR THE BONDS – Limited Liability."

THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE STATE, AND THE STATE DOES NOT PLEDGE ITS FULL FAITH AND CREDIT TO THE PAYMENT OF THE BONDS. THE ISSUANCE OF THE BONDS DOES NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO APPLY MONEY FROM, OR LEVY OR PLEDGE, ANY FORM OF TAXATION WHATEVER TO THE PAYMENT OF THE BONDS. THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE STATE PAYABLE OUT OF AND SECURED ONLY BY THE REVENUES DESCRIBED HEREIN.

The General Bond Resolution does not limit the amount of Future Parity Bonds that may be issued; however, the Act currently limits the cumulative principal amount of bonds authorized to not more than $812,500,000 (excluding refunding bonds). The State has issued a total of $789,285,000 principal amount of revenue bonds pursuant to the authority granted by the Act (excluding refunding bonds). As of June 30, 2021, there are $319,440,000 of Outstanding Parity Bonds (consisting of $84,555,000 of new money revenue bonds and $234,885,000 of refunding revenue bonds).

This Official Statement contains financial information taken or derived from the audited financial statements and unaudited records of the System. All of the financial information taken or derived from the financial statements of the State and all of the summaries of resolutions, statutes, agreements and other documents contained in this Official Statement are made subject to, and are qualified in their entirety by reference to, such financial statements, resolutions, statutes, agreements and documents. A copy of the audited financial statements of the System as of and for the years ended June 30, 2020 and 2019, with an Independent Auditors Report, appears as APPENDIX A hereto. BDO USA, LLP, the System's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. BDO USA, LLP has not performed any procedures relating to this Official Statement.

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. Certain capitalized terms used herein and not defined herein shall have the meaning given such terms in "APPENDIX B – Summary of Certain Provisions of the General Bond Resolution and the Eighth Supplemental Resolution."

The information within this Official Statement has been compiled from official and other sources considered reliable by the State and, while not guaranteed as to accuracy, is believed by the State to be correct. Any statements herein involving estimates, forecasts or projections are to be construed as such rather than as commitments, assurances or statements of fact.

COVID-19 Impacts on the System. The outbreak of COVID-19 ("COVID-19"), a respiratory disease caused by a new strain of coronavirus, was declared a pandemic by the World Health Organization and is currently affecting many parts of the world, including the United States and Alaska.

COVID-19 adversely affected travel and commerce globally, and is expected to continue to negatively affect economic growth worldwide. See "IMPACT OF COVID-19 PANDEMIC ON THE SYSTEM," "SYSTEM FINANCIAL OPERATIONS AND RESULTS," AND "INVESTMENT CONSIDERATIONS – COVID-19 Risks" which describes federal, state and local response to the COVID-19 pandemic and the impact to the System, including reductions in traffic and passenger enplanements.

DESCRIPTION OF THE BONDS

General Description of the Bonds

This Official Statement summarizes certain terms of the Bonds only while the Bonds are registered in the name of DTC or its nominee. Reference is made to the General Bond Resolution and Eighth Supplemental Resolution for more detailed descriptions of such provisions. A summary of certain additional provisions of the General Bond Resolution and the Eighth Supplemental Resolution is set forth in Appendix B - "Summary of Certain Provisions of the General Bond Resolution and the Eighth Supplemental Resolution."

The Bonds shall be issued in the principal amounts and available in the denominations set forth on the front cover hereof and shall mature in the amounts and on the dates set forth on the inside front cover hereof. Interest on the Bonds shall commence to accrue on their date of delivery and shall be payable semiannually on the dates set forth on the front cover hereof and at the interest rates set forth on the inside cover hereof, calculated on the basis of a 360-day year consisting of twelve 30-day months.

Payments of Principal and Interest

So long as the Bonds of a series are in fully immobilized form, payments of principal and interest will be made as provided in the operational arrangements of DTC referred to in the Letter of Representations. See, "APPENDIX D – DTC and Its Book-Entry Only System." The principal of and redemption premium, if any, on any Bond will be payable to the Registered Owner thereof as shown on the registration records kept by the Registrar, upon maturity or prior redemption thereof and upon presentation and surrender at the designated office of the Registrar. If any Bond is not paid upon presentation and surrender at or after maturity, it will continue to bear interest at the interest rate borne by the Bond until the principal thereof is paid in full. Except as described in "APPENDIX D – DTC and Its Book-Entry Only System," payment of interest on any Bond will be made to the Registered Owner thereof by check or draft mailed by the Registrar, by first class mail on or before each interest payment date (or, if such interest payment date is not a business day, on or before the next succeeding business day), to the Registered Owner thereof at the Registered Owner's address as shown on the registration records kept by the Registrar on the 15th day of the calendar month, whether or not a business day, next preceding such interest payment date (the “Record Date”). If the Bonds are no longer in book-entry form, payment of principal of and interest on the Bonds may, at the option of any Registered Owner of the Bonds in an aggregate principal amount of at least $1,000,000, be transmitted by wire transfer to such owner.

Book-Entry Transfer System

Book-Entry Bonds. DTC will serve as initial the Securities Depository for the Bonds. The ownership of one fully-registered Bond, each in the aggregate principal amount of such Bond, will be registered in the name of Cede & Co., as nominee for DTC. Neither the State nor the Registrar has any responsibility or obligation to DTC participants or Beneficial Owners in respect of the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of the principal or Redemption Price of or interest on the Bonds, any notice which is permitted or required to be given to Registered Owners under the Eighth Supplemental Resolution for the Bonds (except such notices as are required to be given by the State to the Registrar or to DTC), the selection by DTC or any DTC participant of any person to receive payment in event of a partial redemption of the Bonds, or any consent given or other action taken by DTC as the Registered Owner. See, “APPENDIX D – DTC and Its Book-Entry Only System” for additional information.

The State makes no representation as to the accuracy or completeness of information in Appendix D, provided by DTC. Purchasers of the Bonds should confirm its contents with DTC or its participants.

Termination of Book-Entry Transfer System. In the event that DTC or its successor (or substitute Securities Depository or its successor) resigns and no substitute Securities Depository can be obtained, or the State determines that it is in the best interests of the Beneficial Owners that they be able to obtain Bonds in the form of bond certificates, new Bonds are required to be issued and registered.

Redemption

2021A Bonds. The 2021A Bonds are subject to redemption prior to maturity, in whole or in part (and if in part with maturities selected by the State) at the option of the State, on and after October 1, 2031, at a price of 100% of the principal amount thereof to be redeemed plus accrued interest to the date of redemption.

2021B Bonds. The 2021B Bonds maturing on October 1, 2032, are subject to redemption prior to maturity, in whole or in part (and if in part with maturities selected by the State) at the option of the State, on and after October 1, 2031, at a price of 100% of the principal amount thereof to be redeemed plus accrued interest to the date of redemption.

2021C Bonds. The 2021C Bonds are not subject to redemption prior to maturity.

PLAN OF REFUNDING

The Bonds are being issued to provide for the defeasance and optional redemption of Outstanding Parity Bonds, described in the following table and referred to as the “Refunded Bonds.” The net proceeds of the Bonds will be applied, together with other legally available funds, to refund the Refunded Bonds.

REFUNDED BONDS

Bond Issue	Dated Date	Maturities to Be Refunded	Redemption Date	Price
Variable Rate Demand Revenue Refunding Bonds, Series 2009A (Private Activity – AMT)	January 6, 2009	October 1, 2030	August 26, 2021	100%
Revenue Refunding Bonds, Series 2010A (Private Activity – AMT)	September 29, 2010	October 1, 2021 through October 1, 2023 and October 1, 2025 through October 1, 2027	August 31, 2021	100%
Revenue Bonds, Series 2010C (Private Activity Non – AMT)	September 29, 2010	October 1, 2033	August 31, 2021	100%
Revenue Bonds, Series 2010D (Taxable Build America Bonds – Direct Payment to Issuer)	September 29, 2010	October 1, 2035	August 31, 2021	100%

The State will enter into irrevocable Escrow Deposit Agreements with The Bank of New York Mellon Trust Company, N.A., as escrow agent for the Refunded Bonds, except the System's Variable Rate Demand Revenue Refunding Bonds, Series 2009A (Private Activity – AMT) (the "2009A Bonds"), which will be optionally redeemed on the date of issuance of the Bonds. Funds held by the escrow agent in the Bond Fund for the Refunded Bonds (except the 2009A Bonds) will be held uninvested. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

In addition to the plan of refunding described above, the System expects to use available funds of the System to defease and optionally redeem all of the System's Revenue Bonds, Series 1999A (AMT) (the "1999A Bonds"), currently outstanding in the aggregate principal amount of $50,000 and all of the System's Revenue Bonds, Series 2006A (AMT) (the "2006A Bonds"), currently outstanding in the aggregate principal amount of $2,000,000. The defeasance of the 1999A Bonds and the 2006A Bonds is expected to occur on the same date as the defeasance of the Refunded Bonds, and the optional redemption of the 1999A Bonds and the 2006A Bonds is expected to occur on September 10, 2021. The defeasance and optional redemption of the 1999A Bonds and/or the 2006A Bonds is not contingent on the issuance of the Bonds, and the issuance of the Bonds is not contingent on the defeasance and optional redemption of the 1999A Bonds and/or the 2006A Bonds.

SOURCES AND USES TABLE

The proceeds of the Bonds, and other funds, are expected to be applied as shown below.

	2021A Bonds	2021B Bonds	2021C Bonds	Aggregate
Sources of Funds:				
Par Amount of Bonds	$11,710,000.00	$7,460,000.00	$66,340,000.00	$85,510,000.00
Original Issue Premium	2,733,222.90	1,855,561.60	15,053,118.45	19,641,902.95
AIAS Cash Contribution	5,196,722.83	3,310,636.40	29,440,699.59	37,948,058.82
Other Available Funds*	511,622.33	261,502.28	11,633,854.17	12,406,978.78
Total	$20,151,568.06	$12,887,700.28	$122,467,672.21	$155,506,940.55
Uses of Funds:				
Escrow Redemption Deposit	$20,051,622.43	$12,826,770.93	$122,008,577.15	$154,886,970.51
Costs of Issuance**	99,945.63	60,929.35	459,095.06	619,970.04
Total	$20,151,568.06	$12,887,700.28	$122,467,672.21	$155,506,940.55

* Funds released from the Bond Fund for the payment of principal and interest on the Refunded Bonds.

** Costs of issuance include legal fees, municipal advisor fees, printing costs, underwriting discount, rating agency fees, escrow fees, verification fees, and similar costs.

PARITY BOND DEBT SERVICE TABLE

The following table sets forth the debt service requirements for all Outstanding Parity Bonds as of July 1, 2021.

Fiscal Year (Ending June 30)	Outstanding Parity Bonds(*)	2021A Bonds	2021B Bonds	2021C Bonds	Total Debt Service
2022	$11,737,375	$279,739	$178,211	$4,905,986	$17,101,311
2023	11,917,750	468,400	298,400	5,117,000	17,801,550
2024	12,089,125	468,400	298,400	8,302,750	21,158,675
2025	24,033,000	468,400	298,400	2,798,500	27,598,300
2026	7,446,750	468,400	298,400	15,722,125	23,935,675
2027	12,307,750	468,400	298,400	10,857,125	23,931,675
2028	12,608,250	468,400	298,400	10,551,250	23,926,300
2029	18,655,625	468,400	298,400	4,056,625	23,479,050
2030	11,175,250	468,400	298,400	11,341,375	23,283,425
2031	11,216,750	468,400	298,400	11,551,750	23,535,300
2032	22,136,875	468,400	3,880,300	--	26,485,575
2033	22,136,500	468,400	3,881,100	--	26,486,000
2034	22,203,000	3,766,100	--	--	25,969,100
2035	22,340,375	4,346,900	--	--	26,687,275
2036	22,493,625	4,335,000	--	--	26,828,625
TOTALS:	$244,498,000	$17,880,139	$10,625,211	$85,204,486	$358,207,836

(*) Reflects the defeasance of the 1999A Bonds, 2006A Bonds, 2010A Bonds, 2010C Bonds and 2010D Bonds to occur on August 26, 2021 and the redemption of the 2009A Bonds to occur on August 26, 2021.

Note: Totals may not add due to rounding.

SECURITY FOR THE BONDS

General

This Official Statement summarizes certain terms of the General Bond Resolution. Reference is made to the General Bond Resolution and Eighth Supplemental Resolution for more detailed descriptions of such provisions. A summary of certain provisions of the General Bond Resolution is set forth in Appendix B - "Summary of Certain Provisions of the General Bond Resolution and the Eighth Supplemental Resolution."

The Bonds are secured under the General Bond Resolution, which contains provisions for the equal security of the Bonds, the Outstanding Parity Bonds and any Future Parity Bonds. The Bonds are limited obligations of the State and are payable as to principal, interest and premium, if any (except to the extent paid from bond proceeds or the income from investments), solely from, and are secured by a pledge of, the Revenues derived by the State from the operation of the System. The Bonds are secured by a statutory lien on Revenues, and no further action is required or filing made to perfect or maintain the lien on Revenues for the benefit on Bondholders. The Bonds are not general obligations of the State, and neither the full faith and credit nor the taxing power of the State are pledged for the payment of the Bonds.

The Act, codified within the Alaska Statutes, establishes the International Airports Revenue Fund (AS 37.15.430) (the "Revenue Fund") and mandates that "all revenue, fees, charges, and rentals derived by the [S]tate from the ownership, lease, use and operation of the [A]irports and all of the facilities and improvements of them and facilities and improvements used in connection with them, excepting only proceeds of any customer facility charge, and unless otherwise contractually required customer facility maintenance charge" be deposited into the Revenue Fund. The Act provides that these revenues, fees and charges may be used only for the payment of debt service on revenue bonds authorized by the legislature and other enumerated purposes. Under the General Bond Resolution, the following defined "Revenues" have been pledged by the State first for the benefit of the owners of Parity Bonds:

All revenues, fees, charges and rentals derived by the State or State corporations from the ownership, lease, use and operation of the AIAS and all of the facilities and improvements thereof and facilities and improvements used in connection therewith. The term "Revenues" includes all income and profit derived from the investment of moneys in any funds or accounts created by the Act (except the Construction Fund) or established pursuant to the General Bond Resolution; it does not include the proceeds of any State tax or license. If and to the extent permitted by the Act, the term Revenues shall exclude:

(1) the proceeds of any borrowing by the State and the earnings thereon (other than earnings on proceeds deposited in the Reserve Account);

(2) income and revenue which may not legally be pledged for revenue bond debt service;

(3) passenger facility charges, head taxes, federal grants or substitutes therefor allocated to capital projects;

(4) payments made under Credit Facilities issued to pay or secure the payment of a particular Series of Parity Bonds;

(5) proceeds of insurance or condemnation proceeds other than business interruption insurance;

(6) income and revenue of the State separately pledged and used by it to pay and secure the payment of the principal of and interest on any issue or series of Special Revenue Bonds of the State issued to acquire, construct, equip, install or improve part or all of the particular facilities from which such income and revenue are derived, provided that nothing in this subparagraph (6) shall permit the withdrawal from Revenue of any income or revenue derived or to be derived by the State from any income producing facility which shall have been contributing to Revenue prior to the issuance of such Special Revenue Bonds; and

(7) income from investments irrevocably pledged to the payment of bonds issued or to be refunded under any refunding bond plan of the State.

Notwithstanding the foregoing, the State may elect to include other receipts (e.g., passenger facility charges) at any time as additional security or additional Revenue for any one or more series of obligations. The System intends to apply certain passenger facility charge receipts toward payment of debt service, although the State has not elected to include passenger facility charges as Revenue or as additional security for payment of the Bonds.[1]

The pledge of Revenues under the General Bond Resolution is for the equal and proportionate benefit and protection of the owners of Parity Bonds. The General Bond Resolution provides for the issuance of Future Parity Bonds on a parity with the Bonds and the Outstanding Parity Bonds. See, APPENDIX B – "Summary of Certain Provisions of the General Bond Resolution and the Eighth Supplemental Resolution."

Rate Covenant

The General Bond Resolution provides that maintenance and operating expenses shall be paid from Revenues prior to payment of debt service to the extent permitted under the Act. Pursuant to the terms of the General Bond Resolution, the Commissioner of the Alaska Department of Transportation and Public Facilities (also referred to herein as the "Commissioner") is required to fix and collect such fees, charges and rentals to be derived by the State from the ownership, lease, use and operation of the AIAS, as will provide Net Revenues (i.e., all Revenues less the maintenance and operating costs of the System) in each Fiscal Year at least equal to 1.25 times the sum of the Aggregate Annual Debt Service during such year plus any deposits required to be made during such year to the Reserve Account and the Repair and Replacement Reserve Account (the "Rate Covenant"). Unless declined by a written election by the Designated Representative, the term "Revenues" shall not include any federal subsidy legally available to pay the principal of or interest on Parity Bonds.

Reserve Account

Under the General Bond Resolution, a Reserve Account is maintained, along with the Bond Fund, to provide additional security for the repayment of all Parity Bonds. The General Bond Resolution provides that the Reserve Account will be maintained in an amount equal to the lowest of (i) Maximum Annual Debt Service with respect to all Parity Bonds; (ii) 125% of Average Annual Debt Service with respect to all Parity Bonds, and (iii) 10% of the initial amount of each series of Parity Bonds then Outstanding (the "Reserve Account Requirement"). Absent a written election by the Designated Representative to the contrary) Debt Service shall be calculated net of any federal subsidy legally available to pay the principal of or interest on the Bonds in the year of calculation. Thereafter, such federal subsidy shall no longer be included in the definition of Revenues.

Under the General Bond Resolution, all or any portion of the Reserve Account Requirement may be satisfied by the deposit of Qualified Insurance.

As used herein, the term Qualified Insurance means, until the 2016 New Date, any non-cancelable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) which insurance company or companies, as of the time of issuance of such policy or surety bond, is rated in the highest rating category by any Rating Agency and from and after the 2016 New Date, shall mean any non-cancelable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) which insurance company or companies, as of the time of issuance of such policy or surety bond, is rated in one of the two highest rating categories by any Rating Agency. As used herein, the term "2016 New Date" means the earlier of (i) the date on which the Outstanding Parity Bonds are no longer Outstanding; or (ii) the date on which the Owner(s) of at least two-thirds of the aggregate principal amount of Parity Bonds then Outstanding consent to the amendment to the definition of Qualified Insurance made in the General Bond Resolution. For purposes of this provision, (1) the Owners of the Bonds and any Future Parity Bonds issued following the issuance of the Bonds are deemed to have approved the amended definitions in the General Bond Resolution, and (2) MBIA Insurance Corporation or its successor shall be deemed to be the Owners of the Series 1999A Bonds and the Series 2006A Bonds.

As of June 30, 2021, the Reserve Account had a balance of approximately $55.7 million, comprised of approximately $26.9 million cash, plus surety bonds with coverage totaling $28.8 million constituting Qualified Insurance, described as follows:

[1] After approval by the FAA of ANC's amended PFC application 05-02-C-02-ANC on October 14, 2011, the System applied all of its annual PFC receipts towards payment of debt service on Outstanding Parity Bonds, including surpluses arising from reallocating the funding source of approximately $10 million of capital projects from PFCs to rates and fees charges. Since 2005, the State has applied approximately $83.7 million of annual PFC receipts towards payment of debt service on Outstanding Parity Bonds.

Issuer of Surety	Dollar Amount of Surety**	Expiration Date
MBIA Insurance Corporation*	$11,857,499	October 1, 2024 or the date of retirement/ defeasance of the Series 1999A Bonds
MBIA Insurance Corporation*	$16,156,439	October 1, 2030 or the date of retirement/ defeasance of the Series 2006A Bonds and Series 2006B Bonds

* National Public Finance Guarantee Corporation assumed the MBIA Insurance Corporation surety policy.
** In February 2021, National communicated to the System that according to National's interpretation of the surety bond policies listed above, a coverage amount lower than the maximum face amount of such surety bonds remained outstanding. The System disputes this interpretation. Upon the issuance of the Bonds, the Reserve Account Requirement will be met with cash.

The Registrar shall draw upon or otherwise collect amounts payable under surety bonds held in the Reserve Account under the terms specified in each surety bond whenever moneys are otherwise required for purposes for which Reserve Account moneys may be applied under the General Bond Resolution. Any draw on a surety bond shall be made only after all funds in the Reserve Account have been expended.

In connection with the issuance of the Bonds, the System will, but is not required to, satisfy the Reserve Account Requirement with available cash and terminate all currently existing Qualified Insurance policies.

Outstanding Parity Bonds

The State has issued a total of $965,118,000 principal amount of Parity Bonds under the General Bond Resolution. The Outstanding Parity Bonds (including refunding bonds), as of *June 30, 2021*, are as follows:

Designation	Issue Date	Final Maturity Date	Original Principal Amount	Current Outstanding Principal Amount
International Airports System Revenue Bonds, Series 1999A (AMT)*	02/10/99	10/01/24	$162,500,000	$50,000
International Airports System Revenue Bonds, Series 2006A (AMT)*	03/14/06	10/01/22	118,975,000	2,000,000
International Airports System Variable Rate Demand Revenue Refunding Bonds, Series 2009A (Non-AMT) **	01/06/09	10/01/30	50,000,000	43,000,000
International Airports System Revenue Refunding Bonds, Series 2010A (Private Activity - AMT) **	09/29/10	10/01/27	117,270,000	77,285,000
International Airports System Revenue Bonds, Series 2010C (Private Activity - Non-AMT) **	09/29/10	10/01/33	21,685,000	12,565,000
International Airports System Revenue Refunding Bonds, Series 2010D (Taxable Build American Bonds Direct Payment to Issuer) **	09/29/10	10/01/35	19,540,000	19,540,000
International Airports System Revenue Bonds, Series 2016A (Governmental - Non-AMT)	02/10/16	10/01/31	73,635,000	73,635,000
International Airports System Revenue Refunding Bonds, Series 2016B (Governmental - Non-AMT)	07/06/16	10/01/35	82,495,000	82,495,000
International Airports System Revenue Bonds, Series 2016C (Private Activity - AMT)	02/10/16	10/01/23	11,220,000	8,870,000
Total			$657,320,000	$319,440,000

* Cash defeasance to occur on August 26, 2021.
** Refunded Bonds, defeased or optionally redeemed on August 26, 2021 as described herein.

Future Parity Bonds

The State may issue Future Parity Bonds from time to time for any purpose of the State permitted by law, to include refunding or defeasance of any bonds then outstanding. All Future Parity Bonds will have an equal lien and charge upon Revenues. Any such issuance for other than a refunding or defeasance of Outstanding Parity Bonds will require: (i) authorizing legislation permitting the Future Parity Bonds to be issued; (ii) a finding by the Commissioner that the proceeds of the Future Parity Bonds will be expended on necessary projects, authorized by the Act; (iii) that the State is in compliance with all covenants of the General Bond Resolution; and (iv) a certification either from a consultant or the State that the Net Revenues during each of the three Fiscal Years following the earlier of (a) completion of the projects being financed with the proceeds of the Future Parity Bonds or (b) the date the capitalized interest of the Future Parity Bonds is expended, are projected to be equal to at least 1.25 times Aggregate Annual Debt Service for all Parity Bonds then Outstanding, including Future Parity Bonds then to be issued. The certification referred to above in (iv) shall not be required if the Future Parity Bonds are being issued to pay costs of facilities for which Parity Bonds have been issued previously and the principal amount of such Future Parity Bonds being issued for completion purposes does not exceed an amount equal to an aggregate of 15% of the principal amount of Parity Bonds theretofore issued for such facilities and reasonably allocable to the facilities to be completed as shown in a written certificate of a Designated Representative, and there is delivered a Consultant's certificate stating that the nature and purpose of such facilities has not materially changed. For refunding bonds, the certificate referenced in (iv) above is required if the issuance increases Maximum Annual Debt Service or if total debt service has not been reduced (except for Future Parity Bonds issued to refund Parity Bonds within one year of maturity or for the payment of which sufficient Net Revenues or other moneys are not available). See, APPENDIX B – "Summary of Certain Provisions of the General Bond Resolution and the Eighth Supplemental Resolution."

Limited Liability

THE BONDS ARE NOT A GENERAL OBLIGATION OF THE STATE AND THE STATE DOES NOT PLEDGE ITS FULL FAITH AND CREDIT TO THE PAYMENT OF THE BONDS. THE ISSUANCE OF THE BONDS DOES NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO APPLY MONEY FROM, OR LEVY OR PLEDGE, ANY FORM OF TAXATION WHATSOEVER TO THE PAYMENT OF THE BONDS. THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE STATE PAID OUT OF AND SECURED ONLY BY THE REVENUES DERIVED BY THE STATE FROM THE OWNERSHIP, LEASE, USE AND OPERATION OF THE SYSTEM.

THE STATE

State Government

Alaska is a sovereign state of the United States of America and is located in the far northwest corner of North America, to the west of Canada and approximately 500 miles north of the state of Washington. Alaska became the 49th state in 1959 pursuant to the Alaska Statehood Act, which was enacted by the United States Congress in 1958 (the "Statehood Act"). The Alaska Constitution was adopted by the Constitutional Convention on February 5, 1956, ratified by the people of Alaska on April 24, 1956, and became operative with the formal proclamation of statehood on January 3, 1959.

There are three branches of government: legislative, executive and judicial. The legislative power of the State is vested in a legislature consisting of a Senate with a membership of 20 and a House of Representatives with a membership of 40 (the "Legislature"). The executive power of the State is vested in the Governor. The judicial power of the State is vested in a supreme court, a superior court and the courts established by the Legislature. The jurisdiction of courts and judicial districts are prescribed by law. The courts constitute a unified judicial system for operation and administration.

The State provides a range of services including education, health and human services, transportation, law enforcement, judicial, public safety, community and economic development, public improvements and general administrative services through a variety of departments, State authorities and corporations.

State Bond Committee

The Legislature, by AS 37.15.110, created the Committee. The Committee is comprised of the Commissioner of the Department of Commerce, Community & Economic Development (Chairperson), the Commissioner of the Department of Revenue (Secretary), and the Commissioner of the Department of Administration (Member), or their respective designees. The Committee adopts resolutions and generally oversees the proceedings relating to the issuance of bonds by the State.

THE ALASKA INTERNATIONAL AIRPORTS SYSTEM

Introduction

AIAS is comprised of two major international airports, Anchorage International Airport located approximately three miles from downtown Anchorage, and Fairbanks International Airport located approximately five miles from central Fairbanks. Both airports provide passenger and cargo facilities and services, including a major sea plane base for general and light aviation adjacent to and operated as part of ANC. Both airports have been owned by the State since Statehood in 1959, operated by the State since 1960 (after a brief transition period during which the Federal Aviation Administration ("FAA") operated ANC and FAI); AIAS was formed in 1961 pursuant to AS 37.15.410-550.

AIAS is the State's largest enterprise fund. AIAS is self-contained and revenues generated by the System are devoted to funding operations of AIAS, including payment of debt service on bonds issued under the General Bond Resolution.

The System is managed by the Alaska Department of Transportation and Public Facilities (the "Department"). The Deputy Commissioner - Aviation & Executive Director of AIAS oversees the System, while a General Manager for each of ANC and FAI directs day to day operations at each airport. An Aviation Advisory Board (the "Board") was established by Executive Order in January 2003 and made permanent within the Department. The 11 member Board, appointed by the Governor, meets at least annually to provide recommendations on aviation policy issues to the Department.

Governance and Management

Following is biographical information of officials at the Department, AIAS, ANC and FAI.

John MacKinnon, *Commissioner, Department of Transportation and Public Facilities*

John MacKinnon serves as commissioner of the Alaska Department of Transportation & Public Facilities. Under his direction, the Department is responsible for the planning, design, construction, and the maintenance and operation of Alaska's transportation system, public buildings and facilities. MacKinnon previously spent five years as the Department's deputy commissioner of highways and public facilities (2003-2007). In this role, he was responsible for the State highway program, policy and planning, administration, budget, and legislative relations. From 2008 to 2018, MacKinnon was executive director for the Associated General Contractors of Alaska. Before 2003, he was acting city manager for the City and Borough of Juneau and served on the Juneau Planning Commission and the Juneau Assembly for 12 years, the last six as deputy mayor. MacKinnon's 24 years as a building contractor, along with other business interests, contribute to his experience and knowledge in both the private and public sectors. He is a fourth generation Alaskan and has a Bachelor of Science degree in Marine Resource Ecology from Huxley College of Environmental Studies.

John R. Binder III, *Deputy Commissioner, Aviation, Department of Transportation and Public Facilities and Executive Director, AIAS*

Deputy Commissioner Binder has oversight responsibilities for the aviation mode within the Department. In this role he provides executive direction and daily oversight for all aspects of planning, development, operations and maintenance of the State's 235 rural airports and its two international airports. Since retiring from the United States Air Force in September 2012, and before joining Alaska government in June 2013, Mr. Binder served on Lockheed Martin's National Airspace Implementation Support Contract (NISC) team in assisting the Federal Aviation Administration to upgrade Alaska's airspace and air traffic infrastructure. He is an Accredited Airport Executive (A.A.E.) and serves on the board of the National Association of State Aviation Officials (NASAO).

Mr. Binder had a distinguished active duty career, retiring in the rank of Lieutenant Colonel after 21 years of service. He was a command pilot with a career that encompassed several key leadership positions including managing the Air Force's busiest airfield, directing installation safety programs, and directing operational and training flying programs. Lieutenant Colonel Binder is a combat veteran with service in Operations Southern Watch and Noble Eagle, with both fighter and trainer aircraft experience in the F-15C Eagle, T-38 Talon, and the T-6 Texan II.

Mr. Binder graduated from the U.S. Air Force Academy in 1991 with a Bachelor of Science degree in Astronautical Engineering. He also earned a Master of Science degree in Aeronautical Sciences from Embry-Riddle Aeronautical University in 1995 and a Master of Science degree in Space Systems from the Air Force Institute of Technology in 2006.

Jim Szczesniak, *Airport Manager, ANC*

Mr. Szczesniak was appointed as the ANC Airport Manager in January of 2018 and serves as the executive in charge of the Ted Stevens Anchorage International Airport (ANC). Prior to assuming his leadership role with ANC, Mr. Szczesniak spent a decade working for the Chicago Airport System where he oversaw Chicago O'Hare International Airport's $5 billion dollar capital improvement program as Deputy Commissioner of Aviation and, in addition, spent almost a decade working in the private sector where he oversaw the operations of a midsized manufacturing company.

Mr. Szczesniak holds a commercial pilots license, aircraft mechanics license, a Bachelor of Science degree in Aviation Management from South Illinois University, and a Master of Business Administration degree from the University of Chicago.

Angie Spear, *Airport Manager, FAI*

Ms. Spear was appointed as the FAI Airport Manager on November 1, 2018. She previously served as FAI's Deputy Director and Business Development Specialist, starting her airport career in 2005. Ms. Spear previously served as the Marketing Director at the John A. Carlson Center in Fairbanks. Prior to moving to Fairbanks, Ms. Spear resided in her hometown of Ketchikan, Alaska and worked for one of the largest Alaska based seafood companies where she was responsible for human resource, payroll and accounting functions. She has a diverse private sector background in multiple industries including transportation, hospitality, lumber, and the seafood/fishing.

Ms. Spear earned the Certified Member accreditation from the American Association of Airport Executives and has a broad array of airport specific accreditations. She is active in her local community and serves on the Board of Directors for the Fairbanks Chamber of Commerce and the Fairbanks Economic Development Corporation.

Keith Day, CPA, *Controller, AIAS*

Keith Day assumed his role as Controller of the System in November, 2006. He is a licensed Certified Public Accountant in the State of Alaska and has both public and private sector accounting experience. His private sector accounting experience includes several years as an auditor for KPMG Peat Marwick, LLP, serving clients in governmental, not-for-profit, manufacturing and oil pipeline transportation industries; as an accounting manager for the State's largest grocery and drug store retailer; and as CFO for a reciprocal insurance exchange. His public sector accounting experience also includes serving as Chief of Finance for the Regulatory Commission of Alaska, the State's public utility and petroleum pipeline transportation regulatory agency. He holds a Bachelor of Arts degree in Business Administration - Accounting with a minor in Computer Science from the University of Alaska, Anchorage.

OVERVIEW OF OPERATIONS

AIAS plays a significant role in the State, national and international aviation systems. The State owns 237 airports, most of which are rural airports providing the only reasonable means of access to the many communities not connected to the primary Alaska road system. Given the geography and weather of Alaska, as well as the distances between rural off-road communities, aviation and the network of State-owned airports provide a practical, and in many cases the only, transportation substitute for a road network. The System is the heart of Alaska's airport network, providing the foundation for general aviation activity as well as an international gateway and hub for commercial aviation.

The System provides essential air service to Alaska residents, Alaska business and industry, the U.S. military and the Alaska tourist industry and provides globally strategic services to the international cargo industry. In FY 2020 and FY 2019, respectively, the System served approximately 6.7 million and 5.3 million passengers overall. Of these passengers, approximately 46,706 and 38,750, respectively, were in-transit passengers – those who made a required stop in Alaska, primarily for purposes of refueling – on a flight to their ultimate destination. The System currently serves over 40 European, Asian and North American cities with non-stop scheduled and charter passenger and cargo flights.

See, "AVIATION ACTIVITIES AND ACTIVITY LEVELS" and "SYSTEM FINANCIAL OPERATIONS AND RESULTS – Management Discussion of System Operating Results."

SYSTEM FACILITIES

Anchorage International Airport

ANC includes both domestic and international passenger terminals and a general aviation and air taxi base around Lake Hood, which covers approximately 4,837 acres of land.

ANC serves as the primary passenger airport in the State and is an important cargo airport globally. ANC is classified by the FAA as a medium-hub airport on the basis of passenger enplanement levels and had 2,713,843 and 1,157,378 passenger enplanements in Calendar Year ("CY") 2019 and CY 2020, respectively, according to the FAA database preliminary CY 2020 Enplanements at Commercial Service Airports report. ANC is ranked Number 55 in the nation based on CY 2020 passenger enplanement levels and in terms of cargo activity levels, ANC is ranked as the Number 2 cargo airport in the United States in CY 2020, based on air cargo tonnage, according to the FAA. In CY 2019, ANC was ranked Number 58 based on passenger enplanements and Number 2 based on air cargo landed weight, according to the FAA database.

ANC Airfield

ANC airfield facilities include three major air carrier runways, all greater than 10,600 feet, the longest of which is 12,400 feet. Two of the three major runways are oriented east-west, and one is oriented north-south. Lake Hood, which is adjacent to ANC and managed as part of the ANC, has a gravel runway for general aviation and seaplane facilities with three water-lanes. The three major runways are capable of serving all types of commercial aircraft currently in service, and all three of the major runways are equipped with precise instrument landing systems (ILS). All three major runways are physically capable of serving aircraft such as the B747-8 and A380F, Design Group VI standard compliant, as well as their associated parallel taxiways. Additional facilities for air carrier aircraft include 24 taxiways; aircraft parking aprons with hydrant-fueling positions for 81 wide-body and narrow-body aircraft, a number of additional non-hydrant aircraft parking positions for Design Group III and IV aircraft, and various runway lighting and air navigational systems. Forty-seven of the 81 aircraft parking positions are State-owned and 34 are on private leaseholds. Of these 81 parking positions, 47 are either dedicated to, or primarily used by, cargo aircraft, with eight more North Terminal aprons for overflow cargo aircraft parking.

ANC Passenger Terminals

ANC's passenger terminal facilities include approximately 834,000 square-foot domestic South Terminal and, connected to it by an enclosed above-ground walkway, an approximately 312,000 square-foot North Terminal used primarily for international flights.

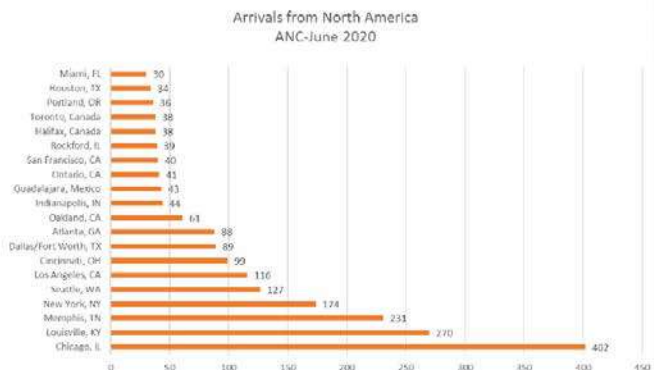
The South Terminal consists of three concourses. Concourse A provides six regional carrier ground-loading gates with approximately 18 regional aircraft parking positions. Concourse B has a total of nine jet bridge-equipped gates, three of which are leased to airlines on a preferential basis, and five of which are State administered on a per-turn basis. Concourse C has nine jet bridges, all nine of which are preferentially leased to airline(s). The leasing status of all gates, as well as the number that have jet bridges, remain subject to change in accordance with the AIAS Operating Agreement and Passenger Terminal Lease. The Operating Agreement is discussed further below under the caption "SYSTEM OPERATING AGREEMENT, REVENUES AND EXPENSES – Operating Agreement."

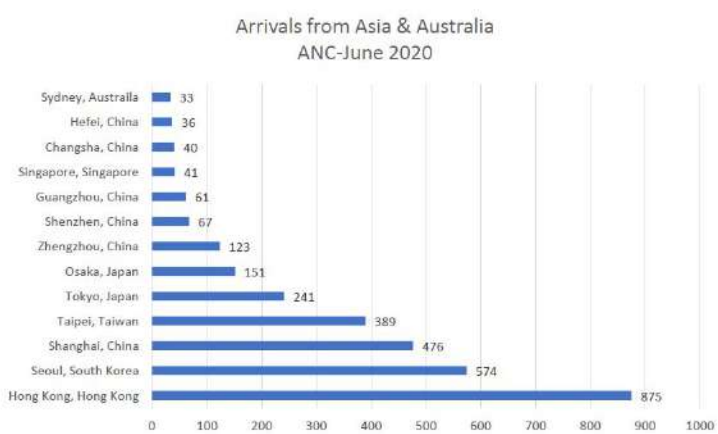
The North Terminal facility has eight airport administered gates, seven of which are jet bridge-equipped, which are utilized by both cargo and passenger flights. The North Terminal also supports a number of international and domestic cargo airline administrative offices in addition to federal inspection service agencies.

ANC Cargo Facilities

ANC is a strategically positioned cargo refueling and transloading hub, located equidistant between Tokyo and New York, within 9.5 hours of approximately 90% of the industrialized world, and averaging approximately 805 and 870 international and domestic all-cargo landings weekly in FY 2019 and FY 2020 respectively, due in part to its favored location on the great circle routes (see, "AVIATION ACTIVITIES AND ACTIVITY LEVELS – Airline Service – Geographical Map"). Cargo activity at ANC includes traffic between the United States and Asia. Additionally, two United States carriers – FedEx and United Parcel Service ("UPS") – operate international hub and spoke cargo routes from their respective bases at ANC.

ANCHORAGE INTERNATIONAL CARGO AIRLINE FREIGHTER MARKETS:





Air cargo and express package services continue to be the most significant portion of the overall activity at ANC accounting for over two-thirds of operating revenues in recent years. ANC is the major air gateway to the State for both passengers and air cargo, and its strategic global location has also made it an important international cargo gateway used for express package sorting, refueling, as a cargo transfer and cargo technical stop center for air cargo freighters flying between Asia and North America. ANC enjoys a broad base of cargo business, as evidenced by the large number and global diversity of its cargo carriers (as detailed in Table 14) and the fact that the largest cargo operators by landed weight, Cathay Pacific at 11.87% and UPS at 12.72%, represented approximately 7.0% and 7.24%, respectively, of total AIAS operating revenues (including PFCs) in FY 2020. See, “SYSTEM FINANCIAL OPERATIONS AND RESULTS – Management Discussion of System Operating Results.”

Since 1996, the private sector has invested over $350 million in cargo facilities at ANC and recently several applications for potential construction of new cargo facilities at ANC have been submitted and are in various stages of approval or development. Since 1996, Alaska Airlines and Northern Air Cargo have invested in excess of $70 million in cargo facility improvements, with the 2018 construction of Alaska Airlines $50 million Maintenance and Engineering Facility at Anchorage. The new facility is twice the size of the hangar it replaced, and can simultaneously house two Boeing 737 Max 9 aircraft, which were individually too large to fit in the hangar replaced by the new facility. Alaska Airlines has also recently replaced its fleet of propeller driven Q400 passenger aircraft used primarily for certain intrastate routes within Alaska with Embraer 175 jet aircraft and has also upgraded its cargo aircraft capacity by replacing its fleet of Boeing 737-400 and 737-700 “Combi” aircraft (variably configurable to carry a combination of both passengers and cargo containers on main deck) with dedicated “all-cargo” Boeing 737-700 aircraft.

In 2006, UPS added a ground equipment maintenance and local distribution hub facility, and in 2005-2007, UPS added five wide-body parking aprons to increase aircraft parking capacity to a total of 11 aprons. In 2021, UPS acquired Alaska Cargo Port LLC ANC land leases, including approximately $22 million of associated cargo apron, warehouse, and local distribution hub facility improvements made between 1999 and 2005.

FedEx has invested in excess of $150 million in ANC facilities and uses ANC as its hub for clearing incoming packages from Asia through U.S. Customs and Border Protection. In 2007, FedEx completed a multi-phased expansion of its international package sorting facility, a ground service equipment maintenance facility and two aircraft parking aprons to bring its total to 12 wide-body parking aprons. In 2008, UPS opened a centralized wide-body pilot training facility at ANC. In 2008, Polar Air Cargo, 49% owned by DHL, established DHL's trans-Pacific express business hub at ANC. Currently, the three largest airline air cargo integrators UPS, FedEx, and DHL, routinely utilize ANC facilities.

Recently, interest in ANC cargo facility development has increased. UPS submitted an application for a 300,000 square foot air cargo warehouse located at the north end of the ANC airport. FedEx Corporation also submitted a proposal for a new $57 million, 98,000 square foot domestic operations facility, to be located in the North Airpark at ANC. And, a developer has submitted an application for a cargo transfer building, aircraft parking ramp, and MRO hangar in the South Airpark at ANC with a proposed investment in excess of $125 million. In addition, a land lease was executed in FY 2020 in support of a proposed 195,000 square foot cargo transfer facility located on the west side of the ANC airport across the north-south runway from the passenger terminals and, another land lease was recently executed in support of a 700,000 square foot climate-controlled cargo warehouse to be located just north of the ANC passenger terminals along the east side of the north-south runway, with an estimated cost of $200 million.

ANC Other Facilities

ANC includes the Lake Hood/Lake Spenard Base (the "Seaplane Base") and the adjoining Lake Hood Airstrip. The Seaplane Base is located to the northeast of, and adjacent to the jet airport facilities of ANC. With approximately 1,000 based aircraft, the Seaplane Base is one of the most active seaplane facilities in the world. The facility operates on a year-round basis, but weather conditions in the winter months dictate that the Seaplane Base operate as a ski-plane facility for part of the year.

Additional facilities include Terminal Radar Approach Control (TRACON) and Air Traffic Control Tower (ATCT) owned by the FAA, privately-owned maintenance hangars, fueling facilities and catering facilities, State-owned parking facilities for over 4,100 vehicles (including a 1,172 space parking garage, 1,372 additional spaces for paid long-term and short-term parking, a 335-space "Park, Ride & Fly" lot, and 1,258 employee parking spaces, but excluding over 1,200 more spaces in the Consolidated Rental Car Facility), and land leased to the United States Post Office and land leased at the site of the former and repurposed Kulis Air National Guard base. The FAA is currently soliciting design-build proposal for the relocation and construction of new TRACON and ATCT facilities at ANC.

ANC Rental Car Facility

A rental car facility (the "ANC Rental Car Facility") is located on an approximately six-acre site at ANC, directly across from, and attached to, ANC's South Terminal. The ANC Rental Car Facility consolidates all rental car customer operations at ANC into a single consolidated facility to which the State holds title, but leases the facility to the developer/operator, who in turn manages the facility and sub-leases operating space to rent-a-car companies. The rent-a-car companies also have entered into concession agreements with ANC under which the rent-a-car companies pay a percentage of gross sales as rent to ANC. The facility consists of a four-level parking garage for the rental car operators, an underground passenger tunnel connecting the garage with ANC's South Terminal and certain other infrastructure improvements.

Project development, design and construction of the ANC Rental Car Facility were paid for with proceeds of approximately $63 million dollars of conduit bonds issued by the Alaska Industrial Development and Export Authority (the "AIDEA Bonds"). The AIDEA Bonds are payable from the proceeds of Customer Facility Charges collected by the rental car companies as required by the Department; collection of Customer Facility Charges began in June 2005 from rental car customers and the proceeds are remitted by the rental car companies directly to the trustee for the AIDEA Bonds. The System is not responsible for payment of debt service on the AIDEA Bonds. The operation and maintenance costs of the ANC Rental Car Facility are paid from Facility Maintenance Charge proceeds similarly collected by the rental car companies from their customers and remitted directly to the AIDEA Bond trustee; the System is not financially obligated for the maintenance and operational expenses of the ANC Rental Car Facility.

The rent-a-car companies also have entered into concession agreements with ANC, obligating such companies to pay ANC a percentage of its gross sales as rent.

COVID-19. Although not financially obligated, in FY 2021 the System used $3.1 million dollars of FAA CARES Act pandemic relief funds to mitigate an increase in CFCs of approximately 106%, effective January 1, 2021, thereby providing rate relief to both the ANC travelling public and the rent-a-car concessionaire businesses. See "IMPACT OF COVID-19 PANDEMIC ON THE SYSTEM – Federal Aviation Administration COVID-19 Pandemic Relief for System Airports" herein.

Bill Sheffield Alaska Railroad Corporation Depot

The Alaska Railroad Corporation ("ARRC") completed construction of the Bill Sheffield Alaska Railroad Corporation Depot in 2002, which is located immediately adjacent to the ANC parking structure and is connected to the terminal core area via pedestrian tunnel. The depot, which is both owned and operated by ARRC, totals 17,300 square feet and serves to provide rail modal conveyance connection for ARRC passengers utilizing ANC.

Fairbanks International Airport

Situated within the Fairbanks Borough, FAI is located approximately five miles southwest of the principal business center of the City of Fairbanks. It serves as a critical transportation and distribution center for interior and northern Alaska and features extensive civil and commercial general aviation facilities. FAI is classified by the FAA as a small-hub airport, having 562,420 and 233,504 enplanements in CY 2019 and CY 2020, respectively.

FAI is ranked as the 128th largest airport in the United States for passenger activity and the 113th busiest for cargo traffic according to published preliminary FAA CY 2020 statistics. In CY 2019, FAI is ranked as Number 125 in the nation based on passenger enplanements and Number 121 based on air cargo landed weight, according to the FAA database.

FAI is capable of serving all types of commercial aircraft currently in operation, including aircrafts such as the B747-8 and A380F. Airfield facilities include an air carrier runway that is 11,800 feet in length and fully instrumented with precision approach facilities and equipment. The north-south runway operation serves the needs of FAI because crosswind conditions (where crosswind components exceed 15 miles per hour) are typically encountered less than 2% of the year. Together with four hard-stands for heavy jet freighters, these facilities provide both a diversion alternative to ANC and an independent capacity to offer mid-route fueling for all models of cargo aircraft currently operating. Additional facilities include two general aviation runways (4,500 feet paved/2,900 feet gravel), a float plane base that supports over 500 based aircraft, parallel and crossing taxiways, extensive aircraft parking space, de-icing pads, and various runway lighting and air navigation systems.

FAI is served by an upgraded 146,000 square foot passenger terminal where-in regional, major domestic, and international carriers utilize a combination of six gates with jetways. Regional carriers are also served by two ground-loading gates, and international general aviation flights make use of a third ground-loading gate for customs clearance. The terminal is configured with two of the gates as "swing" gates which can serve both domestic and international flight processing.

FAI is currently working on Runway 2R/20L reconstruction project and recent airline/tenant investment, including construction of a new LifeMed 16,000 square foot facility, which includes a 10,000 square foot hangar, two vehicle ambulance bays, office, meeting, administrative, and crew rest space, with a cost of approximately $7 million. Omni Logistics, the largest aviation ground-handling operation at FAI, has also recently completed construction of a new $8.3 million, 32,500 square foot facility, which includes a two-story structure with 22,500 square feet of hangar space, with administrative, training, and crew rest space.

ANC and FAI Master Plans

The most recent updates to the Master Plan for ANC and FAI were completed in 2014. These Master Plans were based on System forecast aviation demand developed in the 2013 AIAS Forecast Technical Report. The comprehensive studies generally indicated modest, positive, average annual growth in both passenger traffic (approximately 1.1% to 1.3% baseline for both Airports) and cargo tonnage (approximately 2.9% for ANC and 1.3% for FAI) through 2030. Near and mid-term facility requirements for both Airports are anticipated to be generally modest and for the most part, met by current or currently underway facility upgrades. More information about the respective Master Plans are available at:

ANC => https://dot.alaska.gov/anc/about/masterPlan.shtml

FAI => https://dot.alaska.gov/faiiap/pdfs/FAI-Master-Plan.pdf

The reference to the above websites are not hyperlinks to these websites and such websites are not herein incorporated.

IMPACT OF COVID-19 PANDEMIC ON THE SYSTEM

The information and data contained under this heading "IMPACT OF COVID-19 PANDEMIC ON THE SYSTEM" contain "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance and achievements to be different from future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

The System cannot predict (i) the duration or extent of the Pandemic or another outbreak or pandemic; (ii) the scope or duration of future restrictions or warnings related to air travel, gatherings or any other activities, and the duration or extent to which airlines will reduce services to and from the System airports, or whether airlines will cease operations at the Airports or shut down in response to such restrictions or warnings; (iii) the long-term effects of Pandemic-related restrictions or warnings on air travel, including to and from the Airports, and costs and revenues of the System; (iv) the long-term effects of Pandemic-related disruptions on the local, state, national or global economy, manufacturing or supply chain, or whether such disruptions will adversely impact construction, costs, sources of funds, schedule or implementation of the System's capital improvement program or other operations of the System; (v) the extent to which the Pandemic or another outbreak or pandemic, or the resultant disruption to the local, state, national or global economy, may result in changes in demand for air travel, including long-term changes in consumer behavior, thereby negatively impacting the airlines or concessionaires serving the System, or the airline and travel industry, generally; (vi) whether or to what extent the System may provide additional deferrals, forbearances, adjustments or other changes to the System's contracts with airlines and concessionaires; or (vii) whether any of the foregoing may have a material adverse effect on the finances and operations of the System.

General Description

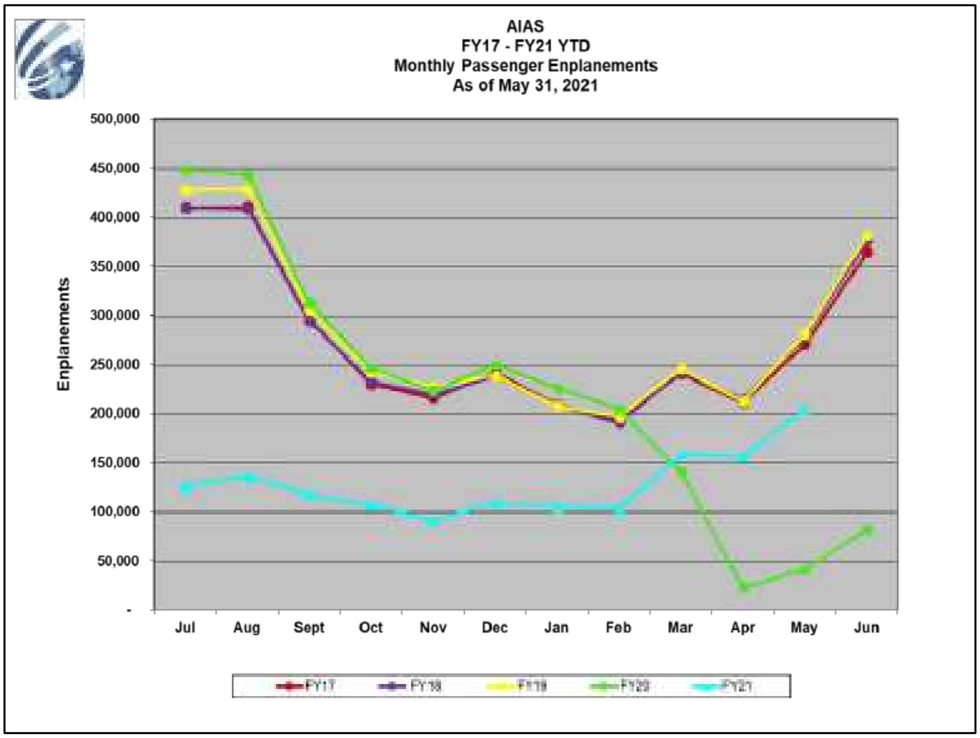
On March 11, 2020, the World Health Organization declared COVID-19 a pandemic (the "Pandemic"), resulting in restrictions that severely disrupted, and continue to disrupt, the economies of the United States and other countries. Many state and locate governments in the United States and foreign governments issued "stay-at-home" and "shelter in place" orders and, at times, have closed borders and issued other travel restrictions and warnings. On January 12, 2021, the U.S. Center for Disease Control and Prevention announced a requirement for pre-departure COVID-19 testing of passengers of flights to the United States from other countries. The Pandemic, these measures and the resultant broad economic shutdown, reduced passenger volumes and number of flights at U.S. airports to unprecedented levels, Meanwhile, COVID-19, including newly identified variants, continue to spread. Although vaccines are being distributed in the United States and other countries, it is unknown whether certain restrictions will be eased, continued, reinstated or enhanced in the future. However, throughout the Pandemic, the System has continued to operate. See "Impact on COVID-19 Pandemic on the Airports System" below.

The United States government, the Federal Reserve Board, state and local governments, and foreign governments are taking statutory and regulatory actions and implementing other measures to mitigate the broad disruptive effects of the Pandemic on the United States and global economies. See "IMPACT OF COVID-19 PANDEMIC ON THE SYSTEM — Federal Aviation Administration COVID-19 Pandemic Relief for System Airports" below.

Impact of COVID-19 Pandemic on the Airport System

The Pandemic has caused significant reductions in domestic and international passenger air travel globally and has had significant negative and disruptive effects on the economies of the State of Alaska, the nation, and the world. The System experienced reductions in passenger air travel like that experienced by most North American airports from the Pandemic, however over the same period the System also experienced a significant surge in international air cargo movements, also due to the impact of the global Pandemic.

Passenger Enplanements. The graph below represents System passenger enplanements from July 1, 2016, through May 31, 2021, which reflect both the timing and impact of the COVID-19 Pandemic on the System. The table below provides a monthly comparison of passenger enplanements for FY 2020 and FY 2021, again reflecting the impact of COVID-19 Pandemic on the System.



Source: Alaska International Airports System.

Alaska Int'l Airport System (ANC/FAI)
Monthly Enplaned Passengers

	Fiscal Year 2020	Fiscal Year 2021	
Calendar Year Month	Percentage Change From Fiscal Year 2019	Percentage Change From Fiscal Year 2020	Percentage Change From Fiscal Year 2019
July	4.6%	-71.7%	-70.4%
August	3.4%	-69.1%	-68.1%
September	2.5%	-62.4%	-61.4%
October	1.9%	-56.6%	-55.7%
November	-1.6%	-59.0%	-59.7%
December	4.5%	-56.2%	-54.2%
January	8.7%	-53.3%	-49.2%
February	4.2%	-49.5%	-47.3%
March	-42.6%	12.7%	-35.3%
April	-88.9%	564.8%	-26.4%
May	-85.1%	387.5%	-27.5%
June	-78.4%	n/a	n/a
Annual Total	-22.2%	n/a	n/a
July - May	-15.0%	-44.6%	-53.0%

Source: Alaska International Airports System.

Source: Alaska International Airports System.

Top Ten Passenger Airlines. The table below shows the top ten passenger airlines serving both Airports for FY 2017 through 2021.

AIAS Enplaned Passengers
by "Top 10" Airlines, by Airport
FY2017 - FY2021*

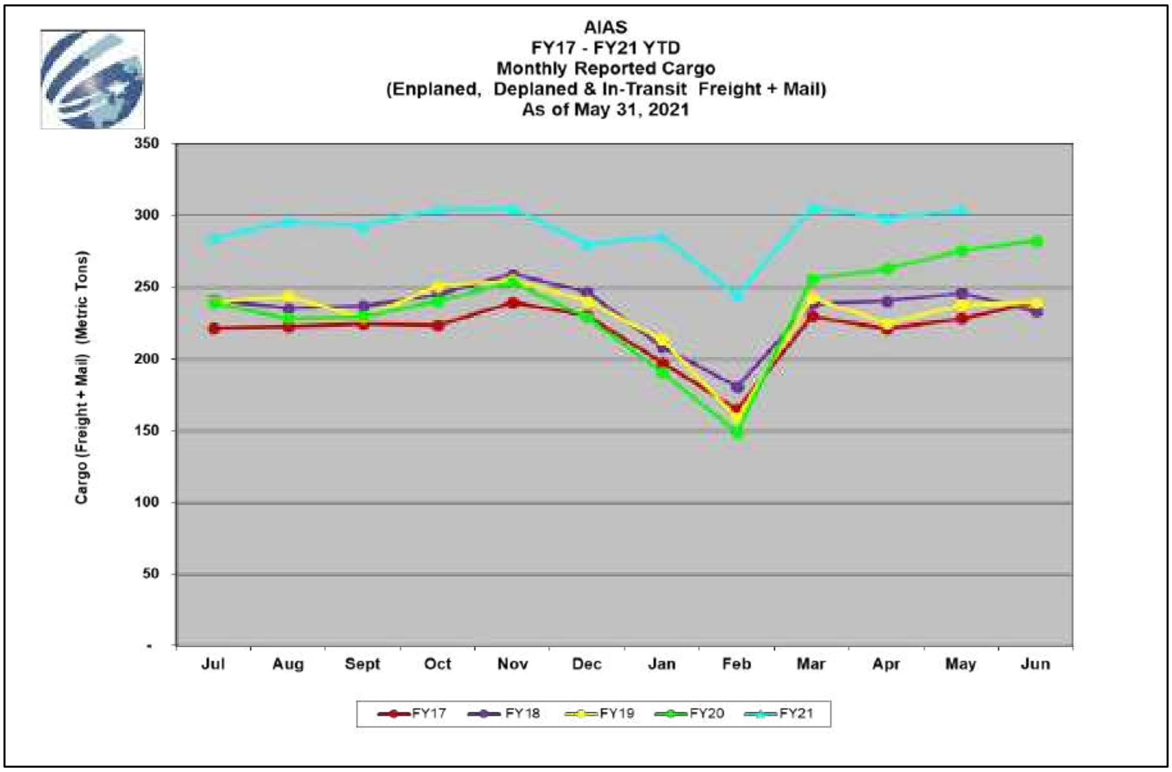
ANC by Airline:	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**
Alaska Airlines Inc	1,680,473	1,734,993	1,824,222	1,487,721	1,061,923
Delta Air Lines Inc	342,330	325,133	327,410	241,643	202,629
Corvus Airlines, Inc.	219,701	211,194	236,790	179,970	42,573
United Airlines Inc	142,939	142,163	141,562	115,766	52,376
ConocoPhillips Alaska Inc	105,150	94,951	96,870	44,350	31,784
Peninsula Airways Inc	85,853	84,491	37,155	-	-
American Airlines	42,393	43,197	44,333	34,355	18,874
Grant Aviation Inc	24,148	23,756	24,112	22,092	28,358
JetBlue Airways Corporation	33,615	25,538	21,613	15,156	-
Sun Country Airlines, Inc	3,564	18,628	29,122	22,323	11,348
All Other	45,731	37,639	41,276	34,418	2,187
Total ANC Enplaned Passengers	2,725,897	2,741,683	2,824,465	2,197,794	1,452,052
FAI by Airline:					
Alaska Airlines Inc	410,104	407,663	423,587	327,829	214,993
Delta Air Lines Inc	57,047	70,471	63,886	49,923	37,025
Wright Air Service, Inc	22,693	24,855	28,784	22,837	17,204
Corvus Airlines, Inc.	29,440	26,836	23,244	16,356	1,904
United Airlines Inc	9,686	9,582	15,291	18,024	1,160
Warbelow's Air Ventures, Inc	16,726	15,525	10,393	6,116	3,718
Air North Partnership Ltd	6,843	7,478	6,318	4,217	-
Hageland Aviation Services Inc	8,259	6,514	-	-	-
ConocoPhillips Alaska Inc	4,787	3,059	2,590	378	149
Tatonduk Outfitters Limited	1,872	1,615	2,126	2,041	2,430
All Other	5,413	2,651	4,165	3,091	338
Total FAI Enplaned Passengers	572,870	576,249	580,384	450,812	278,921
Total AIAS Enplaned Passenger	3,298,767	3,317,932	3,404,849	2,648,606	1,730,973

**** Top 10 airlines by airport based on airline 5-yr average; FY2021 values preliminary***

Source: Alaska International Airports System.

Cargo Movements.

The graph below represents the System's cargo movements (metric tonnes) from July 1, 2016, through May 31, 2021, which reflect both the timing and impact of the COVID-19 Pandemic on the System. The table below provides a monthly comparison of cargo movements for FY 2020 and FY 2021, again reflecting the impact of COVID-19 Pandemic on the System.



Source: Alaska International Airports System.

Alaska Int'l Airports System (ANC/FAI)
Monthly Cargo Handled (MT) - All Flights*

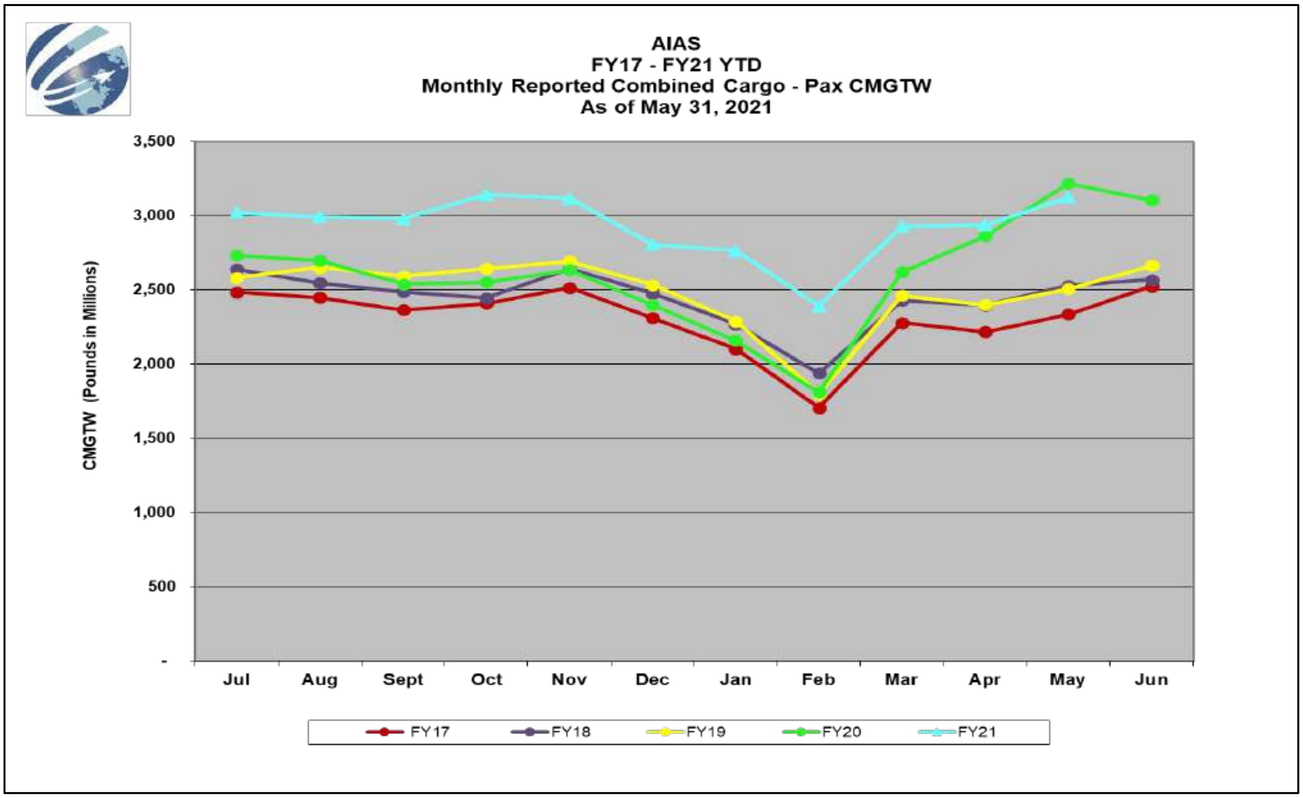
	Fiscal Year 2020	Fiscal Year 2021	
Calendar Year Month	Percentage Change From Fiscal Year 2019	Percentage Change From Fiscal Year 2020	Percentage Change From Fiscal Year 2019
July	-0.3%	18.9%	18.6%
August	-6.3%	29.6%	21.4%
September	0.4%	27.5%	28.0%
October	-4.1%	26.5%	21.3%
November	-0.7%	20.4%	19.5%
December	-4.7%	22.2%	16.4%
January	-10.7%	49.6%	33.6%
February	-6.4%	63.7%	53.2%
March	12.2%	12.4%	26.0%
April	15.3%	14.3%	31.8%
May	15.9%	10.2%	27.8%
June	17.9%	n/a	n/a
Annual Total	2.6%	n/a	n/a
July - May	1.2%	24.6%	26.1%

* Cargo and Passenger Airline Enplaned, Deplaned, and In Transit Freight (MT = Metric Tonnes)

Source: Alaska International Airports System.

Combined Passenger-Cargo (CMGTW).

The graph below represents System's combined cargo and passenger airline aircraft certified maximum gross take-off weight ("CMGTW") activity from July 1, 2016, through May 31, 2021, reflecting both the timing and impact of the COVID-19 Pandemic on the System. The table below provides a monthly comparison of CMGTW for FY 2020 and FY 2021, again reflecting the impact of COVID-19 Pandemic on the System.



Source: Alaska International Airports System.

Alaska Int'l Airports System (ANC/FAI)
Monthly Landed Weight* - All Cargo

	Fiscal Year 2020	Fiscal Year 2021	
Calendar Year Month	Percentage Change From Fiscal Year 2019	Percentage Change From Fiscal Year 2020	Percentage Change From Fiscal Year 2019
July	5.2%	32.3%	39.2%
August	1.6%	29.7%	31.8%
September	-2.7%	30.7%	27.2%
October	-2.9%	33.7%	29.8%
November	-1.9%	26.0%	23.6%
December	-6.7%	26.3%	17.9%
January	-7.0%	41.0%	31.1%
February	-1.2%	48.9%	47.0%
March	10.1%	15.9%	27.7%
April	35.5%	-3.7%	30.5%
May	48.9%	-10.4%	33.4%
June	38.8%	n/a	n/a
Annual Total	9.8%	n/a	n/a
July - May	7.2%	21.5%	30.2%

** CMGTW = Certified Maximum Takeoff Weight*

Source: Alaska International Airports System.

Alaska Int'l Airports System (ANC/FAI)
Monthly Landed Weight* - Passenger

	Fiscal Year 2020	Fiscal Year 2021	
Calendar Year Month	Percentage Change From Fiscal Year 2019	Percentage Change From Fiscal Year 2020	Percentage Change From Fiscal Year 2019
July	7.7%	-54.4%	-50.9%
August	2.2%	-49.4%	-48.3%
September	0.6%	-40.7%	-40.3%
October	-6.8%	-31.6%	-36.3%
November	-3.6%	-28.0%	-30.6%
December	2.3%	-33.1%	-31.5%
January	1.0%	-32.3%	-31.6%
February	9.1%	-33.5%	-27.4%
March	-13.4%	-15.7%	-27.0%
April	-63.1%	119.1%	-19.2%
May	-62.5%	129.9%	-13.7%
June	-57.7%	n/a	n/a
Annual Total	-15.9%	n/a	n/a
July - May	-10.7%	-26.2%	-34.1%

** CMGTW = Certified Maximum Takeoff Weight*

Source: Alaska International Airports System.

CMGTW is highly correlated to the System's airfield primary operating revenue streams – landing fees, fuel flowage fees, and aircraft parking fees. Notwithstanding the significant reduction in passenger airline aircraft movements due to COVID-19, the System experienced a significant increase in net combined cargo and passenger airline CMGTW beginning in April of 2020 due to an increase in global air cargo aircraft movements. The increase was due not only to increased air cargo movement of personal protective medical supplies caused by the COVID-19 Pandemic, but also to increased e-commerce activity, as well as from the dislocation of international trans-Pacific passenger airline aircraft "belly-hold" cargo capacity resulting from COVID-19 impact on international passenger movements. (A significant portion of trans-Pacific air cargo is conveyed in cargo holds of passenger airline flights, in addition to that conveyed by "freighter aircraft" employed by cargo airline operators, which constitutes the majority of AIAS cargo airline market.)

Operating Revenues.

The table below illustrates the impact of COVID-19 Pandemic on AIAS operating revenues through the first three quarters of FY 2021. While the impact of COVID-19 was minimal through the same period in FY 2020, passenger movements and related passenger airline and concession revenues declined substantively during the first nine months of FY 2021. However a surge in cargo airline activity during this period resulted in a significant increase to fuel flowage revenue, as well as landing fee revenue, notwithstanding the mid-year landing fee and terminal rental rate reductions that were effective January 1, 2021. The Pandemic induced reduction in revenues in the fourth quarter of FY 2020 was mitigated by recognition of FAA pandemic relief grant funds of $9.9 million and a substantial fourth quarter surge in cargo airline activity. The impact of the Pandemic in FY 2021 is anticipated to be offset by recognition of FAA pandemic relief grant funds estimated at $10.0 million, along with continued strong cargo activity and improving passenger related revenues in the fourth quarter of FY 2021.

AIAS
Summary of Operating Revenues & Expenses
(in thousands)

	Fiscal Years Ending June 30th					FY20 through March	FY21 through March
AIAS Operating Revenue	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**		
Landing Fees	$ 69,262	$ 70,584	$ 74,885	$ 62,964	$ 61,927	$ 43,752	$ 43,760
Fuel Flowage	18,180	18,972	19,969	19,644	20,968	14,526	17,717
Acft Parking & Other Airfield	6,123	6,460	6,709	6,976	5,951	4,323	4,684
Federal Inspection Services (FIS)	862	969	1,041	1,125	1,175	847	826
Terminal Rent	16,568	16,348	16,494	17,815	18,211	14,961	9,950
Land Rent	4,685	5,058	6,700	6,609	7,240	5,752	6,022
Concessions	14,272	14,456	14,873	16,256	13,817	12,956	4,908
Vehicle Parking Fees	9,244	9,082	9,234	9,303	7,503	7,053	3,644
Airline Bad Debt	(2,500)	-	(2,340)	-	(477)	-	-
Other	470	897	329	573	388	529	459
	$ 137,167	$ 142,826	$ 147,893	$ 141,264	$ 136,704	$ 104,700	$ 91,969
AIAS Operating Expense (excluding depreciation)							
Facilities	22,639	31,037	27,800	25,228	28,656	22,303	20,773
Field and equipment maintenanc	16,542	23,396	18,958	20,401	19,782	16,319	17,687
Safety	10,085	18,971	15,277	12,989	12,357	12,126	11,709
Administration	10,768	15,048	12,592	13,505	13,552	7,039	8,018
Operations	2,868	4,536	4,772	4,271	4,774	4,731	4,760
Environmental expenses	4,386	420	2,465	2,085	2,316	1,737	1,750
Vehicle parking and curbside serv	3,099	3,450	2,270	2,300	2,064	1,734	1,052
Risk management	1,047	1,076	1,026	1,280	1,515	1,255	1,071
	$ 71,434	$ 97,933	$ 85,159	$ 82,059	$ 85,015	$ 67,243	$ 66,820

**Source = AIAS records (FY21 data unaudited).*

Source: Alaska International Airports System.

General. The United States, states, local governments and governments of other countries have at times closed borders to non-essential travel and issued other travel restrictions and warnings, such as requiring travelers to self-isolate or quarantine for up to 14 days upon arrival, further depressing air travel demand. Government officials at the federal, state and local levels have asked people to take actions to slow the spread of COVID-19 including, among other things, avoiding discretionary travel and self-isolating for a period of time after travel. On January 12, 2021, the U.S. Centers for Disease Control and Prevention announced a requirement for pre-departure COVID-19 testing of passengers on flights to the United States from other countries. Some state and local governments have required people arriving from other states or regions in the U.S. either to have received a negative COVID-19 test and/or to quarantine. Various state and local governments have at times issued directives for people to avoid social gatherings and stay at home except to meet essential needs or to work to provide essential services ("stay-at-home directives") and have restricted the operation of certain types of businesses such as restaurants, hair salons and gyms. Although vaccines appear to have an impact on the frequency and severity of COVID-19 infections, it is unknown when the COVID-19 pandemic will be deemed fully under control and whether restrictions, variant resurgences, or other impacts on passenger travel will continue for the foreseeable future.

Actions taken by the System to maintain its operational capacities, support airline customers, System tenants, and the traveling public over the course of the COVID-19 Pandemic included implementing the Governor of Alaska's order waiving Airports concession rents for the month of March 2020, implementing an airline rates and fees payment deferral program for the months of April, May, and June of 2020, reducing airline airfield rates and fees effective January 1, 2021, directing $3.1 million of FAA CARES Act Pandemic relief funds in connection with the ANC Car Rental Facility. (See "THE ALASKA INTERNATIONAL AIRPORTS SYSTEM – ANC Rental Car Facility" herein.) The Airports both implemented limited expense reduction efforts, enhanced cleaning, health and safety procedures, and engaged with other State agencies to provide COVID-19 testing and vaccination programs at the Airports for System and airline employees and the traveling public as well. The System has not, however, waived (except by Governor's March 2020 emergency order) or forgiven rents or fees over the course of the Pandemic.

The COVID-19 Pandemic related decline in System passenger movements resulted in significant FY 2020 and FY 2021 revenue losses from reduced concession activity sales for terminal food and beverage, retail, vehicle parking, and rental car operations. Nearly all concession agreements have Minimum Annual Guarantee provisions triggered by pandemic induced declines in passenger movements. However most terminal and land rent revenue streams were not as significantly impacted. The increase in revenues from the increase in cargo operations experienced by the System during the COVID-19 Pandemic, along with significant pandemic relief provided by FAA pandemic relief airport grant programs have allowed the System to meet General Bond Resolution covenants and corresponding debt service obligations for FY 2020 and FY 2021.

The System has experienced and may continue to experience decreases in aviation and non-aviation revenues as a result of the COVID-19 Pandemic, which to date has been significantly offset by federal relief funding. Much of the System revenue depends on the level of aviation activity and passenger traffic at the Airports, and the ability of the System to derive revenues from operations depends upon the financial health of the airlines serving the Airports and the airline industries as a whole.

Federal Aviation Administration COVID-19 Pandemic Relief for Airports

In response to the impact of the COVID-19 Pandemic on airports in the United States, to-date the FAA has developed three grant programs for airports to apply for and receive funding assistance: the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), the Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSAA"), and the American Rescue Plan Act ("ARPA").

The CARES Act became law on March 27, 2020 and provides two types of funding for airports, consisting of direct aid for airports to reimburse amounts spent for any lawful airport purpose as well as an increase of the federal share of certain federal FY 2020 Airport Improvement Program ("AIP") grants to 100%. AIAS estimates the amount of relief afforded by the increase in the federal share of AIP grants to be valued at approximately $9 million.

The CRRSAA and ARPA, which became law on December 27, 2020 and March 11, 2021, respectively, provide additional FAA COVID-19 Pandemic relief to eligible airports, including federal funding for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at the airport, and debt service payments, as well as relief from rent and minimum annual guarantees to on-airport car rental, on-airport parking, and in-terminal airport concessions located at "primary" airports, including the Airports.

The System has executed grants with the FAA totaling approximately $103.8 million in available direct reimbursement for eligible expenses and has applied for, received, or anticipates applying for reimbursement of eligible expenditures as shown in the table below.

Estimated*
AIAS Pandemic Relief Sources/Uses
As of June 2021

	Available Relief Funds by Grant Program:	
	$33,133,289	CARES Act
	18,266,517	CRRSAA
	52,401,092	ARPA
	$103,800,898	Estimated Total Available Direct Expenditure Reimbursement*
	Uses to date:	
FY 2020	$(9,942,200)	Eligible Expenditure Reimbursement
FY 2021	(3,100,000)	ANC RAC CFC Rate Increase Mitigation
FY 2021	(10,000,000)	Eligible Expenditure Reimbursement
	$(23,042,200)	Total uses to-date
	Estimated additional anticipated uses:	
FY 2022	$(25,000,000)	AIAS Debt Service Reimbursement
FY 2022	(20,000,000)	Eligible Expenditure Reimbursement
FY 2023	(25,000,000)	Eligible Expenditure Reimbursement
FY 2024	(10,758,698)	Eligible Expenditure Reimbursement
	$(80,758,898)	
	$(103,800,898)	Total Actual and Anticipated Uses

* This schedule assumes AIAS will have ability to accept approximately $3.5 million of concessions relief available in total from CRRSAA and APRA program, however, the amount of eligible concession relief afforded may be less than full eligible amount.

Source: Alaska International Airports System

All airports receiving funds under the CARES Act were required to continue to employ, through December 31, 2020, at least 90 percent of the number of individuals employed (after making adjustments for retirements or voluntary employee separations) at the sponsored airports as of the date of enactment of the CARES Act. The FAA requires CARES Act grantees to submit quarterly reports of employment levels. The System has complied with maintaining the required employment levels and fulfilling the reporting obligations. Similar obligations were imposed under CRRSAA in which the same reporting requirements in effect under CARES were extended to February 15, 2021, for which AIAS was compliant. ARPA further extended the same obligations and reporting requirements through September 30, 2021.

Future legislation may be introduced in the United States Congress that would provide new and/or additional financial relief to individuals, businesses and organizations affected financially by the COVID-19 Pandemic and related restrictions on activity, including potential additional relief to airlines and airports. The Airport System cannot predict whether additional federal financial support will be made available to airports (including the Airports) or airlines in the future, under what conditions, or whether the System would accept any such available support.

Bankruptcy Filings

Over the last several years, there have been routine occurrences of AIAS airline or concessionaire bankruptcies (e.g., Ravn Air Group, Inc., Condor Flugdienst GmbH, and Hertz Global Holdings Inc., being most recent) with all having subsequently emerged from bankruptcy and not having had significant financial impact on AIAS.

ECONOMIC DEMAND FOR AIR SERVICE

ANC and FAI serve both the local traffic generated in the Anchorage and Fairbanks air trade areas, and the broader State-wide market where AIAS provides in-State origin and destination and global connections.

Anchorage Air Trade Area

The greater air trade area for ANC (the “ANC Air Trade Area” or “Anchorage Air Trade Area”) includes the areas immediately surrounding Anchorage as well as the entire State north of the far southeast “Panhandle” (which is served primarily by jet airports at Ketchikan, Juneau and Sitka, and overlapped by the air trade area of the Seattle-Tacoma International Airport). The primary region within the ANC Air Trade Area consists of the Municipality of Anchorage ("Anchorage") and the Matanuska-Susitna Borough ("Mat-Su Borough," and together with Anchorage, the "Anchorage Region"). ANC is the only airport in the Anchorage Region with scheduled air carrier service. Data from ANC Air Trade Area is used to represent ANC's entire service area (both immediate and greater).

Fairbanks Air Trade Area

The air trade area for FAI (the "FAI Air Trade Area" or "Fairbanks Air Trade Area") is the interior economic region of the State, primarily the Fairbanks North Star Borough ("Fairbanks Borough"), the Denali Borough, the Southeast Fairbanks Census Area and the Yukon-Koyukuk Census Area (collectively, the "Fairbanks Region"). FAI also serves as the major commercial airport for many of the smaller communities located in interior and northern parts of the State. The Fairbanks Borough lies in the Tanana Valley in the interior of the State at the northern terminus of the Alaska Highway and the Alaska Railroad. It is about 230 nautical miles by air (about 360 highway miles) northeast of Anchorage and 80 miles south of the Arctic Circle. Data from FAI Air Trade Area is used to represent FAI's entire service area (both immediate and greater).

AIR-TRADE AREA EMPLOYMENT

TABLE 1
EMPLOYMENT IN THE ANCHORAGE REGION BY SECTOR
CY 2019
(Percent)

INDUSTRY		
Services & Miscellaneous		44.5%
Educational & Health Services	17.5	
Leisure & Hospitality	11.8	
Professional & Business Services	11.6	
Other Services	3.6	
Government		18.1
Local	6.2	
State	6.5	
Federal	5.5	
Trade/Transportation/Utilities		21.7
Wholesale Trade	3.3	
Retail Trade	11.0	
Transportation/Warehouse/Public Utilities	7.4	
Construction		5.1
Finance/Information		7.3
Natural Resources & Mining		1.9
Manufacturing		1.4
TOTAL EMPLOYMENT		**100.0%**

Totals may not add due to rounding.
Source: Alaska Department of Labor and Workforce Development.

TABLE 2
EMPLOYMENT IN THE FAIRBANKS REGION BY SECTOR
CY 2019
(Percent)

INDUSTRY		
Services & Miscellaneous		36.4%
Educational & Health Services	14.5	
Leisure & Hospitality	12.0	
Professional & Business Services	7.2	
Other Services	2.7	
Government		27.5
Local	7.4	
State	11.9	
Federal	8.2	
Trade/Transportation/Utilities		20.4
Wholesale Trade	1.7	
Retail Trade	12.5	
Transportation/Warehouse/Public Utilities	6.2	
Construction		7.2
Finance/Information		4.3
Natural Resources & Mining		2.7
Manufacturing		1.5
TOTAL EMPLOYMENT		**100.0%**

Totals may not add due to rounding.
Source: Alaska Department of Labor and Workforce Development, Research and Analysis.

Population Trends

In July 2020, the estimated population of the Anchorage Region was 396,275, which accounted for approximately 54.4% of the State's estimated 728,903 residents.* The Anchorage Region is the leading trade, supply, banking and communications center of the State. Oil and gas extraction and oilfield services are a significant contributor to the Anchorage Region and Statewide payroll due to the relatively high wages per employee. Federal (including Joint Base Elmendorf-Richardson), State and local government are also significant employers in the Anchorage Region.

In July 2020, the estimated population of the Fairbanks Region was 110,946, which accounted for approximately 15.2 percent of the estimated State population. In 1968, oil and gas reserves were discovered on Alaska's North Slope, and the Fairbanks Borough became the staging, service and supply center for the construction of the $7 billion, 809-mile Alaska Pipeline completed in 1977. The discovery of oil and the construction of the transmission pipeline accelerated growth in nearly all sectors of the Fairbanks Borough's economy. No single project on a comparable scale has affected the Fairbanks Borough since the pipeline; however, since 1980, the Fairbanks Borough has experienced moderate growth in population, income and employment throughout the economy, specifically the construction, finance, services and trade industries. Military and defense establishments also constitute an important segment of the Fairbanks Borough's economy, as does the University of Alaska Fairbanks. Both Fort Wainwright and Eielson Air Force Base are located within the Fairbanks Borough.

Table 3 illustrates the historical population for the Anchorage Air Trade Area, the Fairbanks Air Trade Region, the State of Alaska and the United States.

* *Alaska Department of Labor and Workforce Development*

TABLE 3
SUMMARY OF HISTORICAL POPULATION
THE AIR TRADE AREA, THE STATE AND THE UNITED STATES(1)
CY 2016-2020

Year	Anchorage Air Trade Area(2)	Fairbanks Air Trade Area(3)	Total Area	State of Alaska	United States (millions)
2016	402,169	113,351	515,520	740,637	322.9
2017	402,783	112,166	514,949	738,920	325.0
2018	400,658	111,066	511,724	735,367	326.7
2019	399,269	110,067	509,336	732,734	328.2
2020	396,275	110,946	507,221	728,903	331.4

(1) Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and U.S. Census 2016-2019 with preliminary estimates for April 1, 2020.
(2) Anchorage Region population includes the Municipality of Anchorage and the Matanuska-Susitna Borough.
(3) Fairbanks Region includes the Fairbanks North Star Borough, Southeast Fairbanks Census Area, Denali Borough, and Yukon-Koyukuk Census Area.

Economic Overview of Alaska

The economic and demographic information provided below has been derived from State publications and services which the State considers to be reliable. Such information is accurate as of its date; however, no assurance can be given that such information has not changed since its date.

Income. In 2018 and 2019, Alaska had a median household income of $75,545 (ranking 9th) and $75,463 (ranking 13th) in the United States respectively.[2]

Employment. Alaska Department of Labor and Workforce Development data shows the June 2021 unemployment rate for the State was 6.6 percent, as compared to a national unemployment rate for the same period of approximately 6.1 percent. Historically, the State's unemployment rate has exceeded the national rate. The unemployment rate for the Anchorage Region and Fairbanks Region for June 2021 was 6.4 percent and 5.2 percent, respectively.[3]

Tourism. An estimated 2,213,000 out-of-State visitors traveled to Alaska between May and September 2019, a 9 percent increase over the prior summer season, the fifth consecutive summer of growth, and the largest single year growth in the last decade. Transportation market date for the summer of 2019 indicates the following modes of transportation by visitors: 60.2 percent traveled by cruise ship; 35.7 percent were air visitors (entered and exited the State by air); and 4.1 percent were highway / ferry visitors (entered or exited the state by highway or ferry).[4] The effects of COVID-19 have impacted tourism activity within the State and have largely diminished, and in some cases prohibited, certain modes of travel (for example, large cruise ships) to and from the State during calendar year 2020, and the nature of the impact is likely to evolve over the next several years. The scope and severity of COVID-19 travel restrictions vary throughout the United States and the world, and governmental authorities continue to adjust and revise these restrictions from time to time.

See, "APPENDIX F – Summary Information Regarding the Economy of the State" for additional information regarding the State of Alaska economy.

AVIATION ACTIVITIES AND ACTIVITY LEVELS

Anchorage Passenger Activity

Enplaned passenger activity at ANC has increased from approximately 2.4 million in FY 2011 to approximately 2.8 million in FY 2019, an average compound annual growth rate of approximately 2.0%. In FY 2020, attributable to the

[2] United States Census Bureau; Household Income: 2019 – American Community Survey Briefs, September 2020, ACSBR/20-03.
[3] Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Bureau of Labor Statistics not seasonally adjusted.
[4] McDowell Group, Alaska Visitor Volume Report Winter 2018-2019 and Summer 2019, prepared for the Alaska Travel Industry Association, June 2020.

COVID-19 pandemic, ANC experienced a decline of approximately 626,000 passenger enplanements, a reduction of approximately 26% from FY 2019.

Set forth on the following page are tables showing passenger activity levels for the fiscal years ended June 30, 2011 through 2020 for ANC. Total passengers include passenger enplanements, passenger deplanements and in-transit passengers.

TABLE 4
Anchorage International Airport
ANNUAL PASSENGER ACTIVITY
(Thousands)

Fiscal Year	Passenger Enplanements	Passenger Deplanements	In-Transit	Total*
2011	2,456	2,463	164	5,083
2012	2,493	2,483	91	5,067
2013	2,469	2,446	44	4,959
2014	2,547	2,539	33	5,119
2015	2,668	2,654	42	5,364
2016	2,775	2,764	19	5,558
2017	2,726	2,725	27	5,479
2018	2,742	2,732	25	5,499
2019	2,824	2,820	49	5,693
2020	2,198	2,177	37	4,412

*Totals may not add due to rounding.
Source: Ted Stevens Anchorage International Airport Certified Activity Reports Fiscal Years - July 1 - June 30.

TABLE 5
Anchorage International Airport
ANNUAL PASSENGER ENPLANEMENTS
(Thousands)

Fiscal Year	Domestic Enplanements	International Enplanements	Total*
2011	2,436	20	2,456
2012	2,461	32	2,493
2013	2,435	34	2,469
2014	2,513	34	2,547
2015	2,633	35	2,668
2016	2,742	33	2,775
2017	2,691	35	2,726
2018	2,705	37	2,742
2019	2,785	40	2,825
2020	2,169	29	2,198

* Totals may not add due to rounding.
Source: Ted Stevens Anchorage International Airport Certified Activity Reports Fiscal Years - July 1 - June 30.

Passenger Enplanements and Origin and Destination Traffic. A large percentage of domestic passengers using ANC are either beginning or ending their trips at ANC, and nearly all of them are necessarily beginning and/or ending their journey within the ANC Air Trade Area. This type of passenger activity is commonly referred to as origin and destination ("O&D") passenger traffic. When last studied by an outside consultant in FY 2005, it was estimated that approximately 67.2% of total scheduled domestic enplanements at ANC would technically be considered traditional O&D. System management believes the 2005 estimate of traffic at ANC, within the traditional definition of O&D, remains reasonable because there have been no major changes in traffic patterns over the intervening period, notwithstanding the recent global disruption from COVID-19 pandemic. Virtually all AIAS deplanements are essentially O&D, as no alternative hubs exist to reach the vast majority of other Alaskan, excluding southeast Alaska.

Connecting traffic in the System has a different character from the connecting traffic at typical hub airports in the "Lower 48 States." Connecting traffic at a typical hub airport uses the hub to connect multiple communities that are mostly, if not all, beyond the hub airport's air trade area. Such flights could, in theory, be shifted to use some other airport as a hub by rerouting traffic. ANC, on the other hand, is the only airport in the State available to connect flights both between the many much smaller communities within the majority of the State and to flights to the Lower 48 states and international destinations. These communities are highly reliant on air travel due to the State's vast expanse and limited road system, but far too small to support direct service to anywhere but Anchorage.

ANC serves as the primary in-State air center. Domestic traffic connecting through ANC originates in, or is destined for, the ANC Air Trade Area, within which there is no other airport currently capable of serving as that connecting point. ANC's connecting passengers are for all practical purposes O&D-equivalents. Additionally, ANC's status as the hub for the ANC Air Trade Area is based entirely on geography; ANC is the only large commercial and population center within a radius of over 1,300 miles.

Prior to the COVID-19 pandemic, most ANC passenger enplanements have been domestic and most seasonal scheduled international passenger service being provided by airlines such as Air Canada, Icelandair, Condor Flugdienst GmbH, and seasonal charter service provided by carriers including Korean Airlines, Japan Airlines, and Air North Partnership.

ANC Top Five Non-Stop Destinations. According to USDOT T100 Segment Data, in CY 2019, the top five (5) direct service passenger destinations for ANC were (1) Seattle, Washington, (2) Fairbanks, Alaska, (3) Minneapolis, Minnesota, (4) Juneau, Alaska, and (5) Portland, Oregon.

ANC Top Ten Passenger Airlines. The list below sets forth the top ten (10) ANC passenger airlines by number of their ANC passenger enplanements for CY 2019 and CY 2020, with CY 2020 data highlighting the impact of the COVID-19 Pandemic on ANC Passenger movements.

TABLE 6
Anchorage International Airport
TOP TEN PASSENGER AIRLINES
(CY 2019 with CY 2020 Comparative Enplanements)

	CY 2019	CY 2020
Alaska Airlines Inc. (Includes Horizon)	1,872,412	900,126
Delta Air Lines Inc.	321,141	127,138
Corvus Airlines Inc.	266,957	46,466
United Air Lines Inc.	155,684	36,053
Conoco Phillips Alaska, Inc. (Includes Non-Scheduled)	80,913	27,489
American Airlines Inc.	49,014	-
Sun Country Airlines Inc.	29,870	7,836
Grant Aviation (Includes Non-Scheduled)	24,696	24,827
Air Canada	24,595	-
JetBlue Airways Corporation	20,103	-
	2,845,385	1,169,935

Source: Anchorage International Airport Certified Activity Reports Fiscal Years - July 1 - June 30.

Fairbanks Passenger Activity

According to System data, the number of enplaned passengers at FAI in FY 2019 and FY 2020 were 577,961 and 450,812, respectively. From FY 2011 to FY 2019, total enplanements grew from approximately 471,000 to 580,000, at an average annual compound growth rate of approximately 2.6%. In FY 2020, attributable to the COVID-19 Pandemic, FAI experienced a decline of approximately 124,000 passenger enplanements, a reduction of approximately 22% from FY 2019.

Set forth below are tables showing passenger activity levels for FY 2010 through FY 2020 at FAI. Total passengers include passenger enplanements, passenger deplanements and in-transit passengers.

TABLE 7
Fairbanks International Airport
ANNUAL PASSENGER ACTIVITY
(Thousands)

Fiscal Year	Enplanements	Deplanements	In-Transit	Total*
2011	471	477	57	1,005
2012	468	473	60	1,001
2013	479	481	63	1,023
2014	497	492	72	1,061
2015	510	513	49	1,072
2016	547	548	24	1,119
2017	573	576	23	1,172
2018	576	580	24	1,180
2019	580	588	24	1,192
2020	451	449	1	901

* Totals may not add due to rounding.
Source: Fairbanks International Airport Certified Activity Reports Fiscal Years - July 1 - June 30.

TABLE 8
Fairbanks International Airport
ANNUAL PASSENGER ENPLANEMENTS
(Thousands)

Fiscal Year	Domestic	International	Total*
2011	465	6	471
2012	462	6	468
2013	472	7	479
2014	486	11	497
2015	498	12	510
2016	540	7	547
2017	563	10	573
2018	566	10	576
2019	572	8	580
2020	446	5	451

* Totals may not add due to rounding.
Source: Fairbanks International Airport Certified Activity Reports Fiscal Years - July 1 - June 30.

FAI Top Five Non-Stop Destinations. According to USDOT T100 Segment Data, in CY 2019, the top five (5) direct (non-stop) passenger destinations for FAI were (1) Anchorage, Alaska, (2) Seattle, Washington, (3) Deadhorse, Alaska, (4) Minneapolis, Minnesota, and (5) Barrow, Alaska.

FAI Top Ten Passenger Airlines. Table 9 below sets forth the top ten (10) FAI passenger airlines, respective passenger enplanements, for CY 2019, with comparative CY 2020 data highlighting the impact of the COVID-9 Pandemic on FAI passenger movements.

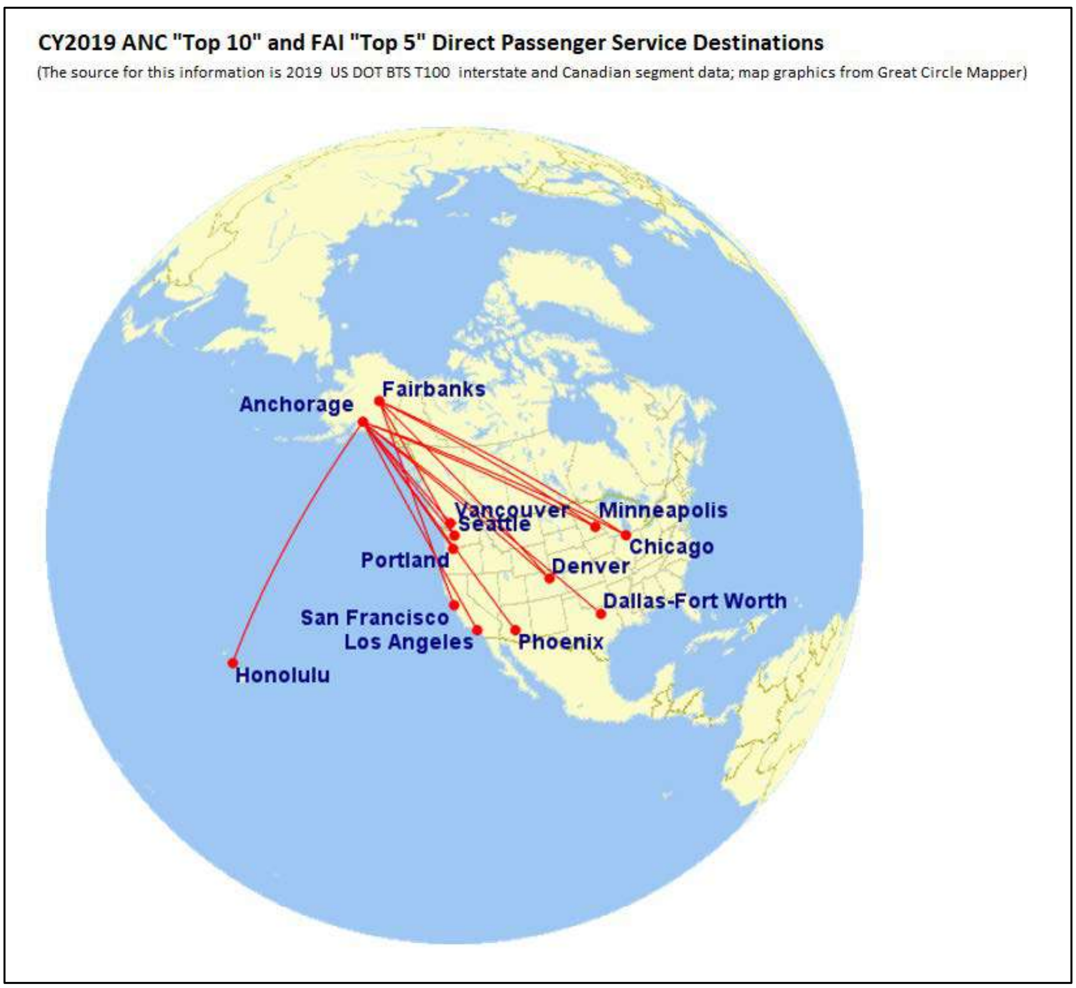
TABLE 9
Fairbanks International Airport
TOP TEN PASSENGER AIRLINES
(CY 2019 with CY 2020 Comparative Enplanements)

	CY 2019	CY 2020
Alaska Airlines Inc. (Includes Horizon)	425,100	194,128
Delta Air Lines Inc.	61,243	21,505
Wright Air Service (Includes Non-Scheduled)	29,524	14,170
United Air Lines Inc.	22,545	-
Corvus Airlines Inc.	8,810	4,695
Warbelow's Air Ventures Inc.	6,083	2,694
Air North Partnership Ltd.	2,391	-
Tatonduk Outfitters Limited	2,316	1,741
Conoco Phillips Alaska Inc. (Includes Non-Scheduled)	1,621	55
Condor Flugdienst GmbH	1,172	-
Total	585,039	293,793

Source: Fairbanks International Airport Certified Activity Reports Fiscal Years – July 1 – June 30.

System Passenger Service.

The map below shows CY 2019 direct (non-stop) scheduled domestic passenger service and charter international passenger service from and to ANC and FAI.



Anchorage Cargo Activity

The primary advantage ANC offers international air cargo carriers remains the increased revenue yield per flight available from the added payload that trans-Pacific flights via ANC can carry. Midpoint refueling at ANC minimizes what is commonly referred to in the industry as a "payload penalty," or the reduction of cargo capacity due to the greater weight of fuel needed to overfly a midpoint refueling stop such as ANC. A second advantage is the low cost to the carrier to use ANC as compared with many other airports, due in part to airlines' ability to break cargo flights into shorter segments so that one crew alone can fly each segment. A third advantage is the opportunity to increase aircraft utilization and route efficiency by balancing payloads between aircraft arriving from and departing to multiple points. A fourth advantage is that carriers are able to use transfers to combine loads and reach more markets without adding aircraft.

The average number of all-cargo aircraft landings at ANC increased from approximately 805 per week in FY 2019 to approximately 870 in FY 2020. During that same period, annual all-cargo certificated maximum gross takeoff weight at ANC (measured in 1,000 lb. units) increased from 24,202,128 to 26,557,174, an increase of 9.7%. This increase has been driven by both increased global e-commerce as well as cargo traffic levels that are closely correlated with global economic conditions, including increases in COVID-19 pandemic supplies such as PPE in the last three months of FY 2020.

International Cargo Traffic. The list of international cargo operators at ANC in Table 14 reflects ANC's proximity to Asia and other parts of North America. ANC is listed as the second-ranked air cargo airport in North America, as reported in ACI-NA preliminary 2020 Top 50 International Airports (by landed weight). Over 40 Asian and North American cities are now linked by direct cargo flights to and from ANC.

Federal Legislation. Beginning in 1996, the U.S. Department of Transportation provided foreign air carriers expanded air cargo transfer authority, including change of gauge operations (e.g., change of plane size), when transiting System airports. Federal law was amended more significantly as part of the FAA Reauthorization Bill enacted on December 12, 2003 to grant foreign air cargo carriers operating via the State liberalized authority to transfer cargo to other foreign carriers to complete the international journey to or from the United States. The law allows the carriage of international origin and destination cargo on a foreign air carrier between Alaska and other points in the United States, even before or after a transfer in Alaska from a different foreign carrier, in the course of continuing international transportation involving a qualifying arrangement with a U.S. domestic air carrier. This legislation represents a large expansion of air service rights via ANC and FAI for foreign air carriers, which operate much of the trans-Pacific wide-body air freighter fleet, over rights available at any other U.S. airport.

In August of 2020, the U.S. Department of Transportation extended the existing liberalized cargo transfer rights to also apply to passenger service using AIAS airports. Foreign air carriers will now have the ability to transfer passengers among their own aircraft, change of gauge, co-terminalize foreign and domestic passengers, and transfer passenger between international destinations.

Air Cargo Facilities. There are approximately 265 acres dedicated to air cargo facilities at ANC. These areas include over one million square feet of buildings, 471,000 square yards of apron and 37 acres of auto parking and landside support. These facilities are located in each of the three principal development areas of the airport, the North Airpark, East Airpark and South Airpark. ANC also has several million square feet of vacant land well-located for future cargo development.

TABLE 10
Anchorage International Airport
ANNUAL ALL-CARGO AIRCRAFT LANDINGS

Fiscal Year	Domestic	International	Total
2011	21,852	20,145	41,997
2012	20,486	17,424	37,910
2013	19,270	16,788	36,058
2014	18,795	16,271	35,066
2015	19,894	17,373	37,267
2016	19,608	17,896	37,504
2017	24,590	14,223	38,813
2018	26,950	14,317	41,267
2019	28,154	13,745	41,899
2020	31,264	13,988	45,252

Source: Ted Stevens Anchorage International Airport Certified Activity Reports Fiscal Years - July 1 - June 30.

TABLE 11
Anchorage International Airport
ANNUAL ALL-CARGO AIRCRAFT CERTIFICATED
MAXIMUM GROSS TAKEOFF WEIGHT
(Millions of pounds)

Fiscal Year	Domestic	International	Total
2011	8,213	17,002	25,215
2012	7,519	15,011	22,530
2013	6,661	14,786	21,447
2014	6,057	14,603	20,660
2015	6,235	15,736	21,971
2016	5,517	16,246	21,763
2017	9,390	12,888	22,278
2018	11,012	12,897	23,909
2019	12,599	11,603	24,202
2020	14,056	12,501	26,557

Source: Ted Stevens Anchorage International Airport Certified Activity Reports Fiscal Years - July 1 - June 30.

Fairbanks Cargo Activity

Although FAI is not currently used as a refueling stop for regularly scheduled intercontinental air cargo freighters, it is an important alternate for any necessary diversion from ANC by such aircraft. Further, both expanded cargo transfer authority and passenger service authority for foreign air carriers are extended to FAI. See, “ECONOMIC DEMAND FOR AIR SERVICE – Anchorage Cargo Activity – Federal Legislation” herein.

Fairbanks Infrastructure. FAI’s main air carrier runway (2L/20R) is 11,800 feet, equipped with full instrument landing system, precision approach facilities and equipment, and was fully rehabilitated and resurfaced in 2011. This enables the wide-body freighter fleets of transpacific and transatlantic cargo carriers to operate year-round and to minimize payload penalty. The FAI has also expanded the smaller east ramp paved general aviation runway from 3,200 feet long and 60 feet wide to 4,500 feet long and 100 feet wide. This was done to accommodate Design Group II aircraft (aircraft with a wingspan between 49-79 feet) that operate from the east ramp but previously taxied across the airfield to use the main air carrier runway. These types of aircraft include the Beechcraft 1900 and are used predominately in serving rural Alaska. Not only does the expanded general aviation runway reduce taxi time and costs, it also reduces exposure to hazardous runway crossings and increases the capacity of the main air carrier runway for larger aircraft.

Domestic Cargo Activity. Domestic cargo activity – interstate and intrastate service – is essential to the State’s entire population. FAI serves as the cargo hub for interior Alaska and much of the North Slope. Lack of surface infrastructure or surface transportation alternatives and distances between in-State destinations continue as primary drivers of activity.

International Cargo Traffic. Although FAI is not currently served on a regular basis by non-stop cargo flights to and from Asia, FAI has received exemption authority under the federal legislation (discussed above) granting expanded cargo transfer authorities for foreign carriers transiting the State to perform interline transfers of cargo en route between the lower 48 states and international origins or destinations under certain conditions. See, "AVIATION ACTIVITIES AND ACTIVITY LEVELS – Anchorage Cargo Activity – *International Cargo Traffic*."

TABLE 12
Fairbanks International Airport
ANNUAL ALL-CARGO AIRCRAFT LANDINGS

Fiscal Year	Domestic	International	Total
2011	4,531	72	4,603
2012	4,434	7	4,441
2013	2,219	16	2,235
2014	2,487	19	2,506
2015	2,564	4	2,568
2016	2,320	2	2,322
2017	2,473	4	2,477
2018	2,644	15	2,659
2019	2,547	2	2,549
2020	2,313	2	2,315

Source: Fairbanks International Airport Certified Activity Reports Fiscal Years - July 1 - June 30.

TABLE 13
Fairbanks International Airport
ANNUAL ALL-CARGO AIRCRAFT CERTIFICATED
MAXIMUM GROSS TAKEOFF WEIGHT
(Thousands of pounds)

Fiscal Year	Domestic	International	Total
2011	156	59	215
2012	132	6	138
2013	129	14	143
2014	126	17	143
2015	137	3	140
2016	116	2	118
2017	126	4	130
2018	120	12	132
2019	107	3	110
2020	85	2	87

Source: Fairbanks International Airport Certified Activity Reports Fiscal Years - July 1 - June 30.

Airline Service

The following tables list the air carriers reporting passengers and/or cargo movements at the Airports through FY 2019, most of which have continued ore resumed service through FY 2021, with the primary exception of passenger airless providing international passenger service.

TABLE 14
Anchorage International Airport
COMMERCIAL AIR CARRIERS(*)
As of June 30, 2019 (Some service is seasonal)

Scheduled Domestic Passenger Service

Alaska Airlines, Inc.	**Delta Air Lines, Inc.**
Alaska Central Express, Inc.	Grant Aviation, Inc.
American Airlines, Inc. (Seasonal)	**Sun Country Airlines (Seasonal)**
Corvus Airlines, Inc.	**United Airlines, Inc. (Seasonal)**
Grant Aviation, Inc.	

Scheduled International Passenger Service

Air Canada (Seasonal)	Icelandair (Seasonal)
Condor Flugdienst, GmbH (Seasonal)	

Non-Scheduled Passenger Service

Alascom	
Atlas Air, Inc.	Iliamna Air Taxi, Inc.
GCI Communications, Inc.	**National Air Cargo Group, Inc.**
ConocoPhillips Alaska, Inc./BP Exploration (Alaska) Inc.	Omni Air International
Dena'ina Air Tax, LLC	Security Aviation, Inc.
Guardian Flight, Inc.	

All-Cargo Operators

Air China Cargo Company Ltd	**Kalitta Air, LLC**
Air Transport International	**Korean Air Lines Co., Ltd.**
Airbridge Cargo Airlines, LLC	**Lynden Air Cargo, LLC**
Alaska Airlines, Inc.	**National Air Cargo Group, Inc.**
Alaska Central Express, Inc.	**Nippon Cargo Airlines**
All Nippon Airways Co. Ltd	**Northern Air Cargo, Inc.**
Asiana Airlines, Inc.	**Polar Air Cargo Worldwide, Inc.**
Atlas Air, Inc.	Qantas Airways, Ltd.
Cargolux Airlines International S.A.	**Singapore Airlines Cargo PTE, Ltd.**
Cathay Pacific Airways, Ltd.	**Sky Lease I, Inc.**
China Airlines, Ltd.	Southern Air, Inc.
China Cargo Airlines, Inc.	**Sun Country Airlines, Inc.**
China Southern Airlines Co. Ltd.	**Suparna Airlines Co., Ltd.**
Corvus Airlines, Inc.	**Tatonduk Outfitters, Ltd.**
Desert Air Transport, Inc.	Transnorthern Aviation, LLC
Empire Airlines, Inc.	**United Parcel Service**
Eva Airways Corporation	Volga-Dnepr Cargo Airline
Federal Express Corporation	**Western Global Airlines**

(*) Bold type indicates Airline is signatory to the current AIAS Passenger Terminal Lease and Operating Agreement, see discussion of Operating Agreement below.
Source: Alaska International Airports System Management Records and the Official Airline Guide.

TABLE 15
Fairbanks International Airport
COMMERCIAL AIR CARRIERS(*)
As of June 30, 2019 (Some service is seasonal)

Scheduled Domestic Passenger Service

40 Mile Air Ltd.	**Tatonduk Outfitters, Ltd.**
Alaska Airlines, Inc.	**United Airlines, Inc. (Seasonal)**
Corvus Airlines, Inc.	Warbelow's Air Ventures, Inc.
Delta Air Lines, Inc.	Wright Air Service, Inc.
Sun Country Airlines, Inc. (Seasonal)	

Scheduled International Passenger Service

Condor Thomas Cook

Non-Scheduled Passenger Service

Air North Partnership	Guardian Flight, Inc.
ConocoPhillips Alaska, Inc./BP Exploration (Alaska) Inc.	Life Med

All-Cargo Operators

Alaska Airlines, Inc.	**Lynden Air Cargo, LLC**
Alaska Central Express, Inc.	**Tatonduk Outfitters, Ltd.**
Corvus Airlines, Inc.	Transnorthern Aviation, LLC
Empire Airlines, Inc.	Wright Air Service, Inc.
Everts Air Fuel, Inc.	

(*) Bold type indicates Airline is signatory to the current AIAS Passenger Terminal Lease and Operating Agreement, see discussion of Operating Agreement below.
Source: Alaska International Airports System Management Records and the Official Airline Guide.

SYSTEM OPERATING AGREEMENT, REVENUES AND EXPENSES

General

The Department, owner and operator of the System and its Airports, ANC and FAI, is party to an airline operating agreement (the "Operating Agreement") with certain airlines serving the Airports (the "Signatory Airlines"). The Operating Agreement, at many airports is referred to as a "use and lease agreement," that covers facility rental and the setting of landing fee rates and other charges as well as establishing the capital improvement program process by agreement with the Signatory Airlines. A separate original of the Operating Agreement document is executed between the Department and each of the Signatory Airlines. In nearly every case, the Operating Agreement executed with the passenger-carrying airlines, and in some cases the Operating Agreement with cargo airlines, also includes provisions for leasing space in the ANC domestic or international terminal and/or the FAI terminal. Otherwise, each Operating Agreement, covering both ANC and FAI, contains terms and conditions that are substantially identical.

Airline Operating Agreement

The Operating Agreement contains provisions that govern the rights and obligations of the parties. The Operating Agreement spells out, for example, the methodology described in "SYSTEM FINANCIAL OPERATIONS – System Operating Revenue" for annually setting terminal rents and landing fees, and re-adjusting fees mid-year and as needed to meet total annual revenue requirements. Expense and revenue factors in the landing fee calculation achieve the overall residual cost coverage plan established in the Operating Agreement.

Among other things, the Operating Agreement grants the Signatory Airlines certain operating rights at ANC and FAI. In the case of passenger-carrying Signatory Airlines, the lease portions of the Operating Agreement convey some exclusive leasehold interests for administrative offices and airline club facilities located in the terminal areas, but ticket counters, boarding gate holdrooms and baggage make-up premises are either preferentially leased to an airline or may be made available to airlines on a per-use basis at airport administered boarding gates and ticket counters. The Operating Agreement provides for a common leasehold interest to baggage claim areas.

Aircraft parking areas on the apron adjacent to preferentially leased holdrooms (gate area) are subject to a preferential use privilege. ANC and FAI may authorize the subordinate use of a Signatory Airline's terminal facilities and aircraft parking positions including, under certain circumstances, both exclusive and preferential space, by another air carrier when the Signatory Airline has no activity scheduled, provided that reasonable and appropriate arrangements for compensation have either been agreed to between the airlines involved or are imposed by the Airport. The Operating Agreement sets forth specific procedures under which the Airports can require Signatory Airlines to accommodate new entrants or expanding incumbent airlines.

The Operating Agreement also provides for application of System revenues consistent with the General Bond Resolution, regular certified activity reporting by the Signatory Airlines, and prohibition of relinquishment, assignment or sublease of Signatory Airline interests without the written consent of the Airport Director or Manager.

The Operating Agreement is a residual cost based agreement and is subordinate to the General Bond Resolution.[5] The minimum required number of annual landings for Signatory Airlines eligibility under the Operating Agreement is 156 landings per year with the exception of international passenger flights which is 50 landings per year. There is established under the Operating Agreement a 25% premium for Non-Signatory Landing Fee and Airport Administered month-to-month rental of terminal space by any tenant and a four cent Non-Signatory Fuel Flowage Surcharge Fee premium. The structure of Airport Administered Premises charges for use of gates, ticket counters and associated bag make-up is primarily on a per-turn or per-use basis.

A Vehicle Parking Position rent has been established for tenant airside vehicle parking adjacent to the System terminals. The Common Use Premises is a shared-use basis only. The Operating Agreement contains certain provisions to better correlate certain cost center revenues with the related cost center expenses. Federal Inspection Services Fees are established for the first year of the Operating Agreement with a specified schedule of annual increases through the term on the Operating Agreement. Airport Administered Fees increases are capped such that in no case will the annual percentage increase for those rates exceed an amount that is greater than the annual percentage change in the terminal rental rate plus 5%.

The Operating Agreement completes a 15-year transition, begun in 2009, to make the terminal rental rates more commensurate with the total costs to operate the terminals and to pay the debt service associated with financing of past or future terminal development. Environmental language is included in the Operating Agreement to protect the System and the Airlines in the event of an environmental issue.

The definition of a majority for capital project voting is a double barrel majority requiring both 50% of the count of Signatory Airlines and 50% of the revenue from Signatory Airlines in order to disapprove a ballot project (an absent vote is not considered a "yes" vote). A Mega Project (total cost of over $500,000,000 or rate based funds of over $100,000,000) approval process is included in the Operating Agreement whereby affirmative approval is required on the defined airline majority requirement. The Operating Agreement provides information sharing and communication protocols to promote a better understanding of the justifications and to provide an informal mechanism for input to shape approaches prior to the formal capital project approval process.

Due to the COVID-19 Pandemic, certain requirements of the Operating Agreement were temporarily suspended due to Force Majeure contract provisions, primarily related to minimum gate utilization and minimum number of required annual landings.

Copies of the master form of the Operating Agreement are available at http://dot.alaska.gov/aias/op_agreements.shtml.[*]

System Operating Revenue

The following paragraphs describe the sources of revenue generated within the System as reported in the System's audited financial statements for the fiscal years ended on June 30, 2019, and 2020.

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[5] The term of the Operating Agreement is July 1, 2013 through June 30, 2023. The System anticipates discussions regarding a new operating agreement to commence in the fall of 2021.
[*] The reference to the Department's website is not a hyperlink and the Department's website, by this reference, is not incorporated herein.

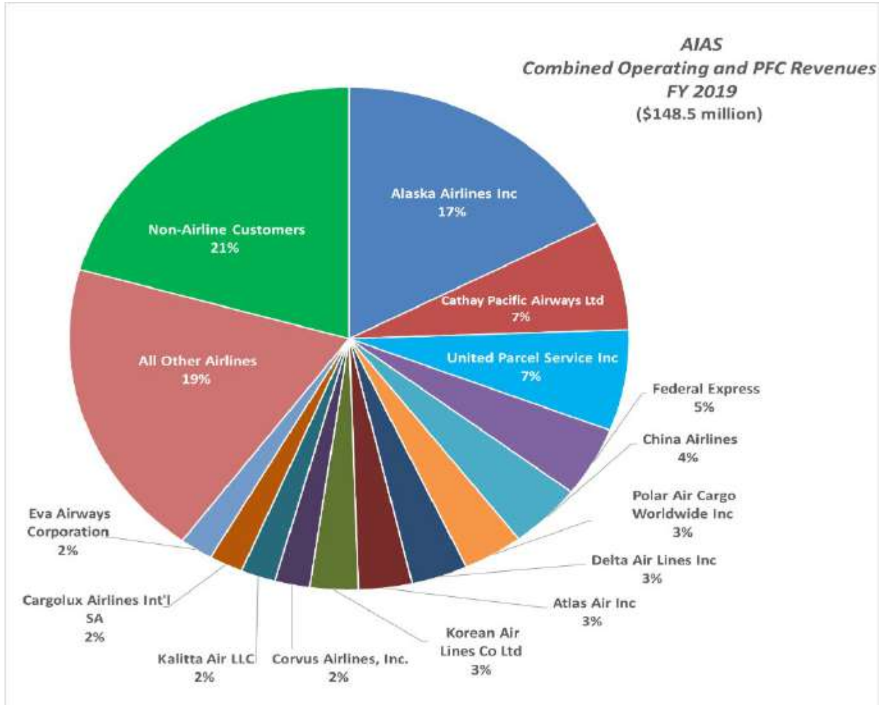
Airline Operations - Total revenue from airlines (operating revenue plus passenger facility charges) was approximately $117.4 million in FY 2019 and $115.7 million in FY 2020.

AIAS
Passenger Facility Charges (PFC) and Operating Revenues
(in millions)

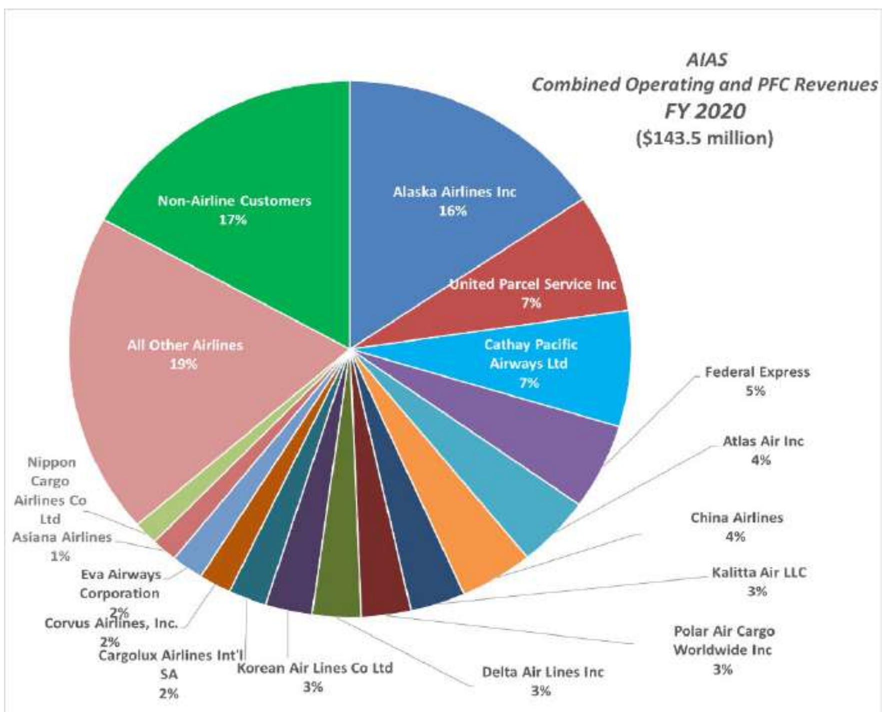
	FY2019	FY2020
Airline Operating Revenue	$ 110.2	$ 108.9
Non-Airline Operating Revenue	31.1	27.8
Total Operating Revenue	$ 141.3	$ 136.7
Airline and PFC Revenue	$ 117.4	$ 115.7
Less: PFC Revenue	(7.2)	(6.8)
Airline Operating Revenue	$ 110.2	$ 108.9
Total Operating Revenue	$ 141.3	$ 136.7
PFC Revenue	7.2	6.8
Combined Operating and PFC Revenue	$ 148.5	$ 143.5

Source: Alaska International Airports System.

The System generates a major part of its revenue from two principal fees paid by the airlines serving the Airports: landing fees and fuel flowage fees. These fees are established System-wide and are applied uniformly to the Airports with minor exceptions. Operating revenues in FY 2019 and FY 2020 totaled $141.3 million and $136.7 million respectively, of which approximately 22% ($31.1 million) in FY 2019, and 20% ($27.8 million) in FY 2020 were from non-airline sources. Of the FY 2019 and FY 2020 operating revenues from airlines, approximately 30% ($33.0 million) and 28% ($30.1 million) were from passenger airlines, while 70% ($77.1 million) and 72% ($78.8 million) were from international and domestic flagged cargo airlines, respectively.



Source: Alaska International Airports System.



Source: Alaska International Airports System.

Alaska International Airports System (Ted Stevens Anchorage & Fairbanks International Airports)
Passenger and Cargo Airline Revenue Summary
Fiscal Years 2016 - 2020

	*Airline Rev ($1,000's)**					*Pax Airline Revenue ($1,000's)*					*Cargo Airline Revenue ($1,000's)*				
Airline	FY16	FY17	FY18	FY19	FY20	FY16	FY17	FY18	FY19	FY20	FY16	FY17	FY18	FY19	FY20
Alaska Airlines Inc	23,163	24,323	25,622	25,780	22,302	22,768	23,850	24,325	23,967	20,549	395	473	1,296	1,813	1,753
United Parcel Service Inc	10,160	11,014	11,395	9,660	10,263	-	-	-	1	-	10,160	11,014	11,395	9,659	10,263
Cathay Pacific Airways Ltd	11,568	11,680	12,212	10,495	10,010	7	-	7	33	0	11,561	11,680	12,204	10,461	10,009
Federal Express	5,929	6,945	7,523	6,679	7,432	1	-	1	2	1	5,929	6,945	7,522	6,677	7,431
Atlas Air Inc	2,443	3,841	4,793	4,594	6,164	123	150	143	177	175	2,320	3,691	4,650	4,416	5,990
China Airlines	6,828	6,853	7,279	6,267	6,033	17	23	15	0	-	6,812	6,830	7,265	6,267	6,033
Kalitta Air LLC	875	1,156	2,791	2,969	4,541	-	-	-	-	-	875	1,156	2,791	2,969	4,541
Polar Air Cargo Worldwide Inc	5,421	5,579	5,967	5,154	4,094	-	-	-	-	-	5,421	5,579	5,967	5,154	4,094
Delta Air Lines Inc	4,889	4,881	4,967	4,833	4,017	4,889	4,881	4,967	4,833	4,017	-	-	-	-	-
Korean Air Lines Co Ltd	6,731	5,761	4,893	4,143	3,869	27	10	21	24	1	6,704	5,752	4,872	4,119	3,869
Cargolux Airlines Int'l SA	2,311	2,594	3,103	2,905	3,139	-	-	-	-	-	2,311	2,594	3,103	2,905	3,139
Corvus Airlines, Inc.	2,717	3,039	2,836	2,988	2,664	2,717	3,039	2,822	2,869	2,591	-	-	14	120	73
Eva Airways Corporation	4,609	4,083	3,627	2,857	2,655	2	2	4	8	0	4,608	4,082	3,623	2,849	2,655
Asiana Airlines	3,010	2,888	2,587	2,297	2,140	7	0	5	0	0	3,003	2,888	2,583	2,297	2,140
Nippon Cargo Airlines Co Ltd	3,692	3,552	3,208	1,185	2,011	-	-	-	-	-	3,692	3,552	3,208	1,185	2,011
China Southern Airlines Company Ltd	1,109	1,266	1,567	1,652	1,732	5	-	11	-	-	1,104	1,266	1,556	1,652	1,732
United Airlines Inc	1,968	2,080	1,967	2,115	1,707	1,966	2,080	1,967	2,115	1,707	2	-	-	-	-
Northern Air Cargo LLC	1,532	1,735	1,820	1,779	1,694	-	-	-	-	140	1,532	1,735	1,820	1,779	1,554
Air China Cargo Company Ltd	1,078	1,106	1,488	1,309	1,561	9	3	-	-	-	1,069	1,103	1,488	1,309	1,561
Southern Air Inc	548	684	653	828	1,486	-	-	-	-	-	548	684	653	828	1,486
Western Global Airlines	18	224	752	1,205	1,239	-	-	-	-	-	18	224	752	1,205	1,239
World Fuel Services Inc	588	568	1,121	1,962	1,049	588	-	1,121	-	1,049	-	568	-	1,962	-
China Cargo Airlines	2,050	2,043	2,007	1,789	1,037	5	-	-	(4)	-	2,045	2,043	2,007	1,793	1,037
American Airlines	820	1,329	876	911	916	820	1,329	876	911	916	-	-	-	-	-
All Other Airlines	13,349	11,688	13,963	11,002	11,944	7,290	6,068	7,816	5,299	5,774	6,059	5,620	6,147	5,703	6,169
Total Airline Revenue	117,406	120,912	129,016	117,358	115,700	41,239	41,434	44,101	40,235	36,923	76,167	79,478	84,915	77,123	78,777

**** Landing, parking, rents,allocated fuel flowage, and passenger facility fees (sorted by FY20 descending).***

Landing Fees. Under the provisions of the Operating Agreement, landing fees are calculated according to the "residual cost" methodology, taking into consideration all System costs (as defined in the Operating Agreement) and all revenues other than from landing fees. The landing fee rate is determined for each fiscal year as that rate which, applied to the expected volume of landed CMGTW for that year, is calculated to generate the total landing fee revenue necessary, after considering expected revenues from all other sources, to satisfy the total revenue requirements of the System, including the Rate Covenant.

These fees may also be adjusted at mid-fiscal year, as a matter of course, and any other time during the year under certain circumstances to ensure the collection of sufficient revenue in the event CMGTW and resulting landing fee collections or other revenues fall below, or if costs exceed, expectations. In any year that it appears the twelve months of System revenues billed for the full year would be less than necessary to meet Rate Covenant requirements, the Operating Agreement provides for the System to invoice and the Signatory Airlines to pay additional revenues for the year, prorated by airline CMGTW, in an amount sufficient to ensure the Rate Covenant is met..

Fuel Flowage Fees. Fuel flowage fees have traditionally accounted for a substantial portion of System revenue, and in FY 2019 and FY 2020, represented approximately 14% and 15% respectively, of total operating revenue. The fuel flowage fee in FY 2019 and 2020 remained at $0.027 per gallon for Signatory Airlines as established under the Operating Agreement. Fuel flowage fee for the period was $0.067 per gallon for all other purchasers of aviation fuel for aircrafts over 12,500 lbs. CMGTW. Fuel flowage fees are anticipated to remain at current levels through FY 2023. The fee is levied on all commercial fueling without regard to type of aircraft. Consequently, the large volume of international cargo traffic refueling at the Airports contributes significantly to fuel flowage fees.

The System also collects aircraft parking charges for use of aircraft parking positions either adjacent to airport-owned passenger terminals or remote. These charges are set annually to cover approximately 10% of projected airfield expenses and, for the remote positions, are graduated based on size of aircraft and length of time parked.

Concession Fees. In FY 2019 and FY 2020, concession revenues represented approximately 12% and 10%, respectively, of total operating revenue. Primary concession revenues are from food and beverage, news and gifts, duty free, and rental car operations. See, "OVERVIEW OF OPERATIONS SYSTEM FACILITIES – ANC Rental Car Facility" herein. Concession revenues are earned primarily by charging a percentage of concession gross revenues.

Terminal Rents. Passenger terminal building space rentals for the Signatory Airlines are charged on the basis of rates developed in accordance with various provisions of the Operating Agreement. Rentals to entities other than the Signatory Airlines are somewhat more variable, with concession rent, for example being based primarily on percentages of gross revenues, and with lower rates for certain support space necessary for generating higher revenues in the retail space. In both FY 2019 and FY 2020, terminal building space rentals represented approximately 13% of total operating revenue.

Vehicle Parking Fees. In FY 2019 and FY 2020, vehicle parking revenues represented approximately 7% and 5%, respectively of total operating revenues. ANC receives all parking revenues and pays all related expenses, with a contractor managing all parking operations at ANC for a management fee that is reported as an operating expense. FAI contracts parking as a concession and reports income, net of expenses, as vehicle parking revenues. ANC also provides a Park Ride & Fly lot for long-term parking. The system completed a Landside Access Study in late 2019, which recommended, among other things, that ANC and FAI should implement new fees for Transportation Network Services (TNC) commercial vehicle access. The recommendations were temporarily deferred due to impact of COVID-19, however as passenger enplanements return to more normal historical levels, implementation of those and other recommendations from the Landside Access Study are anticipated to be undertaken. To-date, the System does not believe TNC operations to-date have had a materially adverse impact on vehicle parking and rental car concession revenues.

Land Rental Fees. The System rents land at the Airports to approximately 150 tenants at ANC and 96 tenants at FAI. In FY 2019 and FY 2020, land rental represented approximately 5% of total operating revenue for each year. In general, tenants lease land from the System at the Airports to construct and maintain their own facilities; the System has no investment in these facilities except for the taxiways, roadways, terminals and utilities. The System also provides land for certain governmental agencies that benefit the Airports (the FAA, the National Weather Service, the U.S. Post Office, and select federal, State, and local entities).

Other Operating Revenues. The other sources of operating revenue for the System include fees for various miscellaneous charges (such as airport charges, lease of state personal property, flight service station rental and electric energy fees) derived at both Airports, Airport identification badge and fingerprint clearance fees. Other sources represented less than 1% of total operating revenue in both FY 2019 and FY 2020.

Other Revenues of the System

Passenger Facility Charges. The Aviation Safety and Capacity Expansion Act of 1990 enabled airports to impose a passenger facility charge ("PFC") of $1.00, $2.00 or $3.00 on enplaning passengers. Beginning in 2000, the "Wendell H. Ford Aviation Investment and Reform Act for the 21st Century" ("AIR-21") allows a public agency to apply to the FAA for authority to increase the PFC to $4.00 or $4.50. A PFC of $3.00 requires a reduction in federal AIP passenger entitlement funds of 50% for a medium hub airport. Increasing the authority to $4.00 or $4.50 changes the reduction in passenger entitlements from 50% to 75%.

In January 2006, FAI submitted its current PFC application to the FAA at the $4.50 level. As a small hub, FAI is not subject to reduction in passenger entitlements due to the increased PFC. FAI is using the current application receipts to pay debt service associated with its terminal area renovation through FY 2026. In FY 2012, ANC filed and received FAA approval of an amended PFC application, increasing the amount of PFC to be paid for eligible debt service associated with its Concourse A & B remodel from $25 million to $85 million through FY 2026. Both Airports are currently applying their related PFC receipts towards payment of debt service related to terminal renovation projects. In FY 2019 and FY 2020, the System received $7.2 ($5.4 million ANC and $1.8 million FAI) and $6.8 million ($5.5 million ANC and $1.3 million FAI) in PFC collections, respectively.

System Operating Expenses

The following paragraphs describe the operating expenses incurred within the System as reported in the System's audited financial statements for the fiscal years ended on June 30, 2020, 2019, 2018, 2017 and 2016. Significant changes in operating expense occurred as result of implementation of changes in net pension liability accrual accounting, primarily in fiscal years 2016 and 2017, which had significant decreases and increases for those two years, respectively.

Facility Maintenance. Facility Maintenance includes the maintenance of terminal building and other facilities at the Airports. The State provides custodial and maintenance services at the Airports through its own staff and contracted services. Over the five-year period FY 2016 through FY 2020, Facility Maintenance increased from $22.6 million to $28.7 million. The annual average for the five-year period was $27.1 million. Generally, the System anticipates continued levels of annual facility maintenance expense consistent with historical five-year averages into the foreseeable future.

Field and Equipment Maintenance. Field and equipment maintenance includes all costs associated with the maintenance of airport equipment, runways, taxiways, aircraft parking aprons and airport grounds. Maintenance expenses have grown from a level of $16.5 million in FY 2016 to $19.8 million in FY 2020. Annual expense over the five-year period were varied in part due to the implementation of new pension accounting rules resulting in FY 2016 being lower than average and FY 2017 expenses in turn being greater than average. The $19.8 million average annual expense more accurately reflects the relatively consistent level of actual field and maintenance activities over the five-year period. Expectations are that expenditures in this category will increase only relatively modestly into the foreseeable future, even with consideration of modest increases in maintenance costs as airfield facilities age and variation in weather patterns impact cost of annual deicing efforts.

Safety. Safety expenses include general security, law enforcement and crash-fire-rescue services. This category of expense has historically accounted for a significant expenditure in the System budget. Safety expenses have risen from a level of $10.1 million in FY 2016 to $12.4 million in FY 2020. The System anticipates annual safety-related expenses to generally hold at approximately $13.0 to $14.0 million for the foreseeable future.

Administration. The administration expenses category includes the direct expenses of the staff of each of the Airports managerial, leasing, engineering, and accounting sections together with legal, audit, and insurance expenses and the costs of the Department allocable to the System. Administrative costs have increased from a level of $10.8 million in FY 2016 to $13.6 million in FY 2020. Controls are used to account for and restrict costs allocated to the System for services provided by the Department. Administrative expenses include the costs of information and accounting systems, leasing and concession management, and engineering oversight of airport planning and construction activities. Administration cost has averaged approximately $13.1 million between FY 2016 and FY 2020, and is anticipated to remain at approximately $13.0 to $14.0 million for the foreseeable future.

Operations. Operation expenses include all costs associated with the operation of the computerized security access control system, central airport communications, and oversight of daily airport terminal and airfield operations and service. Operation expenses have remained fairly steady over the last five years, averaging $4.2 million annually between FY 2016 and FY 2020. Operation expenses are anticipated to remain fairly constant for the foreseeable future.

Environmental Expenses. Environmental expenses represent System environmental assessment and clean-up costs associated with capital projects as well as certain expenses relating to the noise and general environmental issues. These costs have grown over the last five years relative to the preceding five years, averaging slightly more than $2.3 million relative to the average annual cost of $1.0 million per year from FY 2011 to FY 2015. Generally, the increase in expenses is in part due to increased costs of measuring and mitigating per- and polyfluoroalkyl substances ("PFAS") concerns which have risen over the last five years. The System cannot accurately predict future environmental costs due to the nature of the expense.

Vehicle Parking. Vehicle parking represents costs at ANC associated with maintaining and managing the parking facilities as well as operating the shuttle buses that serve the various parking lots and terminals. The ANC operations are operated under a management contract while the FAI parking facilities are operated under a concessions agreement, resulting in vehicle parking revenues reported in the System's financial statements for FAI, net of expense, while ANC revenues and expense are broken out. Vehicle parking and curbside services, which is comprised primarily of the ANC vehicle parking garage operating and maintenance expense, decreased from $3.1 million in FY 2016 to $2.1 million in FY 2020, primarily due to ANC parking revenue management system upgrades occurring in FY 2016 and FY 2017.

Risk Management Expenses. Risk management costs or insurance expenses have been steadily increasing over the five-year period FY 2016 to FY 2020, averaging $1.2 million over this period. It is expected that risk management expenses will continue to increase annually somewhat due to increased premiums related to PFAS mitigation efforts.

SYSTEM FINANCIAL OPERATIONS AND RESULTS

Management Discussion of System Operating Results

System Operations. The System operates to provide a critical air transportation component of the State's intermodal transportation system while simultaneously supporting economic development, general business activity, trade and tourism. Activity, measured in combined passenger and cargo CMGTW, saw a period of mostly steady growth from FY 2010 through FY 2019, with a significant surge in cargo airline activity associated with the global COVID-19 Pandemic as well as significant growth in global e-commerce activity in FY 2020. The System has experienced fairly steady recovery and growth in cargo airline activity since declines associated with global financial dislocations in 2009 and 2010. Growth in passenger enplanements from 2010 through 2019 were steady, up until the onset of the COVID-19 Pandemic in FY 2020. While certain cost containment efforts were implemented in FY 2020 in an effort to mitigate the impact of the COVID-19 Pandemic, other areas of FY 2020 operating expense increased from efforts to enhance terminal cleaning and other Pandemic mitigation efforts and activities resulting in an increase in operating expense of approximately 3.6% in FY 2020, net of depreciation expense.

System Financials. The FY 2020 audited financial statements reflect continued relatively strong liquidity and manageable debt levels.

As set forth in the System's audited financial statements, System's cash and investments totaled $202.2 million, $196 million, and $190.5 million at June 30, 2020, 2019 and 2018, respectively. Of these amounts, $78.4 million, $82.2 million, and $89.3 million were reserved and/or restricted for operations and maintenance reserve fund, construction fund, Reserve Account, repair and replacement reserve account, passenger facilities charge fund, and revenue bond redemption fund. Based upon unaudited, internally prepared estimates, the System does not expect material changes to the balance on June 30, 2021.

ANC. ANC has committed to accommodate growing demand, particularly by cargo traffic. The majority of airfield projects have been and are anticipated to continue to be primarily funded through the FAA AIP. These projects include, but are not limited to, annual asphalt replacement, runway, taxilane, and terminal apron improvements, and general aviation facilities improvement and maintenance.

FAI. Over the last decade FAI has improved and expanded facilities and infrastructure to better meet safety and capacity needs in order to serve the traveling public, airlines, tenants, and the broad commercial and private general aviation community, in addition to providing airside and landside access to land designated for future aeronautical development. FAI also serves as the primary alternate airport in support of flights which from time to time are unable to land at ANC.

Capital Improvement Program Planning

The FY 2022 - FY 2023 Capital Improvement Program ("CIP"), which is shown on the following page contain projects that the System currently plans to undertake during the remaining two-year course of the ten-year Operating Agreement. The FY 2022 - FY 2023 CIP was developed in consultation with and approved by the Signatory Airlines either in the course of initial Operating Agreement negotiations or in conformance with the Operating Agreement provisions for balloting or notification of subsequent capital projects undertaken over the course of that agreement. All System airport CIP capital project expenditures are subject to annual State legislative appropriation authorization as part of the State's capital budget process. The FY 2022 – FY 2023 CIP schedule shown on the following page has been increased by approximately $28.3 and $0.14 million respectively (with further increases likely), since first approved through Operating Agreement ballot or notification process. Both years are expected to likely increase further by Operating Agreement ballot or notification, with relatively modest increase in FY 2022 and FY 2023 by ballot or notification and is expected to be further revised by subsequent balloting notification process in the normal course of the System's operations.

Funding for the $112.2 million in projects shown on the following table, in addition to projects anticipated to be balloted or notified over the remaining term of the FY 2014 – FY 2023 Operating Agreement, is expected to total approximately $140 million and consist of a mix of Federal AIP and rates and fee funding. However, a number of factors can influence the actual capital expenditures in any one year or series of years. Examples include: (1) the level of emergency capital expenditures; (2) the prioritization of safety improvements; (3) management of capacity needs; (4) the level of past and future anticipated improvements; (5) the availability of private sector capital to assist in capital expenditure requirements were it be required; (6) funding levels for FAA programs and pilot initiatives; (7) the opportunity for the System to qualify for discretionary and pilot programs of the FAA; and (8) the general economic climate in the aviation community and the willingness of the airlines to support or defer new capital improvements in any given year.

2014-2023 Operating Agreement Pre-Approved Capital Projects
(FY 2022 – FY 2023)
Estimated as of June 10, 2021

ANC CIP Cost Center	Description	Fiscal Year 2022	Fiscal Year 2023	Total
AF	ANC Airfield Pavement Reconstruction and Maintenance	$32,175,960	$33,141,239	$65,317,199
AF	ANC Equipment	5,827,142	6,001,957	11,829,099
EN	ANC Environmental Projects	126,677	130,477	257,154
TA	ANC Information Technology Improvements	1,216,099	1,252,582	2,468,682
TA	ANC Facility Improvements, Renovations and Upgrades	1,393,447	1,435,251	2,828,698
OT	ANC Annual Improvements	912,074	939,437	1,851,511
OT	ANC Advanced Project Design and Planning	722,059	743,721	1,465,780
TA	ANC North Terminal Lobby Automatic Doors and Entry Vestibule Upgr	620,000	--	620,000
TA	ANC South Terminal Cooling Upgrades-Construction	9,000,000	--	9,000,000
AF	ANC LHD Runway 14/32 Rehabilitation	1,650,000	--	1,650,000
AF	ANC Runway 7R/25L Lighting Rehabilitation	2,300,000	--	2,300,000
TA	ANC Gate Lounge Seating	300,000	--	300,000
TA	ANC Terminal Access Road Improvements	11,394,700	--	11,394,700
OT	ANC Supply Warehouse Roof Replacement	900,000	--	900,000
	ANC 2022-2023 CIP TOTALS	**$68,538,159**	**$43,644,664**	**$112,182,824**

FAI CIP Cost Center	Description	Fiscal Year 2022	Fiscal Year 2023	Total
AF	FAI Equipment	$1,610,000	$1,525,001	$3,135,001
EN	FAI Environmental Projects	218,846	225,197	444,043
TA	FAI Information Technology Improvements	109,303	112,743	222,046
TA	FAI Facility Improvements, Renovations and Upgrades	126,677	130,477	257,154
OT	FAI Annual Improvements	348,362	358,813	707,175
OT	FAI Advanced Project Design and Planning	31,669	32,619	64,288
EN	FAI Firing Range Closure	2,000,000	--	2,000,000
	FAI CIP TOTALS	**$4,444,858**	**$2,384,850**	**$6,829,708**
	AIAS 2022– 2023 CIP TOTALS	**$72,983,017**	**$46,029,514**	**$119,012,531**

Cost Center Legend:
AF = Airfield
EN = Environmental
TA = Terminal Area
OT = Other

Budget Process for Debt Service and Expenses

According to the Alaska Aeronautics Act of 1949, the Department is responsible for the maintenance and operation of all State-owned airports, including the System. As an agency of the State, the System is guided by the Executive Budget Act that lays out directions for planning and approval of State programs and their financial management. Budget requests for appropriations to pay debt service on the Bonds are not discretionary with the Department but are automatically included in the proposed budget by the Department of Revenue in the same manner as appropriations for the payment of State general obligation debt, except payments may be taken only from the Revenue Fund or, in limited circumstances, from the International Airports Construction Fund. Under the Operating Agreement, the Signatory Airlines approved a capital improvement program for each year spanning the term of such agreement. For projects not included among those pre-approved under the terms of the Operating Agreement, or that are not required as a result of an emergency or regulatory requirement, the System may either proceed for discrete projects under $500,000, with notice, or submit them to a vote by the Signatory Airlines for acceptance or one-year deferral. The Operating Agreement requires the System to submit to the Signatory Airlines annually the proposed operating budget for the following year. This proposed budget must contain estimated System expenses for such areas as maintenance, operation and administrative expenses, and estimated System revenues.

According to the statutes that establish the State budget process, each State agency must annually submit to the Governor's Office proposed operating and capital budget requests. These requests include goals and objectives, proposed modifications to existing program services, addition of new program services and resources needed to carry out the proposed plan. By December 15, the Governor's Office submits the proposed State budgets for the next FY to the Alaska Legislature. The Alaska Legislature is required to complete its public review and approval of expenditures through the appropriation process.

Debt Service. Under a section of the Act codified as 37.15.415, "[t]he amounts required annually to pay the principal, interest, and redemption premium on all issued and outstanding international airports revenue bonds of the state are appropriated each fiscal year from the International Airports Revenue Fund to the State Bond Committee to make all required payments of principal, interest, and redemption premium." The System is responsible for making available all necessary funds required by the General Bond Resolution in a timely manner.

Employees and Pension Benefits

Historically, substantially all employees of the System participated in the State Public Employees' Retirement System ("PERS"). PERS provides a defined benefit cost-sharing public employee retirement system, which includes varying retirement, health care and death and disability benefits for employees whose first qualifying employment with the State pre-dated July 1, 2006. These employees fall into either the "police/fire" category or the "other" category. Different contribution rates are assigned to each category.

With respect to the System's employees first hired before July 1, 2006, police/fire participants in PERS contribute 7.50% and other participants contribute 6.75% of their salaries to PERS on a pre-tax basis. In April 2008, the Alaska Legislature passed Chapter 13 SLA 2008, effectively converting the PERS defined benefit plan from an agent-multiple employer plan to a cost sharing plan. This bill established one uniform contribution rate of 22% for PERS employers, rather than separate contribution rates for each employer.

The System was required to implement the provisions of GASB 68, Accounting and Financial Reporting for Pensions. As a result of the implementation the System recorded a net pension liability as of June 30, 2019 and 2020 in the amount of $53.4 and $57.1 million, respectively.

Current State law requires all newly eligible employees, hired on or after July 1, 2006, to be participants in a defined contribution retirement plan. Under that plan, public employees contribute 8.00% of compensation and employers contribute 5% of compensation plus additional amounts for certain medical, disability and death benefits. Employees hired prior to July 1, 2006 continue to accrue benefits under the existing defined benefit plans and, with respect to those plans, the employer pays the uniform contribution rate of 22%. Recently enacted legislation has increased the System's employer contribution rate from 22.00% to 30.11%, effective for FY 2022.

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System Financial Operations

The Department manages the System as a self-sufficient enterprise fund. The books and accounts of the Airports are consolidated for purposes of reporting System financial operations. Financial performance for the System is presented in the table below.

ALASKA INTERNATIONAL AIRPORTS SYSTEM
AUDITED FINANCIAL INFORMATION FOR THE SYSTEM

Historical Financial Results	2016	2017	2018	2019	2020
Operating Revenues					
Airfield operations					
Landing fees	$ 69,261,527	$70,584,392	$74,884,735	$62,963,705	$61,927,355
Fuel flowage fees	18,179,860	18,971,511	19,968,511	19,644,331	20,968,254
Aircraft docking fees	1,349,791	1,544,779	1,493,296	1,851,140	591,461
Aircraft parking fees	3,479,832	3,627,070	3,887,661	3,884,350	4,057,027
Federal inspection services fees	862,472	968,545	1,040,541	1,125,312	1,175,221
Aircraft ramp fees	1,293,857	1,288,451	1,327,793	1,240,242	1,302,803
Concession fees	14,272,430	14,455,991	14,873,152	16,255,762	13,816,529
Terminal rents	16,568,164	16,347,994	16,494,033	17,814,996	18,210,922
Vehicle parking fees	9,244,114	9,082,460	9,233,610	9,303,109	7,503,258
Land rental fees	4,685,441	5,057,817	6,700,213	6,608,870	7,240,094
Airline bad debt	(2,500,000)	--	(2,339,726)	--	(477,324)
Other revenues	469,759	896,809	328,940	572,603	388,428
Total Operating Revenues	$ 137,167,247	$142,825,819	$147,892,759	$141,264,420	$136,704,028
Operating Expenses					
Facilities (building maintenance)	$ 22,638,934	$31,036,664	$27,799,706	$25,228,193	$28,665,868
Field and equipment maintenance	16,541,883	23,395,744	18,957,522	20,401,289	19,781,713
Safety	10,085,075	18,971,221	15,276,551	12,988,981	12,356,818
Administration	10,768,048	15,047,721	12,591,512	13,504,714	13,552,364
Operations	2,867,802	4,535,541	4,772,468	4,271,218	4,773,867
Environmental expenses	4,385,781	420,411	2,464,565	2,084,964	2,316,094
Vehicle parking and curbside services	3,099,300	3,449,834	2,270,412	2,299,918	2,063,825
Risk management	1,046,935	1,076,133	1,025,829	1,279,666	1,514,673
Depreciation and amortization	68,095,627	69,589,971	72,954,608	72,138,949	74,578,132
Total Operating Expenses	$139,529,385	$167,523,240	$158,113,173	$154,197,892	$159,593,354
Operating Income (Loss)	($2,362,138)	($24,697,421)	($10,220,414)	($12,933,472)	($22,889,326)
Nonoperating Revenue (Expenses)					
Investment income	$ 843,991	$1,475,985	$2,382,147	$6,423,354	$5,631,219
Interest expense	(21,034,305)	(20,474,662)	(15,562,889)	(13,225,747)	(12,922,954)
Sound insulation program	(241,314)	--	--	--	--
Grants	79,741	237,648	73,922	173,279	57,223
Gain/(loss) on disposal of capital assets	542,458	136,621	251,152	(1,114,876)	119,733
Reimbursable service income	6,365	215,771	90,760	236,602	1,017,335
Reimbursable service expense	(6,365)	(215,771)	(90,760)	(236,602)	(1,017,335)
Total Nonoperating Revenue (Expenses)	($19,809,429)	($18,624,408)	($18,624,408)	($7,743,990)	($7,114,779)
Income (Loss) before Capital Contributions	($22,171,567)	($43,321,829)	($12,855,668)	($20,677,990)	($30,004,105)
Capital Contributions:					
Transportation safety administration	$ 6,134,911	$4,989,339	$956,709	$5,323,080	$46,623
Department of defense	--	--	--	--	--
Capital contributions other	386,159	18,450	--	173,513	3,444,873
CARES Act	--	--	--	--	9,942,200
Federal Aviation Administration	27,189,783	44,457,076	46,073,815	65,472,799	26,474,882
Passenger facility charges	6,318,930	6,798,387	6,869,290	7,215,785	6,802,979
Total Capital Contributions	$50,353,971	$56,260,252	$53,899,814	$78,185,177	$46,711,557
Transfers in from other funds	$945,056	--	--	--	--
Net Income (loss)	$ 18,803,272	$12,938,423	$30,823,732	$57,507,715	$16,707,452

Source: Alaska International Airports System, Audited Financial Statements FY16, FY17, FY18, FY19 and FY20.

ALASKA INTERNATIONAL AIRPORTS SYSTEM
REVENUES APPLIED TO PAYMENT OF OUTSTANDING PARITY BONDS

	2016	2017	2018	2019	2020
Revenues:					
Operating revenues	$137,167,247	$142,825,819	$147,892,759	$141,264,420	$136,704,028
PFCs applied to debt service	5,200,000	5,200,000	5,200,000	5,200,000	8,450,000
Investment income	843,991	1,475,985	2,382,147	6,423,354	5,631,219
CARES Act Grant	--	--	--	--	9,942,000
Total revenues	$143,211,238	$149,591,804	$155,474,906	$152,887,774	$160,727,447
Maintenance and operation costs	$139,529,385	$167,523,240	$158,113,173	$154,197,892	$159,593,354
Less noncash adjustments:					
Depreciation expense	(68,095,627)	(69,589,971)	(72,954,608)	(72,138,949)	(74,578,132)
Employer relief contribution transferred in and expensed	(525,621)	--	--	--	--
Net pension liability reallocation and adjustment	12,059,958	(14,315,012)	3,143,172	7,749,069	--
	$82,968,095	$83,618,257	$88,301,737	$89,808,012	$85,015,222
Net revenues	$60,243,143	$65,883,547	$67,173,169	$63,079,762	$75,712,225
Fiscal year debt service	$40,378,017	$40,396,657	$31,129,019	$30,546,269	$29,709,119
Coverage requirement	1.25	1.25	1.25	1.25	1.25
Net Revenues Required	$50,472,521	$50,495,822	$38,911,274	$38,182,836	$37,136,399
Net Revenues in Excess of Net Revenues Required	$9,770,622	$15,387,725	$28,261,895	$24,896,926	$38,575,826

Source: Alaska International Airports System, Audited Financial Statements FY16, FY17, FY18, FY19 and FY20.

Cost per Enplanement ("CPE") has typically averaged $10-11 from FY 2015 to FY 2019; CPE was $12.40 in FY 2020.

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds involve investment risk. Prospective purchasers of the Bonds should give careful consideration to the information set forth in this Official Statement, including in particular, the matters referred to in the following summary. In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations set forth throughout this Official Statement, and should specifically consider risks associated with the Bonds. The System's ability to derive Revenues from operation of the System sufficient to pay debt service on the Bonds depends upon many factors, most of which are not subject to the control of the System. These factors include the financial strength of the air transportation industry in general and the financial strength of the firms in the industry that operate at the Airports, and the general domestic and world economies that drive demand for passenger and international air cargo transportation.

The Bonds are not general obligations of the State. Neither the full faith and credit nor the taxing power of the State are pledged to the payment of the principal of or interest on the Bonds. See, "SECURITY FOR THE BONDS."

COVID-19 Risks

The COVID-19 pandemic has resulted in a widespread health crisis that has adversely affected businesses and economies worldwide. The full impact of COVID-19 is unknown and continues to be rapidly evolving. Stay-at-home orders, social distancing guidelines, and travel restrictions have adversely affected the economies and financial markets of many countries, resulting in an economic downturn that has negatively impacted, and may continue to negatively impact, the local economy, the airline industry and transportation in general. The System's financial condition and result of operations, and the financial conditions and results of operation of the airlines serving the System, have been, and will continue, to be adversely affected by the COVID-19 pandemic. The State cannot predict the outcome of many factors related to COVID-19 that could materially adversely affect the System's financial condition or results of operation. Such factors include, but are not limited to:

(1) the duration of extent of the COVID-19 pandemic or another outbreak, pandemic, or force majeure event:

(2) 0the scope or duration of stay-at-home orders, social distancing guidelines, and other restrictions on travel, gatherings or any other activities, and the extent to which airlines will reduce service at the Airports or whether airlines will cease operations at the Airports or shut down in response to such restrictions or warnings;

(3) the extent of the adverse effects due to COVID-19 or whether other outbreak or pandemic-related restrictions or warnings may have an adverse effect on air travel, including to and from the Airports, concession and services provided by the Airports concessionaires, System costs or System revenues;

(4) whether and to what extent COVID-19 or another outbreak or pandemic may disrupt the local, State, national or global economy or supply chain, or whether any such disruption may adversely impact System-related construction, the cost, source of funds, schedule or implementation of the FY 2014 – FY 2023 CIP or other System operations;

(5) the extent to which the COVID-19 outbreak or another outbreak or pandemic, or the resultant disruption to the local, State, national or global economies, may result in changes in demand for air travel, including long-term changes in consumer behavior and the operations of other businesses, or may have an impact on the airlines or concessionaires service at the Airports o the airline and travel industry, generally;

(6) whether or to what extent the System may provide additional deferrals, forbearances, adjustments, payment plans or other changes to the System's arrangements with airlines, tenants and concessionaires; or

(7) to what extent COVID-19 or any of the foregoing may continue to have a material adverse effect on the finances and operations of the System.

Prospective purchaser of the Bonds should assume that the restrictions and limitations related to COVID-19 pandemic, and the current upheaval to the air travel industry and the national and global economies, may increase at least over the near term, that recovery to pre-COVID-19 levels may be prolonged, and therefore, have an adverse impact on the System to generate sufficient Revenues to meet its Rate Covenant. For more information regarding the impact of COVID-19 on the System, see "IMPACT OF COVID-19 PANDEMIC ON THE AIRPORT SYSTEM" above.

Certain Factors Affecting the Airline Industry

The Revenues of the Airports are affected substantially by the economic health of the airline transportation industry and the airlines serving the Airports. Among the factors that may materially affect the Airports and the passenger airlines include, but are not limited to, declining demand partly resulting from decreasing levels of disposable income and increase in prices, growth of population and the economic health of the region and nation, airline service and route networks, national and international economic and political conditions, changes in international currency exchange rates, changes in demand for air travel, service and fare competition, airline mergers, the availability and cost of aviation fuel and other necessary supplies, levels of air fares, fixed costs and capital requirements, the cost and availability of financing, the capacity of the national air traffic control system, national and international disasters and hostilities, the cost and availability of employees, labor relations within the airline industry, regulation by the federal government, environmental risks and regulations, noise abatement concerns and regulation, the financial health and viability of the airline industry, bankruptcy and insolvency laws, acts of war or terrorism and other risks. Many airlines, as a result of these and other factors, have operated at a loss in the past and many have filed for bankruptcy, ceased operations and/or merged with other airlines. Many of the same factors may materially affect the cargo freighter airlines, though those airlines are less affected by issues relating to travel, such as disposable income for leisure travel and passenger security and visa regulations, and more affected by international trade regulations, currency exchange rates, general business activity and import-export trade, specifically. See also, "IMPACT OF COVID-19 PANDEMIC ON THE AIRPORT SYSTEM" above.

Potential investors are urged to review the airlines' financial information on file with the Securities and Exchange Commission ("SEC") and the USDOT. Like many airport operators, the System has experienced increased operating costs due to compliance with federally mandated and other security and operating changes. The System cannot predict the likelihood of future incidents similar to the September 11, 2001 events, the length or severity of United States and international economic downturns, the likelihood of future air transportation disruptions or the impact on the Airports or the airlines from such incidents or disruptions. See, "INFORMATION ABOUT CERTAIN AIRLINES SERVING THE AIRPORTS."

Oil Prices

Oil is a volatile commodity, the price of which fluctuates based on many factors. The System's airline clients rely on oil products to operate their businesses, and the System is located in a State which relies on oil extraction as a major industry and source of revenue. The effects of volatility of the price of oil on the System are difficult to predict.

Cost and Availability of Aviation Fuel

Airline earnings are significantly affected by changes in the price of aviation fuel. According to the Air Transport Association, fuel, along with labor costs, is one of the largest cost components of airline operations, and continues to be an important and uncertain determinate of an air carrier's operating economics. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world, Organization of Petroleum Exporting Countries policy, the rapid growth of economies such as China and India, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather. Most recently, a cyber-attack on the operator of the largest fuel pipeline in the United States caused an increase in oil prices. It is not possible to predict whether and to what extent fuel prices will increase and the effect of such increases on the airlines serving the Airports.

Recently there has been a concern expressed about the shortage of aviation fuel at certain airports in the western United States, principally resulting from supply chain issues and urgent demand from firefighting aircrafts. Supply chain issues are said to be linked to the COVID-19 Pandemic. It is not possible to predict whether the Airports will experience a shortage of aviation fuel, and if so, to what extent.

Aviation Security Concerns and Related Costs

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of the international hostilities and the threat of terrorist attacks, may influence passenger travel behavior and air travel demand. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally.

Intensified security precautions have been instituted by government agencies, airlines and airport operators, including the strengthening of aircraft cockpit doors, the federal program to allow and train domestic commercial airline pilots to carry firearms during flights, changes to prescribed flight crew responses to attempted hijackings, increased presence of armed air marshals, federalization of airport security functions under the Transportation Security Administration ("TSA"), revised procedures and techniques for the screening of baggage for weapons and explosives and technology for the screening of passengers, such as the United States Visitor and Immigration Status Indicator Technology. No assurance can be given that these precautions will be successful. Also, the possibility of international hostilities and/or further terrorists attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior and airline passenger demand.

The System's financial condition could be adversely affected if the System incurs substantial increases in security costs in the future. There can be no assurance that the System will have sufficient resources to absorb the impact of such costs. In addition, if the airlines are required to pay substantial security costs, it would place an additional financial burden on many already financially troubled airlines which, in turn, could have a negative impact on the operations of the Airports and the System's Revenues. The System cannot predict the likelihood or impact of any future government required security measures.

Airline Bankruptcy

When a domestic airline that has an operating agreement with the System seeks bankruptcy protection or has bankruptcy proceedings initiated against it, the airline or bankruptcy trustee must decide within a time period determined by the United States Bankruptcy Code and the court whether to assume or reject the applicable operating agreement, lease or other contract. In the event of an assumption, the airline is legally required to cure any prior defaults and to provide adequate assurance of future performance under relevant agreements. Rejection of a lease or executory contract by such an airline would give rise to an unsecured claim of the System for damages, the amount of which in the case of a lease is limited by the Bankruptcy Code, and which may or may not result in any payment to the System.

In December 2003, enactment of Section 124 of Vision 100-Century of Aviation Reauthorization Act (Vision 100) (49 U.S.C. § 40117 (m)(1-7)) imposed new requirements for air carrier management of PFC revenue collected by the carrier after it files for bankruptcy protection. Through this provision, Congress specifically protected post-bankruptcy filing PFC revenues from creditor claims by recognizing and protecting the trust fund status of PFC revenue and prohibiting air carriers from using PFCs as security for liabilities to third parties. Nevertheless, the System is uncertain whether it would be afforded the status of a secured creditor with regard to PFCs collected or accrued on behalf of the System by an airline before it filed for bankruptcy protection. Although the airlines serving the System have generally not gotten significantly behind on PFC payments and bankruptcy courts and the FAA have helped prevent loss of PFCs in past airline bankruptcies, the System cannot predict whether an airline in bankruptcy protection would have properly accounted for the PFCs owed to the System or whether the bankruptcy estate would have sufficient moneys to pay the System in full the PFCs owed by such airline.

There is even less certainty with respect to foreign reorganization or insolvency proceedings involving foreign air carriers as foreign bankruptcy laws may vary. The risk of foreign bankruptcy proceedings may be an appropriate investment consideration.

As explained above, the Operating Agreement is a residual cost agreement whereby any shortfalls in revenues, even those resulting from bankruptcies, would result in the remaining Signatory Airlines collectively being obligated to pay higher rates and charges, or a prorated special invoice, to make up for the deficit. There can be no assurance, however, that the remaining Signatory Airlines would be able, individually or collectively, to meet their obligations under the Operating Agreement.

Effect of Airline Industry Concentration; Effect of Airline Consolidation

Alaska Air Group, which is comprised of Alaska Airlines and Horizon Air, was responsible for approximately 68% and 65% of ANC's total passenger enplanements and 73%, in both years, of FAI's total passenger enplanements in FY 2020 and FY2019, respectively. Although the Airports are largely O&D airports and much less dependent on hubbing activity than many other airports, the Airports serve as a local hubbing airport for the Alaska Air Group. If the airlines with Alaska Air Group were to reduce or cease connecting service at the Airports, such flights would not necessarily be replaced by other airlines. It is possible that if Alaska Air Group airlines, in particular Alaska Airlines, or other airlines ceased or significantly cut back operations at the Airports, other airlines may not increase their operations at the Airports to fill that gap. The top three airlines at ANC (Alaska Air Group, Delta Airlines, and United Airlines) accounted for 84% and 81% of the total enplaned passengers in FY 2020 and FY 2019, respectively. The top three airlines at FAI (Alaska Air Group, Delta Airlines, and Wright Air Service) accounted for 89% of the total enplaned passengers in both FY 2020 and FY 2019.

In response to competitive pressures in the United States over the last several decades, airlines have tended towards consolidation, and further future industry consolidation by the airlines is possible and could result in changes in airline service patterns. The System cannot predict what effect, if any, such consolidation would have on airline traffic (passenger and cargo) at the Airports.

Climate Change and Possible New Regulations

Climate change concerns are shaping laws at the federal and state levels that could have a material adverse effect on airlines operating at AIAS and could also affect ground operations at the Airports. While the United States environmental Protection Agency ("EPA") does not currently regulate greenhouse gas ("GHG") emissions from aircrafts, it has taken steps toward regulation of aircraft GHG emissions. On July 5, 2011, the United States District Court for the District of Columbia issued an order concluding that EPA has a mandatory obligation under the Clean Air Act to consider whether the GHG and black carbon emissions of aircraft engines endanger public health and welfare. On August 15, 2016, the EPA found that GHG emissions from aircraft cause and contribute to pollution that endangers public health and welfare. In that endangerment finding, the EPA stated that it intends to propose GHG emission standards for covered aircraft that will be at least as stringent as emission standards under development by the International Civil Aviation Organization ("ICAO"). The ICAO's standards were approved on October 6, 2016 and adopted on March 6, 2017. The ICAO standards apply to new aircraft type designs from 2020 forward and in-production aircraft must meet the standard by 2028. EPA has publicly indicated as recently as January 2018 its intent to adopt the ICAO emission standards for the United State, but the agency has not initiated rulemaking or set a timeline for such actions. AIAS cannot predict when EPA's emission standards will be proposed, will adopt regulations to implement those standards, or what effect the standards may have on the System or on air traffic at the Airports.

Passenger Facility Charges ("PFCs")

The FAA has the power to terminate the authority to impose PFCs if the System's PFCs are not used for approved projects, if project implementation does not commence within the time period specified in the FAA's regulations or if the System otherwise violates FAA regulations. 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 revenue collections for capital projects for the Airports or whether such restrictions or legislation or regulations would adversely affect Revenues.

Regulations and Restrictions Affecting the System

The operations of the System are affected by a variety of contractual, statutory and regulatory restrictions and limitations including, without limitation, the provisions of the Operating Agreement, the federal acts authorizing the imposition and collection of PFC revenues and extensive federal legislation and regulations applicable to all airports in the United States. In the aftermath of the September 11, 2001 events, the Airports also have been required to implement enhanced security measures mandated by the FAA, the TSA and Airport management. See, "INVESTMENT CONSIDERATIONS – Aviation Security Concerns and Related Costs." Any of these requirements could be more burdensome or costly to the System.

Federal Restrictions on Airport Revenue Transfers

From time-to-time the State transfers funds, generally through the legislative appropriation process, from one arm of State government to another using various methods such as budget increases and decreases, declaration of dividends from public corporations back to the State, and the reallocation of revenue or expense cash flows. While the System is an arm of State government and ANC and FAI are State-owned assets, State law and FAA grant restrictions prohibit System funds from being transferred for non-System purposes or otherwise used for general governmental purposes. Alaska Statute 37.15.430 does not permit the use of Revenue Fund monies other than for support of ANC and FAI and their bonded indebtedness. Federal funds must be used in accordance with federal grant limitations. Although there are major exceptions, since 1982 airports that have accepted federal AIP grants have been required to agree to use airport-generated revenues only for the capital and operating costs of the airport, the airport system, or other facilities owned and operated by the airport and directly related to air transportation. See, 49 U.S.C. § 47107(b). Both ANC and FAI are grant recipients bound by these requirements. The 1996 FAA Reauthorization Act created a direct statutory prohibition against revenue diversion by any federally assisted airport, required audit certification of compliance with revenue use restrictions, and added new provisions on civil penalties, expedited procedures for recovery of illegally diverted revenues, repayment of past contributions to an airport and interest on diverted funds. The System annually submits financial reports to the FAA that reflect the expenditures and revenues of ANC and FAI and payments to and from other governmental agencies. The System has had no findings or reporting of instances of revenue diversions in violation of federal prohibitions.

FAA Rates and Charges Policy

The United States Code at 49 U.S.C. § 47129, requires that airport fees be "reasonable" and provides a mechanism by which the Secretary of Transportation can review rates and charges complaints brought on by air carriers. Section 47129 specifically states that the section does not apply to a fee imposed pursuant to a written agreement with air carriers using airport facilities and also provides that nothing in the section shall adversely affect the ability of an airport to meet its obligations under a financing agreement or covenant that is in force as of August 23, 1994.

The FAA has formally interpreted Section 47129 to exclude from the rates and charges review process of Section 47129 those rates and charges established pursuant to written agreements, pursuant to a pre-enactment bond covenant, or in existence and undisputed as of August 23, 1994. Although certain aspects of the FAA's policy pronouncements relating to Section 47129 have been the subject of extensive litigation, the exclusion from review of rates and fees established under by written agreements has not been challenged or modified.

The State believes the Operating Agreement falls within the provisions mentioned above that preclude air carriers from contesting such rates under Section 47129. So long as the Signatory Airlines operate under the Operating Agreement, as it may be extended, amended, or replaced by another written agreement, the State believes the Signatory Airlines will not be able to invoke successfully the rates and fees dispute provisions of Section 47129 to challenge rates properly set as provided under the Operating Agreement. It is conceivable, however, that the Secretary would entertain a complaint by a non-signatory aeronautical user. Although the FAA policy expressly allows non-signatory rates that are higher than signatory rates and that provision has not been disturbed by any legal ruling, it is also conceivable that the Secretary's review might result in a reduction of fees paid by non-signatory airlines.

Future Legislation and Regulations

The operation of the Airports and the ability of the System to generate Revenues sufficient to pay the debt service on the Bonds may be adversely affected by future federal, State or local legislation or regulations that affect the Airports directly or affect activities at the Airports. Legislation or regulations that could adversely affect the Revenues includes legislation or regulations limiting the use of properties of the Airports, legislation or regulations imposing additional liabilities or restrictions on the operation of the Airports or the airlines and other persons using the Airports, changes in environmental laws or regulations, reductions in federal funding for the Airports and elimination or reduction of the ability of the System to impose PFCs or other fees and charges for use of products or services of the Airports. The United States Congress could enact legislation making interest on the Bonds includable in gross income.

Volcanic Eruption

Mount Redoubt, located in the Kenai Peninsula Borough, about 110 miles southwest of Anchorage, erupted multiple times in March 2009. Ash clouds as high as 65,000 feet caused flight cancellations and delays at ANC. Certain flights intended for ANC were diverted to FAI and other places. Other volcanoes in south central Alaska may be capable of similar eruptions. The System cannot assess the probability of another or other volcanic eruptions at or near ANC.

Earthquake

In March 1964, a magnitude 9.2 earthquake centered in Prince William Sound, some 70 miles southeast of Anchorage, caused major destruction in Anchorage, including the collapse of the air traffic control tower at ANC at the time, but did not render the airfield existing at that time physically unusable. That quake remains the second most powerful ever recorded. Although subsequent construction has been subject to applicable seismic codes, the Anchorage region continues to be seismically active.

On November 30, 2018, a magnitude 7.1 earthquake centered near Point Mackenzie, about 10 miles north of Anchorage, also caused damage in Anchorage. Air travel was briefly halted at ANC to allow for necessary inspections. ANC experienced minimal damage. The possibility of a future large earthquake or related damage that could be caused to airport infrastructure, including airfield, terminal and air navigation and communication, cannot be determined.

Cybersecurity

The System relies on digital technologies to conduct certain of its operation. In the past several years, a number of entities have sought to gain unauthorized access to digital systems to large organization for the purposes of misappropriating assets or information or cause operation disruptions. The System maintains a network security system designed to stop "cyber-attacks" by third parties, and minimize its impact on operations; however, no assurances can be given that such network security systems will be completely successful.

Environmental Regulation

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 airport noise regulations, most recently revised in the Airport Noise and Capacity Act of 1990 ("ANCA"), the industry is striving to reduce airport noise impacts on local communities while maintaining a safe and efficient national aviation system. Airport noise remains a significant federal and local issue, which may require substantial capital investments by the industry from time to time to meet applicable standards. ANC recently updated its Part 150 Noise Compatibility Program and believes that, by working with the FAA, it can continue to manage noise issues effectively, although it cannot guarantee that noise issues will remain a minor cost consideration.

ANC has identified on its land certain areas of soils contaminated by aviation fuel. Although the airline fueling service consortium and other responsible parties are engaged in cleanup and remediation planning at their own expense, it is possible that environmental response costs could increase in the future. The State Department of Environmental Conservation has approved an alternate clean-up level for to ANC due to its status as an airport and light industrial area. ANC continues to monitor, and remediate as necessary, ANC land area.

The Environmental Protection Agency ("EPA"), under the Clean Water Act ("CWA"), has jurisdiction for water quality protection regulations. EPA with assistance from the ADEC administers water pollution control regulations affecting operation of the System. Water quality is a significant federal, state, and local issue which may require significant capital investments by the industry to meet discharge standards. ANC in partnership with its tenants, federal, state, and local regulatory agencies has established an active watershed management program to comply with the objectives of the CWA.

This group addresses waste water control, water quality protection, and prevention of pollution to waters of the United States. In addition, the System has an Aviation Industry National Pollutant Discharge Elimination System ("NPDES") permit program in place. The State recently entered into a settlement with the EPA arising primarily from issues relating to highway construction run-off, but which will also affect erosion prevention and other practices in airport construction projects, potentially increasing the cost of those projects. In addition tighter limitations on de-icing fluid run-off could pose substantial costs at ANC within the next five years. ANC management and the Signatory Airlines have agreed to work together to identify a cost-effective solution to this issue if a less expensive alternative that will meet requirements is not identified.

In FY 2020, ANC entered into a Compliance Order By Consent ("COBC") agreement with the State of Alaska's Department of Environmental Conservation regarding discharge of storm water effluent discharge related to airport operations at ANC storm water discharge Outfall D, located near Point Woronzof. The COBC resulted in suspended civil penalties of $1.14 million dollars, with the suspension contingent upon ANC's compliance with the COBC, which ANC has indicated its intent to comply by signing the COBC and is currently working on addressing the matter through full conformance with the COBC.

Global warming concerns and calls for various industries to become carbon neutral have also attracted some attention to air transportation and may affect this sector in the future in ways that are not possible to predict.

PFAS Contamination

Over the past several years, there has been a surge in regulatory interest to address the public health and environmental risks from releases of per- and polyfluoroalkyl substances (PFAS), including use of aqueous film-forming foams (AFFF) for firefighting or training. This call to action has resulted in rapid development of regulations and guidance, at both the federal and state level, which have started to impact the airport community.

In 2017, FAI became aware of ground water PFAS contamination at its airport rescue and firefighting training site. Subsequent investigation and testing identified several more areas of detectable ground water PFAS contamination. FAI undertook and completed a program to measure the potential for groundwater contamination on adjacent residential and commercial properties using well water as a source of potable drinking water and for those sources identified as above certain thresholds, FAI paid to convert those well systems to municipal water main systems. ANC has also begun and is performing similar testing of adjacent residential and commercial sites that utilize well systems for potable water.

AIAS is taking steps to understand and respond to challenges how on-airport areas of PFAS or potential PFAS contamination will need to be addressed with respect to public health, regulatory, and commercial development projects.

The State has been named in a class action lawsuit involving PFAS contamination related to the FAI matter described above and coalitions of concerned residents in a number of communities throughout the State have become active in expressing their concerns regarding PFAS contamination. The State has undertaken a civil lawsuit against certain manufacturers of PFAS chemicals involving PFAS contamination throughout the State, as well as third-party complaints against those same PFAS manufacturers in the FAI class action matter.

Force Majeure

AIAS and the System's ability to generate Revenues also is at risk from other force majeure events, such as extreme weather events and other natural occurrences, fires, explosions, sills of hazardous substances, strikes and lockouts, sabotage, or wars, terrorist or other attacks, blockades or riots. No assurance can be provided that such events will not occur, and if any such events were to occur, no predictions can be provided as to the actual impact or severity of the impact of the System's operations or on the Airports' operations and financial conditions, as applicable.

Changes in Financial Markets and Financial Condition of Surety Bond Providers

The System has historically satisfied a portion of the Reserve Account Requirement with surety bonds, and although the State currently intends to fund the Reserve Account Requirement entirely with cash after the issuance of the Bonds, the State may satisfy a portion of the Reserve Account Requirement with Qualified Insurance in the future. See, "SECURITY FOR THE BONDS – Reserve Account." If the credit quality of the providers of those surety bonds deteriorates the System may not be able to draw on those surety bonds in the event Revenues are insufficient to pay debt service on the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds.

Uncertainties of Projections, Forecasts and Assumptions

This Official Statement contains statements relating to future results that are "forward-looking statements." When used in this Official Statement, the words "estimate," "forecast," "intend," "expect," "projected," 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. Among the factors that may cause projected revenues and expenditures to be materially different from those anticipated include an inability to incur debt at assumed interest rates, construction delays, increases in construction costs, general economic downturns, factors affecting the airline industry in general or specific airlines, federal legislation and/or regulations, and regulatory and other restrictions, including, but not limited to, those that may affect the ability to undertake, the timing or the costs of certain projects, and any other factor identified as an investment consideration in this Official Statement. Any forecast is subject to such uncertainties. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Limitation of Remedies

The General Bond Resolution provides limited remedies for Registered Owners if defaults occur. The availability of those remedies may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally; the application of equitable principles and the exercise of judicial discretion in appropriate cases; common law and statutes affecting the enforceability of contractual obligations generally; and principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the State. The State cannot assure Registered Owners that the remedies provided in the General Bond Resolution will be available or effective to make Registered Owners whole if a default occurs.

Risk of Tax Audit of Municipal Issuers

The Internal Revenue Service (the "IRS") has established an ongoing program to audit tax-exempt obligations (such as the Bonds) to assess compliance with IRS provisions governing municipal bonds. The State cannot predict whether the IRS will commence an audit of the Bonds. Registered Owners of the Bonds are advised that, if the IRS does audit the Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the State as the taxpayer, and the Registered Owners of the Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

INFORMATION ABOUT CERTAIN AIRLINES SERVING THE AIRPORTS

General

The System derives a substantial portion of its operating revenues from landing and facility rental fees paid by airlines using the System. The financial strength and stability of these airlines, together with the underlying strength of the System's passenger and cargo markets and numerous other factors, influence the level of aviation activity within the System and revenues, including PFCs, realized by the System.

Airline Information

Airlines, the shares of which are publicly held and traded, (or their respective parent corporations) are subject to the periodic reporting requirements of the Exchange Act and, in accordance therewith, file reports and other information with the SEC. Certain information, including financial information, as of particular dates 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 in the Public Reference Room of the SEC which can be located by calling the SEC at 1-800-SEC-0330. Additional information with respect to the filings of the airlines may be retrieved at the http://www.sec.gov. In addition, each airline is required to file periodic reports of financial and operating statistics with USDOT. Such reports can be inspected at the following location: Office of Airline Information, Bureau of Transportation Statistics, Department of Transportation, 100 F Street, NE, Room 1580, Washington, DC 20549 and at the SEC's regional offices at the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511 and 233 Broadway, New York, New York 10279.

The System or the Underwriters undertake no responsibility for and make no representations as to the accuracy or completeness of the content of information available from the SEC or the USDOT as discussed in the preceding paragraph, including, but not limited to, updates of such information or links to other internet sites accessed through the Commission's website. Additionally, reference to the SEC website is not a hyperlink and the SEC's website, by this reference, is not incorporated herein.

Government Budgets and Appropriations

Budgets. The State's fiscal year begins on July 1 and ends on the following June 30. The Constitution requires the Governor to submit to the Legislature by December 15 a budget for the next fiscal year, setting forth all proposed expenditures and anticipated income of all departments, offices and agencies of the State, and to submit bills covering recommendations in the budget for new or additional revenues. The Constitution prohibits the withdrawal from the treasury of any funds, regardless of source, without an appropriation, and so the Governor's proposed budget and the Legislature's appropriations bills include federal and other funds as well as funds generated by the State.

General Appropriations. The Governor is required to submit three budgets – an operating budget, a mental health budget and a capital budget – by December 15 and to introduce the budgets and appropriation bills formally to the Legislature in January by the fourth day of the regular Legislative session. The appropriation bills, with any changes made by the House Finance Committee, are voted upon first by the House of Representatives, which can amend the bills. The bills approved by the House of Representatives are then voted upon and may be amended by the Senate. Often a conference committee of three members from each house is required to work out differences between the House-approved bills and the Senate-approved bills. The new versions are then submitted to both houses for final votes. Once enacted by both houses, the appropriations bills are delivered to the Governor for signature. The Governor may veto one or more of the appropriations made by the Legislature in an appropriations bill (a "line-item veto"). The Legislature may override a veto by the Governor, and either the Governor or the Legislature may initiate supplemental appropriations during the fiscal year to deal with new or changed revenue receipts, to correct errors or for any other reason.

The Governor has the ability to prioritize or restrict expenditures, redirect funds within an operating appropriation to fund core services, and expend unanticipated federal funds or program receipts. Historically, Alaskan Governors have placed restrictions on authorized expenditures during years when actual revenues were less than forecasted and budgeted. Expenditure restrictions have included deferring capital expenditures, State employment hiring freezes, and restrictions on allowed non-core operating expenses.

System Appropriations. While AS 37.15.415 provides for a continuing System revenue bond debt service appropriation, the System additionally participates in the annual budget process of the State for both regular operational costs as well as annual debt service costs. Annual appropriations are made from System revenues to pay for estimated annual operational costs in the body of the State's annual operating budget as part of the Department of Transportation and Public Facilities section of the bill. The State's operating budget includes an additional appropriation for the System's debt service in the "Debt and Other Obligations" portion of bill, which also includes general obligation bond, state guaranteed bonds, lease purchase obligations, and other obligations of the State. See, "SYSTEM FINANCIAL OPERATIONS AND RESULTS – Budget Process for Debt Service and Expenses."

Investment Policies

Revenue Fund. All revenues, fees, charges and rentals derived by the State from State ownership, lease, use and operation of the System, other than customer facility charges and customer facility maintenance charges, must be deposited in the Revenue Fund established under the Act and the General Bond Resolution. See, "SECURITY FOR THE BONDS." Money in the Revenue Fund may be invested in Permitted Investments. The State may invest the Revenue Fund assets through the State's investment pools as Permitted Investments. The State's investment pools include the State's Short-Term Fixed Income Investment Pool and Intermediate-Term Fixed Income Investment Pool.

The primary objectives of the investment policy for the Revenue Fund are to avoid material loss that could affect the ability to meet obligations and to provide for the ongoing operation costs of the System. The Revenue Fund is invested to achieve a relatively high return over an intermediate time horizon. As of June 30, 2020, all deposits of the Revenue Fund, Construction Fund, Reserve Account, and Repair and Replacement Reserve Account were collateralized by their participation in the State's investment pools, which creates an interest in a share of ownership in the pools rather than ownership of specific securities.

Construction Fund. The International Airports Construction Fund ("Construction Fund") has been established under the Act and the General Bond Resolution. Under the General Bond Resolution, proceeds from outstanding bond issues are segregated in subfunds within the Construction Fund. There are currently four subfunds holding bond proceeds from the 2006B Bonds, the 2009A Bonds, the 2010C Bonds and the 2010D Bonds.

The State has historically invested the Construction Fund through the State's investment pools, which include the State's Short-Term Fixed Income Investment Pool and the Intermediate-Term Fixed Income Investment Pool. Older bond issues' subfunds may be withdrawn from the State's investment pools if short-term interest rates rise to the restricted yield levels of the bond issues.

The primary objective of the investment policies for subfunds of the Construction Fund is to avoid material loss that could affect the ability to meet the construction obligations. Each subfund of the Construction Fund carries its own investment guidelines and asset allocation. All the subfunds are in the Short-Term Fixed Income Pool to minimize exposure to principal loss.

Reserve Account. Money in the Reserve Account is invested in the State's Short-Term Fixed Income Investment Pool. The primary objectives of the investment policy for the Reserve Account are to avoid material loss and provide maximum liquidity. In addition, the State seeks moderate and steady investment returns. The Department of Revenue has established one performance benchmark (the three-month U.S. Treasury Bill) for the Reserve Account.

Repair and Replacement Reserve Account. Money in the Repair and Replacement Reserve Account is invested in the State's Short-Term Fixed Income Investment Pool. The primary objectives of the investment policy for the Repair and Replacement Reserve Account are to avoid material loss and provide maximum liquidity. In addition, the State seeks moderate and steady investment returns. The Department of Revenue has established one performance benchmark (the three-month U.S. Treasury Bill) for the Repair and Replacement Reserve Account.

Credit Risk. GASB Statement No. 40 requires a disclosure regarding custodial credit risk to indicate the chance of loss in the event a financial institution or third party holding the deposits or securities fails. Treasury's policy with regard to custodial credit risk is to collateralize State deposits to the extent possible. As of June 30, 2020, all deposits of the Revenue Fund, Construction Fund, Development Fund and Repair and Replacement Reserve Account were either collateralized or insured, to the extent possible.

Bond Fund. The Registrar holds the Bond Fund and the money in the Bond Fund may be invested in Permitted Investments. The State does not expect material investment earnings from the Bond Fund because of the relatively small amount of money held in the Bond Fund and the short amount of time the Registrar holds the money.

Insurance

The Division of Risk Management's (the "Division") self-insurance program protects the financial assets and operations of all State agencies (including the Department's activities regarding the System) from accidental loss through a comprehensive program for normal and expected property and casualty claims of high frequency and low severity, combined with high limit broad form excess commercial insurance protection for catastrophic loss exposures for certain specialized risks, including the ownership and operation of AIAS.

The Division administers the self-insurance program for each State agency, covering all sudden and accidental property and casualty claims through a funded self-insurance risk pool up to a designated retention limit, and thereafter, for the Airports, through commercial coverage under policies listed below. The annual premium assessments allocated by the Division to each agency under the annual cost of risk allocation are the maximum the agency is called upon to pay. This planning for unknown and catastrophic losses forestalls supplemental appropriation or disruption of vital state services after a major property loss, significant workers' compensation claim or adverse civil jury award for a covered claim.[6]

The following provides a brief overview of the current property/casualty insurance program for AIAS:

1. Airport & Aviation Liability comprehensive coverage; including airport premises liability and hangar-keepers liability. The limit of liability is $500,000,000, for all State airports including the System, with $250,000 self-insured retention ("SIR").

2. Self-insured all-risk property coverage is provided on a stated value cost basis with a $50,000,000 sublimit for earthquake and flood, per occurrence.

3. Workers' compensation coverage is provided through the fully self-insured program administered by the Division. The State is an authorized self-insured employer under AS 23.30.090.

[6] The Division does not cover pollution, employment or intellectual property claims.

Marketing, and brokering, of the State's Excess Insurance programs, are provided by Parker, Smith and Feek, one of the largest independent brokers in the world market.

The Division maintains a home page and annual report at http://doa.alaska.gov/drm[7] with further details and contact information.

FINANCIAL STATEMENTS OF THE SYSTEM

The financial statements for the years ended June 30, 2020 and 2019, set forth in APPENDIX A hereto, have been audited by BDO USA, LLP, independent auditors, as stated in their report thereon appearing in APPENDIX A. Neither the System's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the prospective financial information presented herein, nor have they expressed any opinion or given any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

AIAS has not requested the consent of BDO USA, LLP to include the financial statements, or their report, in this Official Statement.

LITIGATION

As of the date of this Official Statement there is no controversy or litigation of any nature, to the knowledge of the State in its capacity as issuer of the Bonds, pending or threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or in any way contesting or affecting the authority of the State or the validity of the Bonds or any actions or proceedings of the State taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Bonds or any other bonds issued under the General Bond Resolution, the Eighth Supplemental Resolution or the use of the Bond proceeds.

In the normal course of its activities, the System is or may become involved in the defense of various claims, administrative proceedings and litigation arising out of the ownership and operation of the System. Some of these claims may be covered by the State's self-insurance pool or by commercially purchased insurance, both as described above under the caption "STATE OF ALASKA – Insurance." Other matters, such as project-related condemnation or construction claims, may be fully funded with project funds. System management is not aware, as of the date of this statement, of any pending or threatened litigation, claims, assessments or governmental investigations, including environmental clean-up actions against the System, that, individually or in the aggregate in the opinion of System management, pose a reasonably probable risk of a material adverse effect on the financial position of the System.

RATINGS

Moody's and Fitch have assigned ratings of "A1" (with a Positive Outlook assigned) and "A+" (with a Stable Outlook assigned), respectively, based on their research and investigation of the State, the Department and the System. Such ratings and outlook reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Fitch, One State Street Plaza, New York, New York 10004, (212) 908-0500 and Moody's, 99 Church Street, New York, New York 10007, (212) 553-0300.

The foregoing ratings express only the views of the rating agencies and are not recommendations to buy, sell or hold the Bonds. An explanation of the significance of each of the ratings may be obtained from the rating agency furnishing the rating. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, or either of them, if, in their or its judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the public offering prices stated on the cover page hereof. The initial public offering prices may be changed from time to time by the Underwriters.

[7] This inactive textual reference to the State's website is not a hyperlink and the State's website, by this reference, is not incorporated herein.

The 2021A Bonds are being purchased at a price equal to $14,396,517.07 (being the par amount of the 2021A Bonds, plus $2,733,222.90 original issue premium, less $46,705.83 Underwriters' discount).

The 2021B Bonds are being purchased at a price equal to $9,285,807.09 (being the par amount of the 2021B Bonds, plus $1,855,561.60 original issue premium, less $29,754.51 Underwriters' discount).

The 2021C Bonds are being purchased at a price equal to $81,157,046.05 (being the par amount of the 2021C Bonds, plus $15,053,118.45 original issue premium, less $236,072.40 Underwriters' discount).

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the State and to persons and entities with relationships with the State, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the State (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the State. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

BofA Securities, Inc. ("BofA"), one of the underwriters of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings, including the Bonds, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of CS&Co. and LPL will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

MUNICIPAL ADVISOR

Acacia Financial Group, Inc., Anchorage, Alaska serves as municipal advisor to the State in connection with the issuance of the Bonds. Acacia Financial Group, Inc., has not audited, authenticated, or otherwise verified the information set forth in this Official Statement, or any other related information available to the State, with respect to the accuracy and completeness of disclosure of such information. No guaranty, warranty, or other representation is made by the Acacia Financial Group, Inc. respecting the accuracy and completeness of this Official Statement or any other matter related to the Official Statement.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the State ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Internal Revenue Code"), except that no opinion is expressed as to the status of interest on any 2021B Bond or 2021C Bond for any period that such 2021B Bond or 2021C Bond is held by a "substantial user" of the facilities financed or refinanced by the 2021B Bonds or the 2021C Bonds or by a "related person" within the meaning of Section 147(a) of the Internal Revenue Code. In the opinion of Bond Counsel, interest on the 2021A Bonds and the 2021B Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel observes, however, that interest on the 2021C Bonds is a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion, based on existing laws of the State of Alaska, that interest on the Bonds is exempt from taxation by the State of Alaska except for transfer, estate, and inheritance taxes. A complete copy of the proposed form of opinion of Bond Counsel is included as Appendix C.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Internal Revenue Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The State has made certain representations and covenanted to comply with certain restrictions, conditions, and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Internal Revenue Code, or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Internal Revenue Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the State or about the effect of future changes in the Internal Revenue Code, the applicable regulations, the interpretation thereof, or the enforcement thereof by the IRS. The State has covenanted, however, to comply with the requirements of the Internal Revenue Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the State or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the State, and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the State legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the State or the Beneficial Owners to incur significant expense.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriters on behalf of the State relating to (a) computation of the adequacy of the cash to pay, when due, the interest and redemption requirements on the Refunded Bonds, and (b) computation of yield on the Bonds was examined by Samuel Klein and Company, Certified Public Accountants (the "Verification Agent"). Such computations were based solely upon assumptions and information supplied by the Underwriters on behalf of the State. The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of future events.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the final approving opinions of Orrick, Herrington & Sutcliffe LLP, Seattle, Washington, Bond Counsel, in the form attached hereto as APPENDIX C. Certain legal matters will be passed upon for the State by the Attorney General for the State, and for the Underwriters by their counsel, Jermain, Dunnagan & Owens, P.C., Anchorage, Alaska. The fees of Bond Counsel and Underwriters' Counsel are contingent upon the issuance of the Bonds.

CONTINUING DISCLOSURE

Annual audited financial statements of the Alaska International Airports System will be available upon request from the State of Alaska Department of Transportation and Public Facilities, Alaska International Airports System.

The State has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data (the "Annual Disclosure Report") within seven months after the end of each fiscal year (the "Report Date"), commencing February 1, 2022 for the Annual Disclosure Report for the fiscal year ending June 30, 2021, and to provide notices of the occurrence of certain enumerated events, if material. A form of document specifying the nature of the information to be contained in the Annual Disclosure Report or the notices of material events is set forth in APPENDIX F hereto. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule").

AIAS Filings. With respect to filing of annual financial information, on December 21, 2016, notice was provided to the MSRB of the State's anticipated inability to file the Alaska International Airports System's FY 2016 annual financial information before the January 31, 2017 deadline for such filing, and the notice provided an estimated date for the annual financial information to be filed of January 31, 2017. The annual financial information was subsequently filed with the MSRB. In addition, on December 18, 2020, notice was provided to MSRB of failure to file the Alaska International Airports System's FY 2020 Audited Financial Statements before the deadline of December 21, 2020 for certain outstanding bonds of the AIAS. The notice provided an estimated date for the annual audited financial statements to be filed by January 31, 2021 and the annual audited financial statements were filed with the MSRB on January 21, 2021. The disclosure requirement for filing the FY 2020 Audited Financial Statements on all other outstanding AIAS bonds was timely satisfied. The audited financial statements and certain operating information of the AIAS for FY 2017 and FY 2018 were not linked to certain CUSIP numbers of the System's bonds. The State subsequently linked the notice to such AIAS bond CUSIP numbers.

With respect to filing of listed events: the State did not file certain notices of listed events relating to the downgrades of insurers of its outstanding bonds and certificates of participation.

General. The State has adopted procedures to assure future compliance with its continuing disclosure undertakings.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion, forecast or estimates, whether or not expressly so stated, they are set forth as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the purchasers of any of the Bonds and the System or the State.

This Official Statement contains forward-looking statements, including (a) statements containing projections of System revenues, expenditures and other financial items, (b) statements of the plans and objectives of the State for future operations of the System, (c) statements of future economic performance of the System, and (d) statements of the assumptions underlying or relating to statements described in (a), (b), and (c) above (collectively, "Forward-Looking Statements"). Other than statements of historical facts, all statements included in this Official Statement regarding the System's financial position, business strategy, capital resources, and plans and objectives of the State for future operations of the System are Forward-Looking Statements. Although the expectations reflected in such Forward-Looking Statements are believed to be reasonable, there can be no assurance that such expectations will prove to have been correct. A reasonable effort has been made to disclose in this Official Statement important factors that could cause actual results to differ materially from expectations of the State (collectively, the "Cautionary Statements"). All subsequent written and oral Forward-Looking Statements attributable to the State or persons acting on behalf of the State are expressly qualified in their entirety by the Cautionary Statements.

There are appended to this Official Statement appendices entitled "AUDITED FINANCIAL STATEMENTS OF THE STATE OF ALASKA INTERNATIONAL AIRPORTS SYSTEM (AN ENTERPRISE FUND OF THE STATE OF ALASKA) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019," "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL BOND RESOLUTION AND THE EIGHTH SUPPLEMENTAL RESOLUTION.," "PROPOSED FORM OF OPINION OF BOND COUNSEL REGARDING THE BONDS," "DTC AND ITS BOOK-ENTRY ONLY SYSTEM," "FORM OF CONTINUING DISCLOSURE AGREEMENT," and "SUMMARY INFORMATION REGARDING THE STATE OF ALASKA."

The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

OFFICIAL STATEMENT

The State has authorized the execution and distribution of this Official Statement.

STATE OF ALASKA,
State Bond Committee

By__________________________________

DEVEN J. MITCHELL
Debt Manager
State of Alaska
For the State Bond Committee

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF
THE STATE OF ALASKA INTERNATIONAL AIRPORTS SYSTEM
(AN ENTERPRISE FUND OF THE STATE OF ALASKA)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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State of Alaska
International Airports System
An Enterprise Fund of the State of Alaska

Financial Statements and Supplementary Information
Years Ended June 30, 2020 and 2019

The report accompanying these financial statements was issued by

BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Financial Statements and Supplementary Information
Years Ended June 30, 2020 and 2019

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Contents

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Independent Auditor's Report

State of Alaska Department of Transportation
and Public Facilities
Juneau, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the State of Alaska International Airports System (Airports System) (an Enterprise Fund of the State of Alaska) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Airports System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of Alaska International Airports System as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 15 and the Schedules of Net Pension Liability, Pension Contributions, Net Other Postemployment Benefit Liability, and Other Postemployment Contributions on pages 58 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit for the year ended June 30, 2020 was conducted for the purpose of forming an opinion on the basic financial statements. The Combining Schedules of Revenues, Expenses and Changes in Fund Net Position and Schedules of Net Revenues in Excess of Net Revenues required for the year ended June 30, 2020 and 2019 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Schedules of Revenues, Expenses and Changes in Fund Net Position and Schedules of Net Revenues in Excess of Net Revenues required are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Schedules of Revenues, Expenses and Changes in Fund Net Position and Schedules of Net Revenues in Excess of Net Revenues required are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2021 on our consideration of the State of Alaska International Airports System'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 solely 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 effectiveness of the Alaska International Airport System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Alaska International Airports System's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
January 21, 2021

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Management's Discussion and Analysis

The purpose of the following management's discussion and analysis of the financial performance and activity of the State of Alaska International Airports System (Airports System or AIAS) is to help readers understand the basic financial statements of the Airports System for the years ended June 30, 2020 and 2019, with selected comparative information for the year ended June 30, 2018. The following discussion has been prepared by management and should be read in conjunction with the audited financial statements and the notes thereto, which follows this section.

Overview of the Financial Statements

The Alaska International Airports System is a major enterprise fund of the State of Alaska, created by Chapter 88 of the Session Laws of Alaska of 1961, and is comprised of the operations of the Ted Stevens Anchorage International Airport (ANC) and Fairbanks International Airport (FAI). The Airports System financial report includes three parts: Management's Discussion and Analysis (MD&A), the basic financial statements, and the notes to the financial statements. The MD&A provides an introduction and understanding of the basic financial statements of the Airports System.

The financial statements themselves include the statements of net position, the statements of revenues, expenses and changes in fund net position and the statements of cash flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. According to the Governmental Accounting Standards Board (GASB), the objective in developing new reporting standards is "to enhance the understanding and usefulness of the general purpose external financial reports of state and local governments to the citizenry, legislative and oversight bodies and investors and creditors."

Impact of COVID-19 Pandemic on the Airport System

The COVID-19 outbreak (Pandemic) and resulting restrictions have severely disrupted, and continue to disrupt, the economies of the United States and other countries. The full economic impact of the Pandemic on the Airport System and airlines utilizing the Airport System is currently difficult to predict.

On January 31, 2020, the Secretary of the United States Health and Human Service Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the Pandemic outbreak in the United States a national emergency. On March 11, 2020, the Governor of the State of Alaska issued a Public Health Disaster Emergency Declaration.

The Pandemic has imposed significant disruption and continues to disrupt the social and economic activity of the United States, as well as the world generally. Airports have largely been significantly impacted, most adversely, however the full impact of the Pandemic on airlines, airports, and the Airport System specifically is uncertain and difficult to predict at this time.

Along with most airports in the United States, the Airports System has experienced significant reductions in passenger airline operations and passenger throughput volumes since mid-March 2020, with the largest reduction in passenger movements occurring in April 2020, where airline reported Airport System passenger enplanements declined approximately 88.9% from their April 2019 level. Relatively consistent with most airports in the United States, the rate of monthly enplanement recovery has shown slow but steady improvement since.

The Airports System has served as an international and intra-state cargo airline operations support facility for several decades, and Pandemic induced changes in patterns of reduced trans-Pacific international passenger airline operations as well as increased cargo demand attributable to increased e-commerce product movements have resulted in increased Airports System cargo airline activity, primarily at ANC, which has served to partially offset the Pandemic induced impact of reduced passenger airline activity on airfield, terminal, and concession revenue streams. Overall airline CMGTW increased 5.1% in FY2020, however the net increase was comprised of a 15.9% decrease and a 9.8% increase in passenger and cargo airline activity respectively.

In response to the Pandemic, the Airports System have undertaken more rigorous cleaning and other operational and public health measures and have also implemented certain airline, concessionaire, and land lease tenant payment deferral plans in support of early initial Pandemic related cash flow concerns. The deferrals offered provided for conditional deferral of payments/rents for the months of April, May, and June 2020 – with payment deferred until August 2020. Relief was also afforded Airport System airlines and tenants by the Governor of Alaska's order effectively waiving Airport System concession rents for the month of April 2020 and provisions in most Airport System concession lease agreements requiring waiver of minimum monthly concession payment requirement provisions in months where airport passenger enplanement levels declined significantly, usually by approximately 25 percent relative to the average of the same month over the prior three years.

Federal Aid Related to COVID-19

The Airports System applied for and received approval for participation in the Federal Aviation Administration (FAA) administered Coronavirus Aid, Relief, and Economic Security Act (CARES Act) airports grant program in the amount of $33.1 million. The Airports System accepted the grant on April 9, 2020, with a period of performance ending four years from that acceptance date. The CARES Act funds were accepted with certain conditions, primarily limiting use of funds to otherwise legally permissible airport uses and requiring the Airports System to agree to continue to employ, through December 31, 2020, at least 90 percent of the number of individuals employed (after making adjustments for retirements or voluntary employee separations) by the airport as of March 27, 2020. The Airports System recognized $9.9 million of the grant funds in FY20 as contributed capital and anticipates utilizing the remaining $23.2 million in FY21 for debt service and operating and maintenance costs.

Airline Industry Update

The disruptive impact of the Pandemic has been dramatic to the aviation industry globally, especially for passenger airlines, which initially saw declines as great as 90% at the onset of the Pandemic, relative to same period in the prior year. Recovery has been relatively slow and steady, but generally belabored due to the persistent detrimental impact of the Pandemic on business and leisure travel. Trans-Pacific cargo activity has increased significantly since onset of the Pandemic, primarily due to displacement of passenger airline belly-hold cargo capacity and growth in e-commerce induced increase in air cargo shipment volumes.

Near-term duration of the Pandemic's impact on the Airports System and the nature and timing of a generally anticipated eventual recovery of passenger airline activity to or near pre-Pandemic levels is still unclear. A recovery in passenger airline activity may likely result in some level of reduction or tapering of the surge in cargo airline activity experienced by the Airports System over the course of the Pandemic to-date, but the likelihood, extent, and nature of a reduction is uncertain and may be tempered by continued or sustained levels of current e-commerce driven air cargo activity.

Alaska's unique geographic position along the great circle route between Asia and North America continues to allow it to play a significant role in the global air cargo industry. The locations of Ted Stevens Anchorage (ANC) and Fairbanks International (FAI) airports (together comprising AIAS), combined with judicious inter-airline cargo trans-load legislation and international cargo marketing efforts by airport staff, has contributed to continued steady growth of the international cargo component of AIAS operations. ANC is among the leading cargo airports in the world, however it slipped from second to fifth position in calendar year 2019 on the list of busiest airports for cargo in North America according to Airports Council International – North America (ACI-NA) and ranked sixth busiest in 2019, down from fifth busiest in 2018 world-wide ACI-NA rankings.

Management foresees continued modest growth in both cargo and passenger airline activity for the Airports System. That growth may be tempered by a slowing of or a downturn in the global economy as occurred in Fiscal Year 2020 due to the global impact of the COVID-19 pandemic. Conversely, improvement in global economic conditions may translate into increased air cargo activity for the Airports System. The Airports System continues to respond to global competitive pressures by working to hold rates and fees as level as possible. Additionally, the Airports System continues marketing the competitive advantages its geographic location and operating characteristics afford cargo freighter operators and passenger airlines by providing operating incentives through its operating agreement and other limited program specific offerings.

Airports System's Activity and Operating Highlights

The first three quarters of fiscal year 2020 encompassed modest growth in both passenger and airline activity. The occurrence of the COVID-19 pandemic in the fourth quarter resulted in dramatic decline in passenger movements, with initial surge in cargo airline activity which continued beyond FY20.

In November 2018, ANC experienced relatively minor damage to horizontal (airfield and road) and vertical (primarily building) infrastructure from a 7.0 magnitude earthquake. Repair work continued into FY20, with the majority of remediation efforts to date funded by Federal Emergency Management Agency (FEMA) and Federal Highway Administration (FHWA) grants.

Airline Operating Activity for Fiscal Years 2020, 2019, and 2018

In fiscal year 2020, the Airports System experienced a decrease of 22.2% in passenger enplanements as a direct result of the global COVID-19 pandemic occurrence, following a 2.5% increase in fiscal year 2019 and a 0.6% increase in fiscal year 2018. Cargo activity, as measured by CMGTW, increased 9.8% in fiscal year 2020 following increases of 1.1% and 7.2%, respectively in fiscal years 2019 and 2018. Generally stable airline activity, both passenger and cargo up to the point of COVID-19 pandemic, appeared to have been driven by continued general improvement in overall domestic and global economic conditions.

A summarized comparison of airport traffic at June 30 is as follows:

	2020	Percentage Change	2019	Percentage Change	2018
International and Domestic Cargo Landed Weight (CMGTW):					
ANC	26,556,989	9.7%	24,202,128	1.2%	23,908,955
FAI	147,026	33.0%	110,522	(16.2%)	131,841
Airports System Total	26,704,015	9.8%	24,312,650	1.1%	24,040,796
Enplanements (number of passengers):					
ANC	2,197,794	(22.2%)	2,824,465	3.0%	2,741,683
FAI	450,812	(22.0%)	577,961	0.3%	576,249
Airports System Total	2,648,606	(22.2%)	3,402,426	2.5%	3,317,932
Landings:					
ANC	82,567	(4.9%)	86,808	(2.3%)	88,893
FAI	17,402	(14.4%)	20,335	(9.9%)	22,562
Airports System Total	99,969	(6.7%)	107,143	(3.9%)	111,455
Landed Weight (CMGTW):					
ANC	30,345,706	5.9%	28,664,290	1.5%	28,251,635
FAI	990,495	(14.4%)	1,157,236	3.7%	1,115,701
Airports System Total	31,336,201	5.1%	29,821,526	1.5%	29,367,336

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Financial Position

The statement of net position represents the Airports System's financial position at the end of a fiscal period. It discloses the enterprise fund's assets and liabilities and the difference between those categories, net position. Net position is an indicator of fiscal health. A summarized comparison of the Airports System's assets, liabilities and net position at June 30, 2020, 2019, and 2018, is as follows:

June 30,	2020	2019	2018
Assets and Deferred Outflows			
Current assets	$ 193,480,642	$ 179,524,392	$ 142,420,380
Noncurrent assets:			
Capital assets, net	1,184,687,468	1,210,245,964	1,205,410,620
Other noncurrent assets	73,487,727	75,240,831	84,472,986
Deferred outflows – pension/OPEB related	10,729,363	9,912,837	7,359,919
Total Assets and Deferred Outflows	**$ 1,462,385,200**	**$ 1,474,924,024**	**$ 1,439,663,905**
Liabilities, Deferred Inflows and Net Position			
Current liabilities	$ 64,594,032	$ 72,800,009	$ 56,175,419
Noncurrent liabilities – long-term debt outstanding and other liabilities	405,624,276	425,356,053	457,619,478
Total liabilities	470,218,308	498,156,062	513,794,897
Deferred inflows – pension/OPEB related	4,393,823	5,702,345	12,311,106
Net position:			
Net investment in capital assets	863,218,696	878,911,161	846,648,894
Restricted	44,783,617	43,191,784	45,965,333
Unrestricted	79,770,756	48,962,672	20,943,675
Total net position	987,773,069	971,065,617	913,557,902
Total Liabilities, Deferred Inflows and Net Position	**$ 1,462,385,200**	**$ 1,474,924,024**	**$ 1,439,663,905**

Current assets increased $14.0 million, or 7.8%, in fiscal year 2020 from FY19, and had increased $37.1 million, or 26.1%, in FY19 from FY18. The net increase in fiscal year 2020 current assets was primarily due to $10.1 million increase in restricted and unrestricted cash and investments and $9.9 million increase in FAA receivable related to FAA CARES Act grant for COVID-19 Pandemic relief.

The largest component of the Airports System's total assets is capital assets. Net capital assets decreased in FY20 by $25.6 million or 2.1%. Net capital assets increased $4.8 million and decreased $20.3 million, respectively in fiscal years 2019 and 2018. The decreases between fiscal years primarily resulted from lesser amounts of capital expenditures offsetting slightly increasing annual depreciation expense, however in FY19, relatively large capital expenditures were mostly associated with peak of relatively large two-year north-south runway (ANC Runway 33/15) rehabilitation project.

The Airports System's capital assets had been primarily constructed using proceeds from revenue bonds over the last two decades, but relatively recently a greater proportion of the funding has been coming through operating revenues and capital contributions from federal grants and other sources. Passenger facility charges (PFC's) have been used primarily for debt service on ANC and FAI terminal projects over the last decade with a general intention to continue to do so through approximately 2026, although recent collections have exceeded the rate anticipated in the initial PFC applications. The possibility that collections might outpace impositions was reduced somewhat in FY20 due to adverse impact of Covid-19 Pandemic on passenger movements which might require new applications be filed earlier than anticipated with possible result in changed use from eligible project debt service recovery to pay-as-you-go eligible capital projects and equipment.

The largest portion of total liabilities consists of long-term debt, incurred to finance and acquire Airports System's capital project assets. The outstanding balance of noncurrent long-term debt (revenue bonds payable) was $341.2 million at fiscal year 2020 year-end, a decrease of approximately $16.0 million from 2019 fiscal year-end balance of $357.2 million. The 2019 fiscal year-end balance represented a $32.4 million reduction from the $389.6 million fiscal year 2018 year-end balance.

The annual reductions over each of the three years is primarily attributable to scheduled debt service payments, no additional new debt issuances, and deleveraging efforts including optional redemptions and refunding transactions.

The Airports System's investment in capital assets is reported net of related debt as a component of net position on the statement of net position. Cash required to service the debt is provided primarily from revenue from charges to airline customers, concessions, and land rental fees for ongoing operations, along with the contributions from PFC's.

Current liabilities decreased $8.2 million over fiscal year 2020, increased $16.6 million in fiscal year 2019, and had decreased $18.0 million over fiscal year 2018. The decrease in fiscal year 2020 was primarily attributable to $10.1 decrease in accounts payable and $4.5 million decrease in amounts due-to the State of Alaska's general fund mostly attributable to increased Runway 15/33 project construction activity at the end of the prior year.

Debt service reserve in the amount of $26.9 million, $26.4 million, and $25.8 million is included in noncurrent assets along with the Capital Project Fund and other reserves at fiscal year-ends for 2020, 2019, and 2018, respectively. Currently, outstanding long-term debt is anticipated to amortize through fiscal year 2035, with scheduled annual debt service levelized at approximately $30 million per year. The debt service reserves are ultimately eligible for expenditure for capital projects or may be utilized for debt service upon satisfying all Bond Committee Resolution reserve requirements.

The restricted and unrestricted remaining net positions are derived from the Airports System operations, grant, and PFC collections. Restricted net position balances for fiscal years 2020, 2019, and 2018 are $44.8 million, $43.2 million, and $46.0 million, respectively. Net position balances are subject to restrictions on how they may be used under AIAS bond resolutions and state and federal regulations. The remaining unrestricted noncapital net position of $79.8 million, $49.0 million, and $20.9 million in fiscal years 2020, 2019, and 2018, respectively, may be used to meet any of the Airports System's ongoing operations, subject to legislative approval and consent from the signatory airlines.

Operating Revenues

	2020 Revenue	Increase (Decrease)	Percentage Increase (Decrease)	2019 Revenue	Increase (Decrease)	Percentage Increase (Decrease)	2018 Revenue
Concessions	$ 13,816,529	$ (2,439,233)	(15.0%)	$ 16,255,762	$ 1,382,610	9.3%	$ 14,873,152
Terminal/land rents	25,451,016	1,027,150	4.2%	24,423,866	1,229,620	5.3%	23,194,246
Landing fees	61,927,355	(1,036,350)	(1.6%)	62,963,705	(11,921,030)	(15.9%)	74,884,735
Fuel flowage fees	20,968,254	1,323,923	6.7%	19,644,331	(324,180)	(1.6%)	19,968,511
Aircraft parking	4,057,027	172,677	4.4%	3,884,350	(3,311)	(0.1%)	3,887,661
Vehicle parking	7,503,258	(1,799,851)	(19.3%)	9,303,109	69,499	0.8%	9,233,610
Airline bad debt	(477,324)	(477,324)	n/a	-	2,339,726	(100.0%)	(2,339,726)
Other	3,457,913	(1,331,384)	(27.8%)	4,789,297	598,727	14.3%	4,190,570
Total	$ 136,704,028	(4,560,392)	(3.2%)	$141,264,420	$ (6,628,339)	(4.5%)	$147,892,759
Passenger Facility Charge	$ 6,802,979	$ (412,806)	(5.7%)	$ 7,215,785	$ 346,495	5.0%	$ 6,869,290

Fiscal year 2020 Airports System operating revenues decreased $4.6 million, a 3.2% decrease over 2019 operating revenues. Airport concessions (including rental cars) and vehicle parking we're adversely impacted by the impact of COVID-19 on passenger movements in the fourth quarter of FY2020. Conversely, global efforts to respond quickly to increased medical facility and public demand for personal protective equipment spurred a relatively large surge in cargo airline CMGTW in the fourth quarter of FY2020. Aircraft CMGTW is the primary driver for landing, fuel-flowage, and aircraft parking fee revenues. The decrease in Other above reflects approximately $1.3m lower aircraft docking fee revenue in FY2020.

Airports System operating revenues decreased $6.6 million, a 4.5% decrease, in fiscal year 2019 from 2018 and fiscal year 2018 operating revenues were up approximately $5.1 million from 2017, a 3.5% increase.

The fiscal year 2019 operating revenues decrease was mostly attributable to a commensurate decrease in landing fee rate, partially offset by a terminal rental rate increase. The rate adjustments reflected efforts to meet budgeted revenue requirement and also operating agreement negotiated terminal rate adjustments deemed to more equitably allocate certain costs between cargo and passenger airline customers. Fiscal year 2019 Concession revenue increased 9.3%, primarily due to increased passenger throughput, while much of the 2018 concession revenue increase of 2.9%, had been driven by new and upgraded concession offerings at both ANC and FAI. The FY 2018 increase was primarily attributable to greater than budgeted cargo airline activity as well as some increases to terminal and land rental rates.

Operating Expenses

	2020 Expense	Increase (Decrease)	Percentage Increase (Decrease)	2019 Expense	Increase (Decrease)	Percentage Increase (Decrease)	2018 Expense
Facilities	$ 28,655,868	$ 3,427,675	13.6%	$ 25,228,193	$ (2,571,513)	(9.3%)	$ 27,799,706
Field and equipment maintenance	19,781,713	(619,576)	(3.0%)	20,401,289	1,443,767	7.6%)	18,957,522
Safety	12,356,818	(632,163)	(4.9%)	12,988,981	(2,287,570)	(15.0%)	15,276,551
Administration	13,552,364	47,650	0.4%	13,504,714	913,202	7.3%	12,591,512
Operations	4,773,867	502,649	11.8%	4,271,218	(501,250)	(10.5%)	4,772,468
Environmental	2,316,094	231,130	11.1%	2,084,964	(379,601)	(15.4%)	2,464,565
Other expenses	3,578,498	(1,086)	0.0%	3,579,584	283,343	8.6%	3,296,241
Total	$ 85,015,222	$ 2,956,279	3.6%	$ 82,058,943	$ (3,099,622)	(3.6%)	$ 85,158,565

The Airports System's operating expenses, before depreciation, increased 3.6% in FY 2020 relative to prior year. As in prior years, actual operating expense variance was modest in the current year. Overall fiscal year 2020 and 2019 operating expense also generally comparable with fiscal year 2018, with consideration of some shifts between departments to reflect periodic shifts in operational requirements.

Depreciation expense was $74.6 million in fiscal year 2020, an increase of $2.4 million or 3.4%, from the $72.1 million fiscal year 2019 expense. Fiscal year 2019 depreciation expense was $1.1 million greater than in fiscal year 2018.

Interest expense, net of construction fund interest earnings, was $12.9 million in fiscal year 2020, a decrease of $0.3 million or 2.3% from $13.2 million in fiscal year 2019. Interest expense in 2019 and 2018 was $13.2 million and $15.6 million, respectively. The amount of the Airports System's long-term debt that was in weekly resetting variable rate demand note mode at year end was $43.0 million for fiscal years 2020 and 2019, and was $50.0 million at the end of fiscal years 2019.

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Changes in Net Position

The Airports System's loss before nonoperating revenues and expenses and capital contributions and transfers was $22.9, $12.9 million, and $10.2 million in fiscal years 2020, 2019, and 2018, respectively.

Due to the Airports System using debt service and pay-as-you-go rates and fees funding requirements in developing rates and fees, rather than depreciation expense, it is anticipated that operating losses will likely occur in years for which noncash depreciation expense exceeds debt service, debt service coverage, and rates and fees funded capital project costs.

Capital contributions from the FAA Airport Improvement Program (AIP) totaled $26.5 million, $65.5 million, and $46.1 million in fiscal years 2020, 2019, and 2018, respectively. The FY2020 reduction primarily resulted from completion of the relatively large Runway 15/33 Rehabilitation project in FY2019, which had been a two-year project. Capital contributions from the Transportation Safety Administration (TSA) in fiscal year 2020 were down approximately $5.3 million, resulting from FY2019 receipt of partial settlement of ANC claims relating to ANC Post 9/11 security project expenditures that had been required, but not funded, by TSA at the time. TSA had however made funding commitments at the time, and long-standing negotiations involving those commitments to reimburse recently resulted in commencement of annual payments that are not guaranteed, as they are subject to annual appropriation of the funds negotiated to be paid each year.

Combined ANC and FAI PFC revenues were down 5.7% in 2020 at $6.8 million compared with $7.2 million in 2019. Fiscal year 2018 PFC revenues were $6.9 million. Variation in PFC revenues reflect increases in both global domestic passenger enplanement growth and the decline in FY20 was primarily attributable to global impact of COVID-19 impact on passenger movements.

The change in net position is an indicator of whether the overall fiscal condition of the Airports System has generally improved or worsened during the year, notwithstanding variances arising from differences in the lives of capital assets and the lives of the underlying long-term debt financing them.

For the year ended June 30, 2020, net position increased $16.7 million. Change in net position was positive in the amounts of $57.5 million and $30.8 million for fiscal years 2019 and 2018, respectively.

The following is a summary of the Revenues, Expenses and Changes in Net Position:

Year Ended June 30,	2020	2019	2018
Operating revenues	$ 136,704,028	$ 141,264,420	$ 147,892,759
Operating expenses, excluding depreciation and amortization expense	(85,015,222)	(82,058,943)	(85,158,565)
Operating income before depreciation	51,688,806	59,205,477	62,734,194
Depreciation and amortization expenses	(74,578,132)	(72,138,949)	(72,954,608)
Nonoperating revenues	6,825,510	6,833,235	2,797,981
Nonoperating expenses	(13,940,289)	(14,577,225)	(15,653,649)
Capital contributions	46,711,557	78,185,177	53,899,814
Change in Net Position	$ 16,707,452	$ 57,507,715	$ 30,823,732

Cash and Investment Management

The Airports System's cash and investments totaled $202.2 million, $196.0 million, and $190.5 million at June 30, 2020, 2019 and 2018, respectively. Of these amounts, $78.4 million, $82.2 million, and $89.3 million were reserved and/or restricted for Operation and Maintenance reserve fund, Construction (Capital Projects) fund investments, Debt service reserve fund, Repair and replacement fund, Passenger facilities charges fund, and Revenue bond redemption fund.

The State Treasury Division of the Department of Revenue, following the appropriate Alaska Statutes, controls cash and investments and concentrates on large and very marketable issues with nonvolatile investment returns. All deposits are insured or collateralized by United States Government or agency obligations and other permitted investments. Funds that will be used for bond requirements are invested in time or demand deposits, direct obligations of the United States and other financial instruments maturing prior to the respective interest payment and maturity dates. An annual cash flow projection for capital projects is developed for all bond and investments proceeds to maximize investment income while ensuring cash is available for capital project expenses. All investments must be made following the investment policy that is in compliance with the applicable bond resolutions and Alaska Statutes.

The Airports System finances its capital program through a combination of Airports System revenues, entitlement and discretionary grants received from the FAA, other grant sources, PFCs, and revenue bonds. Over the last two and a half decades, long-term debt had been the principal source of funding for capital improvement projects, with a transition to FAA Airport Improvement Project grant funding and pay-as-you go capital expenditures funded through airport operating revenues. The Airports System, through its Bond Resolutions, has covenanted to maintain a debt service coverage ratio of not less than 1.25. The Airports System has historically maintained a coverage ratio higher than its requirement. At June 30, 2020, 2019 and 2018, the Airports System's debt service coverage was 2.55, 2.07, and 2.16, respectively.

Capital Financing and Debt Management

The amount of outstanding Airports System revenue bonds as of June 30, 2020, 2019, and 2018 was $333.4 million, $346.5 million, and $375.5 million, respectively. In fiscal year 2019, the Airports System optionally redeemed $9.5 million of its 2006 and $7.0 million of its 2009A series revenue bonds. In fiscal year 2018, $24.3 million of its 2006 Series bonds were also retired through optional redemptions.

Airports System revenue bonds had been assigned the following ratings at June 30, 2020:

Fitch	A+	Stable outlook
Moody's	A1	Stable outlook

Contacting the Airports System's Financial Management

The financial report is designed to provide the Airports System's management, investors, creditors, and customers with a general view of the Airports System's finances and to demonstrate its accountability for the funds it receives and expends. For additional information about this report please contact:

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Basic Financial Statements

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Statements of Net Position

June 30,		2020		2019
Assets and Deferred Outflows of Resources				
Current Assets				
Unrestricted cash and investments (Note 4):				
Cash with State Treasury	$	88,186,096	$	71,040,390
Investments		35,653,777		42,711,154
Total unrestricted cash and investments		123,839,873		113,751,544
Other restricted assets - Passenger Facility Charges:				
Cash with State Treasury		5,258,686		7,229,669
Total other restricted assets		5,258,686		7,229,669
Federal grants receivable (Note 2e)		3,840,615		15,436,392
Federal grants receivable CARES Act		9,942,200		-
Federal grants receivable - Unbilled (Note 2e)		31,696,056		24,335,415
Due from State of Alaska General Fund		9,004,930		15,419,715
Accounts receivable, net of allowance for doubtful accounts of $4,218,689 and $3,741,365 for 2020 and 2019, respectively		9,898,282		3,351,657
Total Current Assets		193,480,642		179,524,392
Noncurrent Assets				
Restricted cash and investments (Note 5):				
Investments - operations and maintenance reserve		22,972,064		21,921,764
Repair and replacement reserve		508,829		512,482
Capital project fund (Note 4)		6,752,364		12,620,991
Debt service reserve fund (Note 4)		26,861,028		26,394,927
Revenue bond redemption fund (Note 5):				
Bond interest		5,574,356		3,575,023
Bond principal		10,469,682		9,952,846
Total restricted or reserved cash and investments		73,138,323		74,978,033
Net other post employment benefit (OPEB) Asset		349,404		262,798
Capital assets, net of accumulated depreciation (Note 7)		1,184,687,468		1,210,245,964
Total Noncurrent Assets		1,258,175,195		1,285,486,795
Total Assets		1,451,655,837		1,465,011,187
Deferred Outflows of Resources:				
Pension related		6,470,533		6,057,032
Other postemployment benefit related		4,258,830		3,855,805
Total Deferred Outflows of Resources		10,729,363		9,912,837
Total Assets and Deferred Outflows of Resources	$	1,462,385,200	$	1,474,924,024

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Statements of Net Position, continued

June 30,	2020	2019
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	$ 5,583,203	$ 15,724,083
Unearned revenue:		
Unearned revenue - restricted (Note 2h)	31,696,056	24,335,415
Unearned revenue - unrestricted	1,164,650	1,072,508
Total Unearned revenue	32,860,706	25,407,923
Environmental remediation (Note 6)	1,476,840	3,085,840
Compensated absences (Note 2i)	3,716,680	3,777,943
Accrued liability - payroll	2,539,881	2,236,360
Due to State of Alaska General Fund	630,040	5,137,671
Liabilities payable from restricted assets:		
Accrued interest	3,856,682	4,255,189
Revenue bonds (Note 8)	13,930,000	13,175,000
Total Current Liabilities	64,594,032	72,800,009
Noncurrent Liabilities		
Revenue bonds payable, less current portion (Note 8)	341,152,164	357,175,721
Environmental remediation obligation, less current portion (Note 6)	4,378,620	3,404,000
Compensated absences, less current portion (Note 2i)	1,091,855	203,053
Other postemployment benefit (OPEB) liability	1,886,825	11,194,730
Net pension liability	57,114,812	53,378,549
Total Noncurrent Liabilities	405,624,276	425,356,053
Total Liabilities	470,218,308	498,156,062
Deferred Inflows of Resources:		
Pension related	2,295,877	1,339,704
Other postemployment benefit related	2,097,946	4,362,641
Total Deferred Inflows of Resources	4,393,823	5,702,345
Net Position		
Net investment in capital assets (Note 7)	863,218,696	878,911,161
Restricted (Note 5)	44,783,617	43,191,784
Unrestricted	79,770,756	48,962,672
Total Net Position	987,773,069	971,065,617
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 1,462,385,200	$ 1,474,924,024

See accompanying notes to financial statements.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Statements of Revenues, Expenses and Changes in Fund Net Position

Years Ended June 30,	2020	2019
Operating Revenues		
Airfield operations	$ 90,022,121	$ 90,709,080
Concession fees	13,816,529	16,255,762
Terminal rents (Note 3)	18,210,922	17,814,996
Vehicle parking fees	7,503,258	9,303,109
Land rental fees	7,240,094	6,608,870
Airline bad debt	(477,324)	-
Other	388,428	572,603
Total Operating Revenues	136,704,028	141,264,420
Operating Expenses		
Facilities	28,655,868	25,228,193
Field and equipment maintenance	19,781,713	20,401,289
Safety	12,356,818	12,988,981
Administration	13,552,364	13,504,714
Operations	4,773,867	4,271,218
Environmental expenses	2,316,094	2,084,964
Vehicle parking and curbside services	2,063,825	2,299,918
Risk management	1,514,673	1,279,666
Depreciation	74,578,132	72,138,949
Total Operating Expenses	159,593,354	154,197,892
Operating Loss	(22,889,326)	(12,933,472)
Nonoperating Revenues (Expenses)		
Investment income	5,631,219	6,423,354
Interest expense	(12,922,954)	(13,225,747)
Grants	57,223	173,279
Gain/(loss) on disposal of capital assets	119,733	(1,114,876)
Reimbursable services income	1,017,335	236,602
Reimbursable services expenses	(1,017,335)	(236,602)
Net Nonoperating Revenues (Expenses)	(7,114,779)	(7,743,990)
Loss Before Capital Contributions and Transfers	$ (30,004,105)	$ (20,677,462)

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Statements of Revenues, Expenses and Changes in Fund Net Position, continued

Years Ended June 30,	2020	2019
Capital Contributions		
Transportation Safety Administration	$ 46,623	$ 5,323,080
Capital contributions - other	3,444,873	173,513
CARES Act	9,942,200	-
Federal Aviation Administration	26,474,882	65,472,799
Passenger Facility Charge (Note 14)	6,802,979	7,215,785
Total Capital Contributions	46,711,557	78,185,177
Change in Net Position	16,707,452	57,507,715
Net Position, beginning of year	971,065,617	913,557,902
Net Position, end of year	$ 987,773,069	$ 971,065,617

See accompanying notes to financial statements.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Statements of Cash Flows

Years Ended June 30,	2020	2019
Operating Activities		
Receipts from customers and users	$ 130,726,869	$ 146,411,003
Payments to employees and suppliers	(102,442,718)	(81,704,893)
Net cash from operating activities	28,284,151	64,706,110
Noncapital Financing Activities		
Grants	57,223	173,279
Net cash from noncapital financing activities	57,223	173,279
Capital and Related Financing Activities		
Acquisition of capital assets	(49,019,636)	(78,089,169)
Capital grants received	48,365,134	58,648,077
Advances (payments) from (to) State of Alaska	1,907,154	(8,500,422)
Payments of revenue bonds	(13,175,000)	(28,990,000)
Interest paid on bonds	(15,538,164)	(16,104,187)
Passenger facility charges	5,826,876	7,215,785
Net cash for capital and related financing activities	(21,633,636)	(65,819,916)
Investing Activities		
Proceeds from sales and maturities of investment securities	196,960,455	184,729,391
Purchase of investment securities	(190,333,180)	(178,306,037)
Change in restricted assets and investments	3,810,693	(1,545,627)
Net cash from investing activities	10,437,968	4,877,727
Net Increase in Cash and Equivalents	17,145,706	3,937,200
Cash and Equivalents, beginning of year	71,040,390	67,103,190
Cash and Equivalents, end of year	$ 88,186,096	$ 71,040,390

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Statements of Cash Flows, continued

Years Ended June 30,	2020	2019
Operating Activities		
Operating loss	$ (22,889,326)	$ (12,933,472)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	74,578,132	72,138,949
Bad debt expense	477,324	-
Changes in assets, deferred outflows, liabilities, and deferred inflows that provided (used) cash:		
Accounts receivable	(6,546,625)	3,560,177
Accrued liability - payroll	303,521	107,289
Deferred outflows	(816,526)	(2,552,918)
Net OPEB asset	(86,606)	(64,671)
Accounts payable	(10,140,880)	7,279,555
Unearned revenue	92,142	1,349,804
Environmental remediation - restricted (Note 2h)	(634,380)	1,119,840
Compensated absences - unrestricted	827,539	(166,962)
OPEB Liability	(9,307,905)	2,268,489
Net pension liability	3,736,263	(791,209)
Deferred inflows	(1,308,522)	(6,608,761)
Net Cash From Operating Activities	$ 28,284,151	$ 64,706,110

See accompanying notes to financial statements.

1. Organization

The accompanying financial statements include only the accounts of the State of Alaska International Airports System (Airports System or AIAS), an enterprise fund of the State of Alaska (State) created by Chapter 88 of the Session Laws of Alaska of 1961 to equip, finance, maintain, and operate the two international airports located in Anchorage (ANC) and Fairbanks (FAI), Alaska. The airports are under the administration of the State of Alaska Department of Transportation and Public Facilities (DOT&PF). These financial statements are not intended to present complete financial activity of the State as a whole. The State's Comprehensive Annual Financial Report is available from the State's Division of Finance in the Department of Administration.

2. Summary of Significant Accounting Policies

(a) Governmental Accounting

The accounting policies used in preparation of the financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governmental entities.

(b) Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The accounts of the Airports System are reported using the flow of economic resources measurement focus. This measurement focus distinguishes operating activities from nonoperating items.

The Airports System uses the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when incurred regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

(c) Management's Use of Estimates

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 the estimates.

(d) Cash and Investments

For purposes of the statement of cash flows, the Airports System considers all highly liquid investments (excluding restricted assets) with a maturity of three months or less, when purchased, to be cash equivalents.

The Airports System accounts for marketable securities at fair value. Investments are segregated between current and noncurrent based upon maturity and intended use. Under this method, investments in debt securities and certain equity securities are carried at fair value and unrealized gains and losses are recorded in the statement of revenues, expenses, and changes in fund net position.

(e) Accounts Receivable and FAA Receivable (billed and unbilled)

In addition to airfield and airport facilities use-related receivables owed from airline customers and other lease tenants, the Airports System separately records and reports amounts it anticipates will be collected from the Federal Aviation Administration (FAA) for amounts expended on capital projects.

For those capital project expenditures having met all eligibility requirements for reimbursement under the FAA Airport Improvement Program, revenue is recognized in the period billed as capital contributions. For capital project expenditures for which not all grant reimbursement criteria thresholds have been substantively met, the Airports System has recorded accounts receivable balances and corresponding deferred revenue liabilities.

Management has provided an allowance for accounts recorded at year-end which it estimates may be uncollectible.

(f) Capital Assets

Property and equipment is carried at cost, except property originally received from the federal government which is recorded at fair market value at the date contributed. Major additions and improvements to property and equipment are capitalized. Depreciation is provided over estimated useful lives using the straight-line method. Repair and maintenance costs are expensed as incurred.

The cost and accumulated depreciation of assets retired or sold are removed from the accounts and any gain or loss is reflected in operations in the year of disposition.

(g) Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services in connection with the Airports System's principal ongoing operations. The principal operating revenues of the Airports System are charges to customers for airfield operations, concession fees, rent and user fees. Operating expenses include the facilities, field and equipment maintenance, safety, operations, environmental, vehicle parking, risk management, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(h) Capital Contributions

The Airports System incurs costs on projects that have not been approved for reimbursement by the FAA and amounts in excess of grant awards on certain approved projects. In addition to the $26.5 and $65.5 million recorded as revenue from the FAA during 2020 and 2019, respectively, approximately $31.7 and $24.3 million of project cost had been expended, but had not yet substantively met grant permissible reimbursement threshold conditions and were recorded as deferred revenues. Management believes these amounts will be reimbursed by the FAA upon their approval of the grant award, modification, or compliance with conditional restrictions, but are treated as claims until appropriate FAA approval is received.

The Airports System also collects passenger facility charges from airlines that are restricted for use for the acquisition of capital assets or the repayment of capital related debt (Note 14).

(i) Compensated Absences

Airports System employees receive time off or pay for leave hours accumulated. Routine annual leave is paid as used and the accumulated leave liability is estimated at year end. Estimated compensated absences balances recorded as current and long-term portions, respectively, at June 30 are $3,716,680 and $1,091,855 in 2020 and $3,777,943 and $203,053 in 2019.

(j) Bond Premiums, Discounts and Refunding Transactions

Premiums, discounts and refunding gains or losses are deferred and amortized over the life of the related debt, except in the case of refunding debt transactions where the amortization period is over the term of the refunding or refunded debt, whichever is shorter.

(k) Capitalized Interest

Interest expense, net of income earned on construction bond proceeds, is capitalized from the date of the borrowing until the assets are ready for their intended use on those capital projects paid for from the bond proceeds and is amortized over the depreciable life of the related assets on a straight-line basis.

(l) Due to/from State of Alaska General Fund

The Airports System uses the State's central treasury for payments of current obligations. The obligations are settled daily from the Airports System's cash or investment accounts with the central treasury.

(m) Leases

The Airports System leases substantially all terminal building space to airlines and concessionaires. All such leases have been treated as operating leases since ownership risks are retained by the Airports System.

(n) Income Taxes

The Airports System qualifies for exemption from federal income taxes under current provisions of the Internal Revenue Code.

(o) Passenger Facility Charges/Grants Revenue Recognition

Revenue from FAA grants is recognized as earned as eligible expenditures are incurred and PFC revenues are recognized as reported and received from airlines.

(p) Deferred Outflows and Inflows of Resources

In addition to assets, the statements of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Airports System has one item for reporting in this category; Deferred outflows of resources related to our participation in the Public Employees' Retirement System (PERS). In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Airports System has one item for reporting in this category; a deferred inflow of resources related to our participation in PERS.

(q) Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(r) Subsequent Events

The Airports System has evaluated subsequent events January 21, 2021, the date on which the financial statements were issued, and determined that no material events requiring disclosure had occurred.

(s) New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, and actual impacts have not yet been determined.

GASB 84 – Fiduciary Activities – Effective for year-end June 30, 2020, with earlier application encouraged – This statement addresses criteria for identifying and reporting fiduciary activities.

GASB 87 – Leases – Effective for year-end June 30, 2021, with earlier application encouraged – This statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period – Effective for year-end June 30, 2021, with earlier application encouraged – This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

GASB 90 – Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61 – Effective for year-end June 30, 2020, with earlier application encouraged – This statement addresses accounting and financial reporting for a majority equity interest in a legally separate organization. It provides a definition of a majority equity interest and provides guidance for further presentation as either an investment or a component unit, based on specific criteria.

GASB 91 – Conduit Debt Obligations – Effective for year-end June 30, 2022, with earlier application encouraged – This statement requires issuers to disclose general information about conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment.

GASB 92 - Omnibus 2020 – Provisions of this Statement related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The effective date for all other provisions of the Statement are to be implemented for year-end June 30, 2021. This Statement addresses a variety of topics such as leases, the applicability of Statement No. 73 and Statement No. 74 for reporting assets accumulated for postemployment benefits, the applicability of Statement No. 84 to postemployment benefit arrangements, the measurements of liabilities and assets related to asset retirement obligations in a government acquisition, reporting of public entity risk pools, referencing to nonrecurring fair value measurements, and terminology used to refer to derivative instruments.

GASB 93 – Replacement of Interbank Offered Rates – The provisions of this Statement, except for paragraph 11b, are required to be implemented for year-end June 30, 2022. The requirements in paragraph 11b are required to be implemented for year-end June 30, 2023. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements – Effective for year-end June 30, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APA).

In light of the COVID-19 Pandemic, on May 8, 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance,* to provide relief to governments. This Statement, which was effective upon issuance, postpones the effective dates of certain provisions in the above noted pronouncements for one year, except for Statement No. 87 and provisions related to leases in Statement No. 92 which are postponed for eighteen months, Certain other provisions of Statement No. 92 are excluded from Statement No. 95. Additionally, Statement No. 95 excludes provisions in Statement No. 93 related to lease modifications and excludes Statement No. 94 since the GASB considered the pandemic in determining effective dates. Earlier application of the standards is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

GASB 96 – Subscription-Based Information Technology Arrangements – Effective for year-end December 31, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement, among other things, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset, provides capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA.

GASB 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – Effective for year-end June 30, 2022, except the portion of the pronouncement related to component unit criteria, which is effective for year-end June 30, 2020. This statement modifies certain guidance contained in Statement No. 84 and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

3. Airline Operating Agreement and Terminal Building Leases

The DOT&PF, in connection with operating the Anchorage International Airport and the Fairbanks International Airport (Airports System), executed airline operating agreements and terminal building leases (Agreements) at the beginning of fiscal year 2014 with substantially all regularly scheduled airlines that utilize its facilities. The Agreements are effective July 1, 2013 and terminate June 30, 2023.

The Agreements provide for the funding of an associated Capital Improvements Program (CIP) which will run through 2023 at an initially estimated cost of $450.7 million, with approximately $351.7 million funded from the Federal Aviation Airport Improvements Program (AIP) receipts and the remaining $99 million primarily funded by annual rates and fees. The Agreements provide for periodic adjustments to the CIP, with most nonemergency substantive additions subject to airline majority-in-interest balloting.

The Agreements are instrumental in the periodic setting of rents and fees. Additionally, they are intended to set forth the rights, privileges, and obligations of the parties and to facilitate the development, promotion, and improvement of air transportation. The rents and fees calculated, according to the Agreements, are airline terminal building rental rates, landing fees, international terminal docking fees, aircraft parking fees, passenger loading bridge fees, and charges relating to federal inspection services. The Agreements also establish procedures for review and adjustment of airline rents and fees each fiscal year to ensure that revenues are sufficient to meet operations and maintenance expense, debt service requirements of the revenue bonds and other funding requirements established by the resolution authorizing issuance of the revenue bonds. The Agreements provide for the DOT&PF to adjust the aforementioned rents, fees, and charges midway through the year if the projection of annual revenues made at that time is greater than 5% more or less than the anticipated Airports System requirements for the year. The Agreements also provide for the DOT&PF to immediately adjust landing fees if, at any time during the year, the Airports System projects annual revenues will not be sufficient to cover the total Airports System revenue requirement.

The Agreements further provide for the payment of a fuel flowage fee of $0.027 per gallon for fuel purchased at the Airports by signatory airlines. For users of the Airports System who have not signed the Agreements, the fuel flowage fee is $0.04 per gallon greater, except for aircraft under 12,500 certified maximum gross takeoff weight (CMGTW). The Agreements also contain provisions which include a differential increase of 25% for landing fees charged to users who have not signed the Agreements, but also waive the 25% landing fee and $0.04 fuel flowage (within certain limitations) differential for nonsignatory aircraft landing at FAI.

The Agreements provide that revenues may be retained up to the following amounts:

An amount necessary to satisfy debt service requirements due during the fiscal year on all outstanding bonds.

Within the Supplemental Repair and Replacement Fund, an amount to maintain a repair and replacement allowance of $1.5 million (which is subordinate to the bond resolution requirement of $500,000 – Note 5). Each subsequent year, this amount is adjusted to correspond with changes in the local consumer price index.

Within the Maintenance and Operation Reserve Fund, an amount equal to one quarter of the projected annual operation and maintenance expense of the Airports System, resulting in fund deposit increases of approximately $1.1 and $0.4 million in fiscal years 2020 and 2019, respectively, with respective year-end balances of approximately $23.0, $21.9, and $21.5 million for the years ended June 30, 2020, 2019, and 2018.

Within the Airports System Capital Project Fund, an amount equal to the amount authorized from rates and charges in the annual budget for each fiscal year for capital projects approved by signatory airlines, plus the amount authorized from rates and charges in the annual budget for that fiscal year for capital projects not requiring signatory airline approval.

Within the Excess Revenue Fund, any funds in excess of these amounts at year-end are to be deferred and recognized as revenue in the following year. If the Airports System does not receive enough funds during the year to meet the minimum revenue requirements stipulated in the bond covenants, the Airports System will recognize the minimum amount of revenue necessary to meet those requirements, as well as a receivable for the amount of the shortfall.

4. Cash and Investments

The Department of Revenue, Treasury Division (Treasury) has created a pooled environment by which it manages the investments the Commissioner has fiduciary responsibility for. Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The funds invest in the State's internally managed General Fund and Other Nonsegregated Investments Pool (GeFONSI), Short-term Fixed Income Pool, Broad Market Fixed Income Pool, SSgA Russell 3000 Pool, SSgA MSCI EAFE Index Pool, and the Lazard International Equity Pool. The GeFONSI consists of investments in the State's internally managed Short-term Fixed Income Pool, Short-term Liquidity Fixed Income Pool and the Intermediate-term Fixed Income Pool. The complete financial activities of the funds are shown in the State of Alaska's Comprehensive Annual Financial Report (CAFR) available from the Department of Administration, Division of Finance.

Assets in the pools are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Securities are valued each business day using prices obtained from a pricing service.

The accrual basis of accounting is used for the investment income and GeFONSI investment income is distributed to pool participants monthly if prescribed by statute or if appropriated by state legislature. Income in the Short-term, Short-term Liquidity, Intermediate-term Fixed Income Pool and the Broad Market Fixed Income Pool is allocated to the pool participants daily on a pro-rata basis.

SSB ACCOUNT FUND NAME FUND#	PFC 3273/3275	AY04 IARF 1027	AY05 IAR R & R 3271	AY2E 2002 RSRV 3277	AY2U 2003 RSRV 3278	AY9X 2006 B 3267	AY9Y 2006 C 3268	AY3A 2010 C 3269	AY3B 2010 D 3270	TOTAL
Cash & equivalents:										
Short Term Pool	$ 5,258,686	111,101,356	508,555	16,360,592	10,485,947	2,361,088	3,056,028	911,376	420,175	$ 150,463,803
										-
Pooled investments:										-
IntermediateTerm Pool		35,653,777	-	-	-	-	-			35,653,777
Total Cash & Investments	5,258,686	146,755,133	508,555	16,360,592	10,485,947	2,361,088	3,056,028	911,376	420,175	186,117,580
Accrued Interest		56,804	274	8,830	5,659	1,288	1,649	521	239	75,264
Total Assets Per SSB	$ 5,258,686	$ 146,811,937	$ 508,829	$ 16,369,422	$ 10,491,606	$ 2,362,376	$ 3,057,677	$ 911,897	$ 420,414	$ 186,192,844

	Unrestricted	Restricted	Total
Cash	$ 111,158,160	39,380,907	$ 150,539,067
Investment	35,653,777	-	35,653,777
	$ 146,811,937	$ 39,380,907	$ 186,192,844

For additional information on interest rate risk, credit risk, foreign exchange, derivatives, fair value, and counterparty credit risk see the separately issued report on the Invested Assets of the Commissioner of Revenue at: http://treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx

Cash and investments at June 30, 2020 and 2019, respectively, are summarized as follows:

	2020	2019
Cash with State Treasury	$ 88,186,096	$ 71,040,390
Investments – unrestricted	35,653,777	42,711,154
Investments – restricted	22,972,064	21,921,764
Capital project fund (Note 7)	6,752,364	12,620,991
Debt service reserve fund (Note 7)	26,861,028	26,394,927
Repair and replacement account – restricted	508,829	512,482
Passenger facilities charges – restricted	5,258,686	7,229,669
Total pooled investments	186,192,844	182,431,377
Revenue bond redemption fund – restricted	16,044,038	13,527,869
Total Cash and Investments	$ 202,236,882	$ 195,959,246

5. Restricted Net Position

The Airports System is required to maintain various restricted funds in compliance with the resolution authorizing issuance of its revenue bonds. The purpose of these funds is as follows:

- The repair and replacement account may be used (1) to eliminate deficiencies in the bond reserve accounts; or (2) for extraordinary repairs, renewals, and betterments in the event surplus revenues are not available.
- The maintenance and operating reserve fund is maintained at an amount equal to one fourth (1/4) of the projected annual maintenance and operations expense for the year.
- The Airports System is required by the FAA to keep all unliquidated passenger facility charge revenues remitted to it on deposit in an interest-bearing account. Passenger facility charges and interest earned on those charges collected by the Airports System may only be used to pay allowable costs of approved projects.
- The revenue bond redemption fund is composed of bond interest and principal retirement accounts held by the bond trustee (Trustee) and may be used only for debt service. These reserve accounts were initially established from proceeds of revenue bonds and are to be subsequently maintained by monthly transfers from the revenue fund in amounts sufficient to provide for annual debt service requirements. As dictated by the bond resolution, these funds are not managed by the Commissioner of Revenue, but by an external entity.

Under the terms of the revenue bonds, all funds held by the Trustee in the revenue bond redemption fund must be held in time or demand deposits in any bank or trust company authorized to accept deposits of public funds (including the Trustee), direct obligations of the United States of America, bonds, notes or other indebtedness, deposit accounts, commercial paper, money market funds, or obligations the principal of and interest on which are guaranteed by the United States of America, maturing prior to the respective interest payment dates, maturity dates or minimum sinking fund payment dates on which such moneys are required to be paid.

Restricted net position consists of the following at:

June 30,	2020	2019
Repair and replacement account:		
Short-term fixed income pool	$ 508,829	$ 512,482
Maintenance and operation reserve:		
Short-term fixed income pool	22,972,064	21,921,764
Passenger facility charge revenue fund:		
Cash in banks and State treasury	5,258,686	7,229,669
Revenue bond redemption fund:		
Bond interest – daily money fund	5,574,356	3,575,023
Bond principal – daily money fund	10,469,682	9,952,846
	16,044,038	13,527,869
Total Restricted Net Position	$ 44,783,617	$ 43,191,784

6. Environmental Remediation Obligation

The Airports System has accrued certain environmental pollution remediation liabilities for three ANC and eight FAI sites for which obligating events as described in GASB pronouncement 49 have been deemed to have occurred and the Airports System is in whole or part a responsible party. The liabilities were valued using the estimated mean of the future cash flows of costs and recovery associated with those sites, measured at current value. Amounts recorded as current and long-term portions of these estimated liabilities were respectively $1,476,840 and $4,378,620 in 2020 and $3,085,840 and $3,404,000 in 2019.

In FY17, Fairbanks International Airport (FAI) identified and took initial efforts to address concentrations of Per- and Polyfluoroalkyl Substances (PFAS) which had manifested in private well water test sampling on and around the FAI property in concentrations higher than the U.S. Environmental Protection Agency's (EPA's) health advisory levels. FAI engaged an environmental consulting firm and has coordinated with the Alaska Department of Environmental Conservation (DEC) to identify and sample private water wells west of the airport and take steps to provide municipal water hook-up installations for those wells testing in excess of the EPA health advisory levels.. At June 30, 2020 all except 8 anticipated waterline connections had been completed. The direct and other related costs the off- airport connections are covered by the Airports System self-insurance general liability program.

7. Capital Assets

Airport property was owned by the federal government prior to statehood and contributed to the State after that date. Subsequent additions to property and equipment have been funded by governmental contributions, bond proceeds, and operating revenues.

The following is a summary of capital assets:

June 30,	Life	2020 Carrying Value	2019 Carrying Value
Land		$ 31,202,636	$ 31,202,636
Infrastructure	5-40 years	1,105,731,264	1,016,865,088
Buildings	10-40 years	1,136,141,994	1,129,838,449
Equipment	5-10 years	138,506,316	132,971,562
Total capital assets		2,411,582,210	2,310,877,735
Accumulated depreciation and amortization:			
Infrastructure		(598,298,892)	(563,351,259)
Buildings		(536,460,754)	(505,358,338)
Equipment		(106,350,705)	(98,143,353)
Total accumulated depreciation and amortization		(1,241,110,351)	(1,166,852,950)
Construction in progress		14,215,609	66,221,179
Total Capital Assets, net		$ 1,184,687,468	$ 1,210,245,964

Capital asset activity was as follows:

Year Ended June 30, 2020	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 31,202,636	$ -	$ -	$ 31,202,636
Infrastructure	1,016,865,088	88,866,176	-	1,105,731,264
Buildings	1,129,838,449	6,303,545	-	1,136,141,994
Equipment	132,971,562	5,865,052	(330,298)	138,506,316
Construction in progress	66,221,179	45,510,356	(97,515,926)	14,215,609
Total capital assets	2,377,098,914	146,545,129	(97,846,224)	2,425,797,819
Accumulated depreciation:				
Infrastructure	(563,351,259)	(34,947,633)	-	(598,298,892)
Buildings	(505,358,338)	(31,102,416)	-	(536,460,754)
Equipment	(98,143,353)	(8,528,083)	320,731	(106,350,705)
Total accumulated depreciation and amortization	(1,166,852,950)	(74,578,132)	320,731	(1,241,110,351)
Total Capital Assets, net	$ 1,210,245,964	$ 71,966,997	$ (97,525,493)	$ 1,184,687,468

Year Ended June 30, 2019	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 31,202,636	$ -	$ -	$ 31,202,636
Infrastructure	990,683,562	26,181,526	-	1,016,865,088
Buildings	1,136,289,438	3,099,011	(9,550,000)	1,129,838,449
Equipment	127,329,338	7,050,617	(1,408,393)	132,971,562
Construction in progress	17,900,283	84,652,049	(36,331,153)	66,221,179
Total capital assets	2,303,405,257	120,983,203	(47,289,546)	2,377,098,914
Accumulated depreciation:				
Infrastructure	(530,830,055)	(32,521,204)	-	(563,351,259)
Buildings	(475,709,010)	(31,534,328)	1,885,000	(505,358,338)
Equipment	(91,455,572)	(8,083,418)	1,395,637	(98,143,353)
Total accumulated depreciation and amortization	(1,097,994,637)	(72,138,950)	3,280,637	(1,166,852,950)
Total Capital Assets, net	$ 1,205,410,620	$ 48,844,253	$ (44,008,909)	$ 1,210,245,964

The Airports System's net investment in capital assets includes the following:

June 30,	2020	2019
Capital assets, net of accumulated depreciation	$ 1,184,687,468	$ 1,210,245,964
Plus: Capital projects and debt service reserve (unspent proceeds and reserve contributions)	33,613,392	39,015,918
Less:		
Current bonds payable	(13,930,000)	(13,175,000)
Noncurrent bonds payable, net	(341,152,164)	(357,175,721)
Net Investment in Capital Assets	$ 863,218,696	$ 878,911,161

Depreciation expense for the years ended December 31, 2020 and 2019 was $74,578,132 and $72,138,949, respectively.

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8. Revenue Bonds Payable

The following is a summary of the Airports System's revenue bonds payable:

June 30,	2020	2019
Series 1999A, maturing October 1, 2024; interest payable semi-annually at 5.00%	$ 50,000	$ 50,000
Series 2006A, maturing in annual installments of generally increasing amounts from October 1, 2015 through October 1, 2022; interest payable semi-annually at 4.00% to 5.00%	2,000,000	2,000,000
Series 2009A, maturing October 1, 2030; variable interest rate calculated weekly; interest payable monthly	43,000,000	43,000,000
Series 2010A, maturing in annual installments of varying amounts through October 1, 2027; interest payable semi-annually at 5.00%	87,865,000	98,090,000
Series 2010C, maturing October 1, 2033; interest payable semi-annually at 5.00%	12,565,000	12,565,000
Series 2010D, maturing October 1, 2035; interest payable semi-annually at 6.28% before Build America Bonds (BABs) direct-pay 35% interest subsidy	19,540,000	19,540,000
Series 2016A, maturing in annual installments of varying amounts from October 1, 2023 through October 1, 2035; interest payable semi-annually at 2.50% for the 2024 maturities and at 5.00% for all other maturities	73,635,000	73,635,000
Series 2016B, maturing in annual installments of varying amounts from October 1, 2023 through October 1, 2035; interest payable semi-annually at 2.50% for the 2024 maturities and at 5.00% for all other maturities	82,495,000	82,495,000
Series 2016C, maturing in annual installments of varying amounts from October 1, 2020 through October 1, 2023; interest payable semi-annually at 5.00%	11,220,000	11,220,000
Series 2016D, maturing in annual installments of varying amounts from October 1, 2017 through October 1, 2020; interest payable semi-annually at 5.00%	1,000,000	3,950,000
Total bonds payable	333,370,000	346,545,000
Unamortized bond (premium)/discount and deferred (gain) loss	21,712,164	23,805,721
	$ 355,082,164	$ 370,350,721
Less amount currently payable with restricted assets	(13,930,000)	(13,175,000)
Revenue Bonds Payable, Net of Current Portion	$ 341,152,164	$ 357,175,721

The following is a summary of debt payment requirements for each of the next five years and thereafter:

Year Ending June 30,	Principal	Interest*	Less 2010D BABs 35% Subsidy	Total
2021	$ 13,930,000	$ 14,831,374	$ (429,763)	$ 28,331,611
2022	14,640,000	13,828,749	(429,763)	28,038,986
2023	17,395,000	12,889,499	(429,763)	29,854,736
2024	16,180,000	12,000,124	(429,763)	27,750,361
2025	16,930,000	11,234,874	(429,763)	27,735,111
2026-2030	101,185,000	43,526,431	(2,148,814)	142,562,617
2031-2035	124,185,000	24,079,834	(1,881,917)	146,382,917
2036	28,925,000	767,937	(76,759)	29,616,178
	$ 333,370,000	$ 133,158,822	$ (6,256,305)	$ 460,272,517

* Interest requirements for variable-rate bonds have been computed using 0.136%, the rate effective at June 30, 2020.

The following is a summary of the revenue bonds payable:

Years Ending June 30,	Beginning Balance	New Issuances	Refunding/ Redemptions	Principal Payments	Ending Balance
2020	$ 346,545,000	$ -	$ -	$ (13,175,000)	$ 333,370,000
2019	$ 375,535,000	$ -	$ (16,535,000)	$ (12,455,000)	$ 346,545,000

Revenue bonds have been previously issued pursuant to bond resolutions that prescribe the use of accounts described in Note 3 as well as the use of certain other practices. Among these is a requirement that net revenues available for debt service, as defined by the bond resolution, must at least equal 1.25 times the sum of: (1) annual debt services; and (2) required deposits to the bond redemption fund. The net revenues requirement was met for the years ended June 30, 2020 and 2019.

9. Interest Arbitrage Rebate

Bonds issued after August 15, 1986 are subject to Internal Revenue Service (IRS) income tax regulations which require rebates to the U.S. Government of interest income earned on investments purchased with the proceeds from the bonds or any applicable reserves in excess of the allowable yield of the issue. The Airports System performed a final calculation for its 1999 series bonds upon closure of the related construction funds, as balances are due the earlier of within 60 days after bonds are discharged or every five years from the anniversary of the date of issuance. Total bond interest arbitrage rebate liability was $0 at June 30, 2020 and 2019, respectively. Total paid to the IRS was also $0 during the years ended June 30, 2020 and 2019, respectively.

10. Costs Allocated from the Department of Transportation and Public Facilities

The DOT&PF provides administrative and technical services benefiting all of Alaska's airports and aircraft bases. Related costs are allocated based upon budgetary estimates of the pro rata portion which should be borne by the various facilities as set forth in the annual appropriation and budget document of the State. Costs allocated to the Airports System and included in operating expenses for the years ended June 30, 2020 and 2019 amounted to $3,802,632 and $3,772,879, respectively.

Capital project management services are performed by the DOT&PF personnel and are capitalized to capital assets. The indirect costs allocated to the Airports System and capitalized in construction in progress amounted to $5,493,305 and $3,782,976, respectively, during the years ended June 30, 2020 and 2019.

11. Retirement Plans

General Information About the Plans

The Airports System participates in the Alaska Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple-employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at http://doa.alaska.gov/drb/pers. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

The Plan provides for retirement, death and disability, and post-employment healthcare benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Police/Fire employees accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other OPEB benefits. A complete benefit comparison chart is available at the website noted above.

(a) Defined Benefit (DB) Pension Plan

The PERS DB Plan was closed to new entrants effective June 30, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

Historical Context and Special Funding Situation

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from an agent multiple-employer plan to a cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be calculated against *all* PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes.

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows, and disclosures on this basis.

The Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process

The Airports System records the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (Police and firefighters are required to contribute 7.50% of their annual covered salary).

Employer and Other Contribution Rates

There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the contractual employer pay-in rate. Under current legislation, the amount calculated for the statutory employer effective contribution rate is 22% on eligible wages. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25-year term which ends in 2039.

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the enterprise fund and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

GASB Rate: This is the rate used to determine the long-term pension liability and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For 2020, the rate uses an 7.38% pension discount rate and an 7.38% healthcare discount rate.

The GASB Rate and the ARM Board Adopted Rate differ significantly as a direct result of variances in the actuarial methods and assumptions used.

Contribution rates for the year ended June 30, 2020 were determined in the June 30, 2017 actuarial valuations, respectively. The Airport System's contribution rates for the 2020 fiscal year were as follows:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	15.72%	23.73%	6.62%	32.11%
Postemployment healthcare	6.28%	4.89%	0.00%	87.90%
Total Contribution Rates	22.00%	28.62%	6.62%	120.01%

In 2020, the Airports System was credited with the following contributions into the pension plan.

Plan Measurement Period	Airports System FY20	Airports System FY19
Airports System contributions (including DBUL)	$ 3,738,388	$ 3,789,090
On-behalf contributions	2,255,933	1,824,437
Total Contributions	$ 5,994,321	$ 5,613,527

In addition, employee contributions to the plan totaled $945,299 and $962,767 during the Airports System fiscal years 2020 and 2019, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At June 30, 2020 and 2019, the Airports System reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Airports System. The amount recognized by the Airports System for its proportional share, the related State proportion, and the total were as follows:

	2020	2019
Airports System proportionate share of NPL	$ 57,114,812	$ 53,378,549
State's proportionate share of NPL associated with the Airports System	22,679,186	15,459,862
Total Net Pension Liability	$ 79,793,998	$ 68,838,411

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019 to calculate the net pension liability as of that date. The Airports System's proportion of the net pension liability was based on a projection of the Airports System's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2019 measurement date, the Airports System's proportion was 2.89983 percent, which was an increase of .00039 from its proportion as of June 30, 2018.

For the years ended June 30, 2020 and 2019, the Airports System recognized pension expense and expense decrease of $4,278,935 and ($6,882,665), respectively.

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At June 30, 2020, the Airports System's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 845,527
Changes in assumptions	1,748,611	-
Net difference between projected and actual earnings on pension plan investments	818,909	-
Changes in proportion and differences between Airports System contributions and proportionate share of contributions	-	1,450,350
Airports System contributions subsequent to the measurement date	3,903,013	-
Total Deferred Outflows and Deferred Inflows	$ 6,470,533	$ 2,295,877

At June 30, 2019, the Airports System's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 1,339,704
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,178,893	-
Changes in proportion and differences between Airports System contributions and proportionate share of contributions	953,416	-
Airports System contributions subsequent to the measurement date	3,924,723	-
Total Deferred Outflows and Deferred Inflows	$ 6,057,032	$ 1,339,704

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

The $3,903,013 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2021	$ 361,362
2022	(604,614)
2023	232,247
2024	282,548
2025	-
Thereafter	-

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2019:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed
Inflation	2.50% per year
Investment return / Discount rate	7.38%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real return of 4.88%.
Salary Increases	For peace officer/firefighter – increases range from 7.75% to 2.75% based on service. All others – increases range from 6.75% to 2.75% based on service.
Allocation Methodology	Amounts for FY2019 were allocated to employers based on the ratio of the present value of projected future contributions for each employer to the total resent value of projected future contribution for the fiscal years 2020 to 2020 to the Plan. The liability is expected to go to zero in 2039.
Mortality	Pre-termination – Based upon the 2013-2017 actual mortality experience. Pre-termination mortality rates were based on 100% of the RP-2014 table with MP-2017 generational improvement. Post-termination – Based on 91% of male and 96% of female rates of the RP-2014 table with MP-2017 generational improvement. Deaths are assumed to be occupational 75% of the time for peace officers / firefighters, 40% of the time for others.

The actuarial assumptions used in the June 30, 2018 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30,2018 actuarial valuation to better reflect the expected future experience.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return, excluding the inflation component of 2.50%, for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table (note that the rates shown below exclude the inflation component):

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	24%	8.16%
Global equity (non-U.S.)	22%	7.51%
Intermediate treasuries	10%	1.58%
Opportunistic	10%	3.96%
Real assets	17%	4.76%
Absolute return	7%	4.76%
Private equity	9%	11.39%
Cash equivalents	1%	0.83%

Discount Rate

The discount rate used to measure the total pension liability was 7.38%. This is a reduction in the discount rate used since the prior measurement date, which was 8.00%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Airports System's proportionate share of the net pension liability calculated using the discount rate of 7.38 percent, as well as what the Airports System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.38 percent) or 1-percentage-point higher (8.38 percent) than the current rate:

	Proportional Share	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
Airports System's proportionate share of the net pension liability	2.28998%	$ 75,381,886	$ 57,114,812	$ 41,817,230

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

(b) Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. http://doa.alaska.gov/drb/pers.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the Airports System contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service. Nonvested employer contributions are forfeited upon termination of the employment from the Plan and are applied to cover a portion of the employer match contributions.

Employee Contribution Rate

Employees are required to contribute 8.0% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended June 30, 2020 and 2019, the Airports System was required to contribute 5.0% of covered salary into the Plan. In addition, during 2020, the State on-behalf contribution rate for OPEB was 0%.

The Airports System and employee contributions to PERS for pensions for the year ended June 30, 2020 were $1,434,184 and $896,365, respectively. The Airports System contribution amount was recognized as pension expense/expenditures.

The Airports System and employee contributions to PERS for pensions for the year ended June 30, 2019 were $1,309,918 and $818,699 respectively. The Airports System contribution amount was recognized as pension expense/expenditures.

(c) Defined Benefit OPEB Plans

As part of its participation in the PERS, the Airports System participates in the following cost-sharing multiple-employer defined benefit OPEB plans: Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD).

The ARHCT is self-funded, self-insured, and provides major medical coverage to retirees of the DB Plan. The ARHCT was closed to all new members effective July 1,2006. Benefits vary by Tier level. The RMP is self-insured and provides major medical coverage to retirees of the PERS DC Plan (Tier IV). Members are not eligible to use the Plan until they have at least 10 years of service and are Medicare age eligible. The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration. The Plans OPEB plans are included in the comprehensive annual financial report for PERS, at the following website, as noted above. http://doa.alaska.gov/drb/pers

Employer Contribution Rate

Employer contribution rates are actuarily determined and adopted by the Board. Employees do not contribute.

Employer contribution rates for the year ended June 30, 2020 were as follows:

	Other	Police/Fire
Alaska Retiree Healthcare Trust	6.28%	6.28%
Retiree Medical Plan	1.32%	1.32%
Occupational Death and Disability Benefits	0.26%	0.72%
Total Contribution Rates	7.86%	8.32%

In 2020, the Airports System was credited with the following contributions to the OPEB plans:

	Measurement Period July 1, 2018 to June 30, 2019	Airports System Fiscal Year July 1, 2019 to June 30, 2020
Employer contributions – ARHCT	$ 1,366,135	$ 1,493,452
Employer contributions - RMP	153,900	236,464
Employer contributions - ODD	66,427	67,732
Nonemployer contributions (on-behalf) - ARHCT	-	-
Total Contributions	$ 1,586,462	$ 1,797,648

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans

At June 30, 2020 and 2019, the Airports System reported a liability for its proportionate share of the net OPEB liabilities (NOL) that reflected a reduction for State OPEB support provided to the Airports System. The amount recognized by the Airports System for its proportional share, the related State proportion, and the total were as follows:

	2020	2019
Airports System's proportionate share of NOL – ARHCT	$ 1,548,033	$ 11,022,549
Airports System's proportionate share of NOL – RMP	338,792	172,181
Airports System's proportionate share of NOL – ODD	(349,404)	(262,798)
State's proportionate share of the NOL associated with the Airports System	-	-
Total Net OPEB Liabilities	$ 1,537,421	$ 10,931,932

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At June 30, 2020, the Airports System reported an asset for its proportionate share of the net OPEB asset (NOA) associated with participation in the ODD Plan. The amount recognized by the Airports System as the Airports System's proportionate share at June 30, 2020 and 2019 respectively was $349,404 and $262,798.

The total OPEB liabilities for the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 to calculate the net OPEB liabilities as of that date. The Airports System's proportion of the net OPEB liabilities were based on a projection of the Airports System's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	June 30, 2018 Measurement Date Employer Proportion	June 30, 2019 Measurement Date Employer Proportion	Change
Airports System's proportionate share of the net OPEB liabilities (asset):			
ARHCT	1.07402%	1.04329%	0.030730%
RMP	1.35309%	1.41611%	(0.06302)%
ODD	1.35309%	1.44110%	(0.08801)%

As a result of its requirement to contribute to the plans, the Airports System recognized OPEB expense of $1,493,452 and on-behalf revenue of $0 for support provided by the State associated with the ARHCT plan.

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At June 30, 2020, the Airports System reported deferred outflows of resources and deferred inflows of resources related to OPEB plans from the following sources:

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (1,174,283)
Changes in assumptions	2,218,194	(6,681)
Changes in benefits	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(683,917)
Changes in proportion and differences between Airports System's contributions and proportionate share of contributions and proportionate share of contributions	168,371	(233,065)
Airports System contributions subsequent to the measurement date	1,872,265	-
Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB Plans	$ 4,258,830	$ 2,097,946

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 1,261,395
Changes in assumptions	1,751,999	-
Changes in benefits	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	2,370,132
Changes in proportion and differences between Airports System's contributions and proportionate share of contributions and proportionate share of contributions	466,756	731,114
Airports System contributions subsequent to the measurement date	1,637,050	-
Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB Plans	$ 3,855,805	$ 4,362,641

The $1,872,265 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2021	$ 417,552
2022	(531,237)
2023	170,913
2024	220,567
2025	3,230
Thereafter	7,595
Total Amortization	$ 288,620

Actuarial Assumptions

The total OPEB liability for each plan for the measurement period ended June 30, 2019 was determined by actuarial valuations as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2019:

Actuarial cost method	Entry age normal; level percentage of payroll
Amortization method	Level dollar, closed
Inflation	2.50%
Salary increases	Graded by service, from 7.75% to 2.75% for Peace Officer/ Firefighter. Graded by service from 6.75% to 2.75% for all others
Investment return / Discount rate	7.38%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Healthcare cost trend rates	Pre-65 medical: 7.5% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Prescription drug: 8.5% grading down to 4.5% RDS/EGWP:8.5% grading down to 4.5%
Mortality	Pre-termination – Based on the 2013-2017 actual mortality experience. Post-termination rates were based on 91% of the male rates and 96% of the female rates of the RP-2014 healthy annuitant table projected with MP-2017 generational improvement. The rates for pre-termination mortality were 100% of the RP-2014 employee table with MP-2017 generational improvement.
Participation (ARHCT)	100% system paid of members and their spouses are assumed to elect the healthcare benefits paid as soon as they are eligible. 10% of nonsystem paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflected expected future experience.

In addition to the changes in assumptions resulting from the experience study, the following assumption changes have been made since the prior valuation:

1. An Employer Group Waiver Plan (EGWP) was implemented effective January 1, 2019. This arrangement replaced the Retiree Drug Subsidy (RDS) under Medicare Part D and resulted in larger projected subsidies to offset the cost of prescription drug coverage.
2. Based on recent experience, the medical trend rate assumptions were updated.
3. Per capita claims costs were updated to reflect recent experience.
4. Healthcare cost trends were updated to reflect a Cadillac Tax load.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments for each plan was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of postretirement healthcare plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic rates of return for each major asset class included in the plans' targeted asset allocation as of June 30, 2019 are summarized in the following table (note that the rates shown below exclude the inflation component):

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	24%	8.16%
Global ex-U.S. equity	22%	7.51%
Intermediate treasuries	10%	1.58%
Opportunistic	10%	3.96%
Real assets	17%	4.76%
Private equity	9%	11.39%
Cash equivalents	1%	0.83%

Discount Rate

The discount rate used to measure the total OPEB liability for each plan was 7.38%, a reduction from the discount rate used in the prior measurement date, which was 8.00%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the fiduciary net position or each plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability for each plan.

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the Airports System's proportionate share of the net OPEB liability (asset) calculated using the discount rate of 8.00%, as well as what the Airports System's proportionate share of the respective plan's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	Proportional Share	1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
Airports System's proportionate share of the net OPEB liability (asset):				
ARHCT	1.04329%	$ 12,451,987	$ 1,548,033	$ (7,421,661)
RMP	1.4161%	$ 850,931	$ 338,792	$ (46,774)
ODD	1.44110%	$ (331,433)	$ (349,404)	$ (363,931)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the Airports System's proportionate share of the net OPEB liabilities calculated using the healthcare cost trend rates, as well as what the Airports System's proportionate share of the respective plan's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	Proportional Share	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Airports System's proportionate share of the net OPEB liability (asset):				
ARHCT	1.04329%	$ (8,470,731)	$ 1,548,033	$ 13,774,701
RMP	1.41611%	$ (104,198)	$ 338,792	$ 945,202
ODD	1.44110%	$ n/a	$ n/a	$ n/a

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued PERS financial report.

(d) Defined Contribution OPEB Plans

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PERS Plan noted above. These plans provide for death, disability, and postemployment healthcare benefits.

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of *all employees of all employers* in the plan". As of July 1, 2019, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates $2,121.60 per year for each full-time employee, and $1.36 per hour for part-time employees.

Annual Postemployment Healthcare Cost

The Airports System's contributed $511,109 and $545,930 in DC OPEB costs during the years ended June 30, 2019 and 2020, respectively. These amounts have been recognized as expense/ expenditures.

12. Rental Income under Operating Leases

The Airports System's leasing operations consist of leasing land, buildings, and terminal space to airlines and other tenants.

The following is a schedule of minimum future rental income payments under noncancelable operating leases for each year for the next five years as of June 30, 2020:

Year Ending June 30,	
2021	$ 7,498,024
2022	7,044,916
2023	6,362,731
2024	2,722,732
2025	1,174,541

These amounts do not include contingent fees, which may be received under certain leases that involve a concession fee based upon gross receipts. Contingent fees amounted to $10.3 million in 2020 and $18.4 million in 2019 and are included in concession and vehicle parking fees. The above schedule includes minimum guaranteed rentals only to the extent of the remaining term of noncancelable leases, and are subject to monthly minimum guarantee waiver provisions included in most leases when monthly airport passenger movements decline relative to average of same month, prior three years, as has occurred over the course of the COVID-19 pandemic.

13. AIAS Capital Improvement Program

The Airports System's Capital Improvement Program (CIP) is effectively a ten-year plan, approved by signatory airlines pursuant to the Operating Agreement and is effective over the term of the Operating Agreement; FY2014 through FY2023. Currently, the program total cost is estimated at approximately $535.4 million, with anticipated funding sources estimated to be comprised of $408.7 million from the FAA Airport Improvement Program and $126.7 million from rates and fees and prior bond sale proceeds. The Operating Agreement provides for adjustment to the CIP, primarily through periodic majority-in-interest airline ballots. In addition to proceeds from airport revenue, bond proceeds, and AIP, funding sources also may also include other grants from sources like the Homeland Security and Transportation Security Administration. During fiscal years 2020 and 2019, the Airports System expended approximately $49.6 million and $84.7 million, respectively, on its on-going CIP. Both ANC and FAI elected to defer certain noncritical capital improvement projects towards the end of FY2020 in response to uncertainty of COVID-19 impact on airport and airline operations over the near-term.

ANC Capital Projects

At the end of fiscal year 2020, ANC had completed several projects, including Runway 25R/7L East End Safety Improvements, Transfer Switches Replacement, Electronic Terminal Guidance Signs, and RON (Remain Over Night) R7 and R8 Joint Repair Projects. Work continued on Horizontal Infrastructure EQ Repairs, North Terminal Common Area Improvements, and B Concourse and North Terminal EDS Replacement projects.

FAI Capital Projects

FAI commenced and completed a lighted airfield sign project and also completed the FAI East Side Master Plan Study project in fiscal year 2020. Work commenced and continued through fiscal year 2020 on Terminal Escalator Replacement and Runway 2R/20L Reconstruction projects, while work also continued on the Firing Range Remediation project.

14. Passenger Facility Charges

Under Part 158 of the Code of Federal Regulations, the FAA granted public agencies controlling commercial service airports the authority to impose passenger facility charges (PFC's), ranging from $1.00 to $4.50 per enplaned passenger, to be used towards eligible State of Alaska facility improvements or debt service on facility-related infrastructure. Airlines retain approximately $0.11 of each PFC collected to cover administrative costs. Expenditures of PFC revenues are limited to eligible costs of projects approved in advance by the FAA.PFC's imposed are $3.00 at ANC and $4.50 at FAI. During the years ended June 30, 2020 and 2019, respectively, the Airports System recognized approximately $6.8 and $7.2 million in PFC revenues. Effectively all ANC and FAI PFC annual collections at current levels are dedicated to annual debt service under current applications scheduled to expire the earlier of 2026 or upon collection of the approved application amounts.

15. Contingencies

In the normal course of its activities, the Airports System is involved in the defense of various claims and litigation.

The Airports System's leases with its tenants include provisions requiring the tenant to indemnify the Airports System for any damage to property or losses to the Airports System as a result of the tenant's operations. Accordingly, in the opinion of management, any tenant environmental remediation plans and final disposition are not expected to have a material adverse effect on the financial position, results of operations or liquidity of the Airports System. In Fiscal Year 2017, the Fairbanks International Airport (FAI) was alerted to the presence of per- and polyfluoroalkyl substances (PFAS) in the ground water at their Aircraft Rescue and Firefighting Training Areas in concentrations higher than U.S. Environmental Protection Agency's preliminary healthy advisory levels. In cooperation with the Alaska Department of Environmental Conservation (ADEC), FAI hired an environmental consultant to identify and sample private water wells near the airport to determine if these compounds are present and above health advisory levels outside airport property.

In FY2020, ANC entered into a Compliance Order By Consent (COBC) agreement with the State of Alaska's Department of Environmental Conservation regarding discharge of storm water effluent discharge related to airport operations at ANC stormwater discharge Outfall D, located near Point Woronzof. The COBC resulted in suspended civil penalties of $1.14 million dollars, with the suspension contingent upon ANC's compliance with the terms of the COBC, including successfully developing and implementing a plan to address the foaming within five years. ANC indicated its concurrence and intent to comply by signing the COBC and has begun efforts to develop a plan to address the issue in conformance with the agreement.

The Airports System participates in the State's risk management and self-insurance program for property, casualty and workers' compensation, and specialty coverages. The Division of Risk Management (Risk Management) acts as the insurance carrier for each State agency, funding all sudden and accidental property and casualty claims. Risk Management allocates annual premiums to each State agency through a cost of the risk premium allocation system. Risk Management has purchased excess insurance coverage to maintain the self-insurance risk at an acceptable level for the State.

Given the relatively large amount of capital project activity occurring annually, the Airports System periodically receives assertions of claims from its contractors related to capital project activity related to matters such as cost over-runs, delays, and changed conditions. While the Airports System believes it has strong defenses to all such currently asserted claims, the Airports System has not concluded the likelihood of an unfavorable outcome to be either remote or probable for those claims, which in the aggregate total approximately $1.0 million.

Impact of COVID-19 Pandemic on the Airport System

The COVID-19 outbreak (Pandemic) and resulting restrictions have severely disrupted, and continue to disrupt, the economies of the United States and other countries. The full economic impact of the Pandemic on the Airport System and airlines utilizing the Airport System is currently difficult to predict.

On January 31, 2020, the Secretary of the United States Health and Human Service Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the Pandemic outbreak in the United States a national emergency. On March 11, 2020, the Governor of the State of Alaska issued a Public Health Disaster Emergency Declaration.

The Pandemic has imposed significant disruption and continues to disrupt the social and economic activity of the United States, as well as the world generally. Airports have largely been significantly impacted, most adversely, however the full impact of the Pandemic on airlines, airports, and the Airport System specifically is uncertain and difficult to predict at this time.

Along with most airports in the United States, the Airports System has experienced significant reductions in passenger airline operations and passenger throughput volumes since mid-March 2020, with the largest reduction in passenger movements occurring in April 2020, where airline reported Airport System passenger enplanements declined approximately 88.9% from their April 2019 level. Relatively consistent with most airports in the United States, the rate of monthly enplanement recovery has shown slow but steady improvement since.

The Airports System has served as an international and intra-state cargo airline operations support facility for several decades, and Pandemic induced changes in patterns of reduced trans-Pacific international passenger airline operations as well as increased cargo demand attributable to increased e-commerce product movements have resulted in increased Airports System cargo airline activity, primarily at ANC, which has served to partially offset the Pandemic induced impact of reduced passenger airline activity on airfield, terminal, and concession revenue streams. Overall airline CMGTW increased 5.1% in FY2020, however the net increase was comprised of a 15.9% decrease and a 9.8% increase in passenger and cargo airline activity respectively.

In response to the Pandemic, the Airports System have undertaken more rigorous cleaning and other operational and public health measures and have also implemented certain airline, concessionaire, and land lease tenant payment deferral plans in support of early initial Pandemic related cash flow concerns. The deferrals offered provided for conditional deferral of payments/rents for the months of April, May, and June 2020 – with payment deferred until August 2020. Relief was also afforded Airport System airlines and tenants by the Governor of Alaska's order effectively waiving Airport System concession rents for the month of April 2020 and provisions in most Airport System concession lease agreements requiring waiver of minimum monthly concession payment requirement provisions in months where airport passenger enplanement levels declined significantly, usually by approximately 25 percent relative to the average of the same month over the prior three years.

Federal Aid Related to COVID-19

The Airports System applied for and received approval for participation in the Federal Aviation Administration (FAA) administered a Coronavirus Aid, Relief, and Economic Security Act (CARES Act) airports grant program in the amount of $33.1 million. The Airports System accepted the grant on April 9, 2020, with a period of performance ending four years from that acceptance date. The CARES Act funds were accepted with certain conditions, primarily limiting use of funds to otherwise legally permissible airport uses and requiring the Airports System to agrees to continue to employ, through December 31, 2020, at least 90 percent of the number of individuals employed (after making adjustments for retirements or voluntary employee separations) by the airport as of March 27, 2020. The Airports System recognized $9.9 million of the grant funds in FY20 as contributed capital and anticipates utilizing the remaining $23.2 million in FY21 for debt service and operating and maintenance costs.

Required Supplementary Information

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Public Employees' Retirement System Pension Plan
Schedule of the Airports System's Proportionate Share of the Net Pension Liability

Years Ended June 30,	Airports System's Proportion of the Net Pension Liability	Airports System's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	Airports System's Covered Payroll	Airports System's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.02899832	$ 57,114,812	$ 22,679,186	$ 79,793,998	$ 30,069,574	189.94%	63.42%
2019	0.02767591	$ 53,378,549	$ 15,459,862	$ 68,838,411	$ 30,259,187	176.40%	65.19%
2018	0.02812401	$ 54,169,758	$ 20,181,773	$ 74,351,531	$ 29,451,708	183.93%	63.37%
2017	0.02773600	$ 72,276,181	$ 9,107,244	$ 81,383,425	$ 28,644,435	252.32%	59.55%
2016	0.01090483	$ 52,541,599	$ 13,865,223	$ 66,406,822	$ 28,560,244	183.97%	63.96%
2015	0.01411333	$ 35,285,936	$ 30,540,584	$ 65,826,520	$ 13,189,609	267.53%	62.37%
2014	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Public Employees' Retirement System Pension Plan

Schedule of Airports System's Contributions - Pension Plan

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Airports System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	$ 3,738,388	$ 3,738,388	$ -	$ 31,931,728	11.71%
2019	$ 3,789,090	$ 3,789,090	$ -	$ 30,637,193	12.37%
2018	$ 4,768,695	$ 4,768,695	$ -	$ 30,259,187	15.76%
2017	$ 4,164,501	$ 4,164,501	$ -	$ 29,451,708	14.14%
2016	$ 3,669,966	$ 3,669,966	$ -	$ 28,644,435	12.81%
2015	$ 3,673,359	$ 3,673,359	$ -	$ 28,560,244	12.86%
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of the Airports System's Proportionate Share of the Net OPEB Liability - ARHCT

Years Ended June 30,	Airports System's Proportion of the Net OPEB Liability	Airports System's Proportionate Share of the Net OPEB Liability	State of Alaska Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability	Airports System's Covered Payroll	Airports System's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	2.899832%	$ 1,548,033	$ 615,499	$ 2,163,532	$ 30,637,193	5.05%	98.13%
2019	2.767605%	$ 11,022,549	$ 3,199,685	$ 14,222,234	$ 30,259,187	36.43%	88.12%
2018	1.048044%	$ 3,299,234	$ 1,230,042	$ 4,529,276	$ 29,451,708	11.20%	89.68%
2017	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*
2015	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of Airports System's Contributions - ARHCT

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Airports System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	$ 1,493,453	$ 1,493,453	$ -	$ 30,069,574	4.97%
2019	$ 1,366,135	$ 1,366,135	$ -	$ 30,637,193	4.46%
2018	$ 1,485,238	$ 1,485,238	$ -	$ 30,259,187	4.91%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of the Airports System's Proportionate Share of the Net OPEB Liability - RMP

Years Ended June 30,	Airports System's Proportion of the Net OPEB Liability	Airports System's Proportionate Share of the Net OPEB Liability	State of Alaska Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability	Airports System's Covered Payroll	Airports System's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	2.899832%	$ 338,792	$ -	$ 338,792	$ 30,637,193	1.11%	83.17%
2019	2.767597%	$ 172,181	$ -	$ 172,181	$ 30,259,187	0.57%	88.71%
2018	1.010124%	$ 26,154	$ -	$ 26,154	$ 29,451,708	0.09%	93.98%
2017	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*
2015	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of Airports System's Contributions - RMP

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Airports System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	$ 236,464	$ 236,464	$ -	$ 30,069,574	0.79%
2019	$ 153,900	$ 153,900	$ -	$ 30,637,193	0.50%
2018	$ 34,999	$ 34,999	$ -	$ 30,259,187	0.12%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of the Airports System's Proportionate Share of the Net OPEB Liability (Asset) - ODD

Years Ended June 30,	Airports System's Proportion of the Net OPEB Liability (Asset)	Airports System's Proportionate Share of the Net OPEB Liability (Asset)	State of Alaska Proportionate Share of the Net OPEB Liability (Asset)	Total Net OPEB Liability (Asset)	Airports System's Covered Payroll	Airports System's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
2020	2.899832%	$ (349,404)	$ -	$ (349,404)	$ 30,637,193	-1.14%	297.43%
2019	2.767601%	$ (262,798)	$ -	$ (262,798)	$ 30,259,187	-0.87%	270.62%
2018	1.396341%	$ (98,369)	$ -	$ (98,369)	$ 29,451,708	-0.33%	212.97%
2017	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*
2015	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Public Employees' Retirement System OPEB Plan
Schedule of Airports System's Contributions - ODD

Years Ended June 30,	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Airports System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	$ 67,732	$ 67,732	$ -	$ 30,069,574	0.23%
2019	$ 66,428	$ 66,428	$ -	$ 30,637,193	0.22%
2018	$ 153,116	$ 153,116	$ -	$ 30,259,187	0.51%
2017	*	*	*	*	*
2016	*	*	*	*	*
2015	*	*	*	*	*
2014	*	*	*	*	*
2013	*	*	*	*	*
2012	*	*	*	*	*
2011	*	*	*	*	*

*Information for these years is not available.

See accompanying notes to Required Supplementary Information.

1. Public Employees' Retirement System - Schedule of the Airports System's Proportionate Share of the Net Pension Liability

This table is presented based on the Plan measurement date. For June 30, 2020, the Plan measurement date is June 30, 2019.

Changes in Assumptions:

In 2020, the discount rate was lowered from 8.0% to 7.38%.

The actuarial assumptions used in the June 30, 2018 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience.

Amounts reported reflect a change in assumptions between 2016 and 2017 in the method of allocating the net pension liability from actual contributions to present value of projected future contributions.

GASB requires ten years of information to be presented. However, until a full ten years of information is available, the Airports System will present only those years for which information is available.

2. Public Employees' Retirement System - Schedule of the Airports System's Contributions - Pension Plan

This table is based on the Airports System's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow of resources on the Statement of Net Position.

GASB requires ten years of information to be presented. However, until a full ten years of information is available, the Airports System will present only those years for which information is available.

3. Public Employees' Retirement System - Schedule of the Airports System's Proportionate Share of the Net OPEB Liability (Asset) - ARHCT, RMP and ODD Plans

These tables are presented based on the Plan measurement date. For June 30, 2020, the Plan measurement dates were June 30, 2019.

Changes in Assumptions:

1. An Employer Group Waiver Plan (EGWP) was implemented effective January 1, 2019. This arrangement replaced the Retiree Drug Subsidy (RDS) under Medicare Part D and resulted in larger projected subsidies to offset the cost of prescription drug coverage.
2. Based on recent experience, the medical trend rate assumptions were updated.
3. Per capita claims costs were updated to reflect recent experience.
4. Healthcare cost trends were updated to reflect a Cadillac Tax load.
5. The discount rate was lowered from 8.00% to 7.38%

The actuarial assumptions used in the June 30, 2018 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2017. As a result of this experience study, the ARM Board adopted updated actuarial assumptions for the June 30, 2018 actuarial valuation to better reflect expected future experience.

Changes in Methods:

As part of the experience study, the actuarial cost method for the retiree healthcare plan was changed from the Entry Age Level Dollar method to the Entry Age Level Percent of Pay method.

GASB requires ten years of information be presented. However, until a full 10 years of information is available, the City will present only those years for which information is available.

4. Public Employees' Retirement System - Schedule of Airports System's Contributions - ARHCT, RMP and ODD Plans

These tables are based on the Airports System's contributions for each fiscal year presented. These contributions have been reported as deferred outflow of resources on the Statement of Net Position.

GASB requires ten years of information to be presented. However, until a full ten years of information is available, the Airports System will present only those years for which information is available.

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Supplementary Information

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Combining Schedules of Revenues, Expenses and Changes in Fund Net Position

Years Ended June 30,	2020 Anchorage	2020 Fairbanks	2020 Total	2019 Anchorage	2019 Fairbanks	2019 Total
Operating Revenues						
Airfield operations:						
Landing fees	$ 60,031,846	$ 1,895,509	$ 61,927,355	$ 60,578,079	$ 2,385,626	$ 62,963,705
Fuel flowage fees	20,725,921	242,333	20,968,254	19,366,336	277,995	19,644,331
Aircraft docking fees	252,114	339,347	591,461	1,505,992	345,148	1,851,140
Aircraft parking fees	3,843,914	213,113	4,057,027	3,668,835	215,515	3,884,350
Federal inspection fees	1,124,529	50,692	1,175,221	1,058,796	66,516	1,125,312
Aircraft ramp rent	1,111,531	191,272	1,302,803	1,034,439	205,803	1,240,242
Concession fees	11,508,048	2,308,481	13,816,529	13,711,496	2,544,266	16,255,762
Terminal rents	15,503,438	2,707,484	18,210,922	14,939,631	2,875,365	17,814,996
Vehicle parking fees	6,027,533	1,475,725	7,503,258	7,480,734	1,822,375	9,303,109
Land rental fees	6,280,220	959,874	7,240,094	5,722,851	886,019	6,608,870
Airline bad debt	(477,324)	-	(477,324)	-	-	-
Other	349,240	39,188	388,428	478,410	94,193	572,603
Total Operating Revenues	126,281,010	10,423,018	136,704,028	129,545,599	11,718,821	141,264,420
Facilities	22,462,006	6,193,862	28,655,868	21,044,864	4,183,329	25,228,193
Field and equipment maintenance	17,218,330	2,563,383	19,781,713	16,160,609	4,240,680	20,401,289
Safety	8,516,931	3,839,887	12,356,818	9,991,280	2,997,701	12,988,981
Administration	10,167,976	3,384,388	13,552,364	10,408,389	3,096,325	13,504,714
Operations	3,820,437	953,430	4,773,867	3,533,862	737,356	4,271,218
Environmental expenses	2,648,813	(332,719)	2,316,094	528,285	1,556,679	2,084,964
Vehicle parking and curbside services	2,063,825	-	2,063,825	2,299,918	-	2,299,918
Risk management	1,255,013	259,660	1,514,673	1,083,603	196,063	1,279,666
Depreciation and amortization	61,305,881	13,272,251	74,578,132	58,791,465	13,347,484	72,138,949
Total Operating Expenses	129,459,212	30,134,142	159,593,354	123,842,275	30,355,617	154,197,892
Operating Loss	(3,178,202)	(19,711,124)	(22,889,326)	5,703,324	(18,636,796)	(12,933,472)
Nonoperating Revenues (Expenses)						
Investment income	5,631,219	-	5,631,219	6,423,354	-	6,423,354
Interest expense	(12,922,954)	-	(12,922,954)	(13,225,747)	-	(13,225,747)
Grants	57,223	-	57,223	173,279	-	173,279
Gain/(loss) on disposal of capital assets	112,953	6,780	119,733	(1,114,876)	-	(1,114,876)
Reimbursable services income	744,739	272,596	1,017,335	17,482	219,120	236,602
Reimbursable services expense	(744,739)	(272,596)	(1,017,335)	(17,482)	(219,120)	(236,602)
Net Nonoperating Revenues (Expenses)	(7,121,559)	6,780	(7,114,779)	(7,743,990)	-	(7,743,990)
Loss before Capital Contributions and Transfers	(10,299,761)	(19,704,344)	(30,004,105)	(2,040,666)	(18,636,796)	(20,677,462)
Capital Contributions						
Transportation Safety Administration	47,273	(650)	46,623	5,323,080	-	5,323,080
Capital contributions - other	3,444,873	-	3,444,873	173,513	-	173,513
CARES Act	9,942,200	-	9,942,200	-	-	-
Federal Aviation Administration	25,671,058	803,824	26,474,882	62,784,322	2,688,477	65,472,799
Passenger Facility Charges	5,467,333	1,335,646	6,802,979	5,455,540	1,760,245	7,215,785
Total Capital Contributions	44,572,737	2,138,820	46,711,557	73,736,455	4,448,722	78,185,177
Change in Net Position	$ 34,272,976	$ (17,565,524)	$ 16,707,452	$ 71,695,789	$ (14,188,074)	$ 57,507,715

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Independent Auditor’s Report on the Schedule of Net Revenues in Excess of Net Revenues Required

State of Alaska Department of Transportation
and Public Facilities
Juneau, Alaska

Report on the Schedule of Net Revenues in Excess of Net Revenues Required

We have audited the accompanying financial statements of the State of Alaska International Airports System (Airports System) (an Enterprise Fund of the State of Alaska) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Airports System’s basic financial statements as listed in the table of contents and have issued our report thereon dated January 21, 2021. We have also audited the accompanying Schedule of Net Revenues in Excess of Net Revenues required of the State of Alaska International Airports System for the years ended June 30, 2020 and 2019.

Management’s Responsibility for the Schedule of Net Revenues in Excess of Net Revenues Required

Management is responsible for the preparation and fair presentation of this schedule in accordance with Section 1.01 of Resolution 99-01 of the State Bond Committee of the State of Alaska regarding net revenues required as defined in Section 4.10 of Resolution 99-01 of the State Bond Committee of the State of Alaska.

Auditor’s Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying schedule presents fairly, in all material respects, the excess of net revenues as defined in Section 1.01 of Resolution 99-01 of the State Bond Committee of the State of Alaska regarding net revenues required as defined in Section 4.10 of Resolution 99-01 of the State Bond Committee of the State of Alaska for the years ended June 30, 2020 and 2019, in accordance with the provisions of Resolution 99-01 of the State Bond Committee of the State of Alaska.

BDO USA, LLP

Anchorage, Alaska
January 21, 2021

State of Alaska
International Airports System
(An Enterprise Fund of the State of Alaska)

Schedules of Net Revenues in Excess of Net Revenues Required

Years Ended June 30,	2020	2019
Net Revenues, as defined in Section 1.01 of Resolution 99-01 of the State Bond Committee of the State of Alaska:		
Revenues:		
Operating revenues	$ 136,704,028	$ 141,264,420
CARES Act Grant	9,942,200	-
Passenger facility charges applied to debt service	8,450,000	5,200,000
Investment income	5,631,219	6,423,354
Total revenues	160,727,447	152,887,774
Maintenance and operation costs	159,593,354	154,197,892
Noncash adjustments:		
Depreciation	(74,578,132)	(72,138,949)
Net pension liability re-allocation adjustment	-	7,749,069
Total adjusted maintenance and operation costs	85,015,222	89,808,012
Net Revenues	75,712,225	63,079,762
Net Revenues Required, as defined in Section 4.10 of Resolution 99-01 and Resolution 99-07 of the State Bond Committee of the State of Alaska:		
Scheduled debt service payments	29,709,119	30,546,269
Debt service on bonds during fiscal year	29,709,119	30,546,269
Minimum revenue requirement factor	1.25	1.25
Net Revenues Required	37,136,399	38,182,836
Net Revenues in Excess of Net Revenues Required	$ 38,575,826	$ 24,896,926

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Independent Auditor's Report on Compliance with Bond Covenants Based on the Audit of the Financial Statements

State of Alaska Department of Transportation
and Public Facilities
Juneau, Alaska

Report on Compliance with Bond Covenants Based on the Audit of the Financial Statements

We have audited the accompanying financial statements of the State of Alaska International Airports System (Airports System) (an Enterprise Fund of the State of Alaska) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Airports System's basic financial statements as listed in the table of contents and have issued our report thereon dated January 21, 2021.

Other Reporting Matters

In connection with our audit, nothing came to our attention that caused us to believe that the State of Alaska International Airports System failed to comply with the terms, covenants, provisions, or conditions of the following sections of Resolution 99.01 of the State Bond Committee of the State of Alaska, relating to the State of Alaska International Airports System Revenue Bond Series 1999A, 2006A, 2009A, 2010A, 2010B, 2010C, 2010D, 2016A, 2016B, 2016C, and 2016D:

Section	Subject Matter
4.01	Punctual Payment
4.02	Against Sale or Other Disposition of Airports
4.03	Maintenance and Operation of Airports
4.04	Payment of Claims
4.05	Insurance
4.06	Books and Accounts; Financial Statements
4.07	Protection of Security and Rights of Parity Bond Owners
4.08	Maintenance of Registrar
4.09	Eminent Domain Proceeds
4.10	Rate Covenant
4.11	Further Assistance

However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

BDO USA, LLP

Anchorage, Alaska
January 21, 2021

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL BOND RESOLUTION AND OF THE EIGHTH SUPPLEMENTAL RESOLUTION

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL BOND RESOLUTION AND THE EIGHTH SUPPLEMENTAL RESOLUTION

The following summary is an outline of certain provisions of the State Bond Committee of the State of Alaska Resolution No. 99-01, adopted January 28, 1999, as amended and supplemented by Resolution No. 2010-05, adopted August 30, 2010, and by Resolution No. 2016-01, adopted January 5, 2016 (collectively, the "***General Bond Resolution***"), authorizing the issuance and sale of revenue bonds of the Alaska International Airports System, and the State Bond Committee of the State of Alaska Resolution No. 2021-02, adopted July 1, 2021 (the "***Eighth Supplemental Resolution***"), and is not to be considered a full statement thereof and is qualified by reference to the complete General Bond Resolution and Eighth Supplemental Resolution. All capitalized words or phrases (other than those conventionally capitalized) used in this summary are defined in the General Bond Resolution or in the Eighth Supplemental Resolution. Certain of those definitions are summarized herein.

SUMMARY OF GENERAL BOND RESOLUTION

Certain Definitions

Accreted Value means (1) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in the resolution authorizing a Series of Parity Bonds as the amount representing the initial principal amount of such Parity Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (2) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Parity Bonds plus the amount of discounted principal which has accreted since the date of issue. In each case the Accreted Value shall be determined in accordance with the provisions of the resolution authorizing the issuance of such Parity Bonds.

Act means Chapter 88, SLA 1961, as amended, most recently Chapter 41, SLA 1998 arid codified as AS 37.15.410 to 37.15.550, inclusive, as the same may be amended or supplemented by any other statute of the State.

Aggregate Annual Debt Service means Annual Debt Service for all Parity Bonds Outstanding.

AIAS means the Alaska International Airports System, which includes the international airports owned and operated by the State and located within or near the Municipality of Anchorage and the City of Fairbanks, as the same may be amended by the Act.

Anchorage Airport means the Anchorage International Airport.

Annual Debt Service means the total amount of Debt Service for any Parity Bond or Series of Parity Bonds in any Fiscal Year (for purposes of the Rate Covenant) or Base Period (for purposes of the Coverage Requirement).

Authorized AIAS Representative means the person or persons designated in writing by the Commissioner of Transportation and Public Facilities.

Average Annual Debt Service means the aggregate dollar amount of Debt Service with, respect to Parity Bonds through the scheduled maturities thereof (stated maturity dates or mandatory redemption dates with respect to term debt), divided by the number of years remaining during which Parity Bonds are scheduled to mature or be subject to mandatory redemption (commencing with the year following the year of calculation).

Balloon Maturity Bonds means any Parity Bonds which are so designated in the supplemental resolution pursuant to which such Parity Bonds are issued. Commercial paper (obligations with a maturity of not more than 270 days from the date of issuance) shall be deemed to be Balloon Maturity Bonds.

Base Period means any consecutive 12-month period selected by the State out of the 24-month period next preceding the date of issuance of Future Parity Bonds.

Bond Fund means the "International Airports Revenue Bond Redemption Fund" established and maintained pursuant to the Act.

Bond Register means the registration books maintained by the Registrar setting forth the names and addresses of owners of the Bonds in compliance with Section 149 of the Code.

Bond Resolution means Resolution No. 99-01, as adopted January 28, 1999 by the Committee pursuant to the Act, or as it may from time to time be supplemented, modified or amended by any supplemental resolution entered into pursuant to the provisions thereof.

Capital Appreciation Bonds means Parity Bonds all or a portion of the interest on which is compounded, accumulated and payable only upon redemption or on the maturity date of such Bonds. If so provided in the resolution authorizing their issuance, Parity Bonds may be deemed to be Capital Appreciation Bonds for only a portion of their term. On the date on which Parity Bonds no longer are Capital Appreciation Bonds, they shall be deemed Outstanding in a principal amount equal to their Accreted Value.

Capitalized Interest Account means the Account of that name maintained within the Construction Fund pursuant to the General Bond Resolution.

Certificate of the Committee and ***written request of the Committee*** mean, respectively, a certificate or request in writing signed by the chairman and the Secretary of the Committee, or by any two members of the Committee or officers or representatives of the State duly authorized by the Committee for that purpose. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Any certificate of the Committee may be based, in so far as it relates to legal, accounting or engineering matters, upon the opinion or representation of counsel, accountants or engineers, unless the officer signing such certificate knows, or in the exercise of reasonable care should have known, that the opinion or representation with respect to the matters upon which such certificate may be base, as aforesaid, is erroneous. The same officer, counsel, accountant or other persons, as the case may be, need not certify to all of the matters required to be certified under any provision of the General Bond Resolution, but different officers, counsel, accountants or other persons may certify to different facts, respectively.

Every certificate of the Committee and every opinion of counsel, accountants, engineer or other persons provided for in the General Bond Resolution shall include—

(1) a statement that the person making or giving such certificate or opinion has read the pertinent provisions of the General Bond Resolution to which such certificate or opinion relates;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based;

(3) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; and

(4) with respect to any statement relating to the compliance with any provision hereof, a statement as to whether, in the opinion of such person, such provision has been complied with.

Code means the federal Internal Revenue Code of 1986, as amended from time to time, and the applicable regulations thereunder.

Commissioner of Revenue means the Commissioner of the Department of Revenue of the State.

Commissioner of Transportation and Public Facilities means the Commissioner of the Department of Transportation and Public Facilities of the State.

Committee means the State Bond Committee of the State of Alaska, an agency of the State created by AS § 37.15.110, or any other committee, body, department or officer of the State which or who shall succeed to the rights, powers, duties and obligations of the State Bond Committee by act of the Legislature.

Computation Date means each date selected by the State to make arbitrage rebate computations.

Computation Period means the period between Computation Dates.

Construction Fund means the International Airports Construction Fund, established by AS 37.15.420, for the purpose of receiving proceeds of bonds and notes, including Parity Bonds.

Consultant means at any time an independent firm, person or corporation having a widely known and favorable reputation for special skill, knowledge and experience in methods of development, operation and financing of airport facilities of approximately the same size as the properties constituting the AIAS appointed by the Committee to perform the duties of the Consultant as required by the General Bond Resolution. For the purposes of delivering any certificate required by the General Bond Resolution, as described under the subheading "SUMMARY OF GENERAL BOND RESOLUTION—Parity Bonds," and making the calculation described under such subheading, the term Consultant shall also include any independent national public accounting firm appointed by the State to make such calculation or to provide such certificate.

Coverage Requirement means Net Revenues equal to or greater than 125% of Aggregate Annual Debt Service for all outstanding Parity Bonds, including Future Parity Bonds then being issued (a) for project purposes, for each of the three Fiscal Years following the earlier of (i) completion of the projects being financed with the proceeds of the Future Parity Bonds then being issued and (ii) the date on which all capitalized interest with respect to such Future Parity Bonds is expended and (b) with respect to refunding bonds, each of the most recent three Fiscal Years preceding the date of calculation. Absent a written election by the Designated Representative to the contrary, the Coverage Requirement shall be calculated net of any federal subsidy legally available to pay the principal of or interest on Parity Bonds in the year of calculation. Thereafter, such federal subsidy shall no longer be included in the definition of Revenues.

Credit Facility means a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement or other financial instrument which obligates a third party to make payment or provide funds for the payment of financial obligations of the State, including but not limited to payment of the principal of, interest on or purchase price of a Series of Parity Bonds or meeting reserve requirements therefor.

Credit Facility Issuer means the issuer of any Credit Facility then in effect with respect to one or more Series of Parity Bonds.

Debt Manager means the person designated and acting as the Debt Manager of the Alaska Department of Revenue or his or its successor acting in that capacity.

Debt Service means, for any period of time,

(a) with respect to any Outstanding Original Issue Discount Bonds or Capital Appreciation Bonds which are not designated as Balloon Maturity Bonds in the resolution authorizing their issuance, the principal amounts of such Original Issue Discount Bonds equal to the Accreted Value thereof maturing or scheduled for redemption in such period, and the interest payable during such period;

(b) with respect to any Outstanding Fixed Rate Bonds, an amount equal to (1) the principal amount of such Parity Bonds due or subject to mandatory redemption during such period and for which no sinking fund installments have been established, (2) the amount of any payments required to be made during such period into any sinking fund established for the payment of any such Parity Bonds, plus (3) all interest payable during such period on any such Parity Bonds Outstanding and with respect to Parity Bonds with mandatory sinking fund requirements, calculated on the assumption that mandatory sinking fund installments will be applied to the redemption or retirement of such Parity Bonds on the date specified in the resolution authorizing such Parity Bonds;

(c) with respect to all other Series of Parity Bonds Outstanding, other than Fixed Rate Bonds, Original Issue Discount Bonds or Capital Appreciation Bonds, specifically including but not limited to Balloon Maturity Bonds and Parity Bonds bearing variable rates of interest, an amount for any period equal to the amount which would have been payable for principal and interest on such Parity Bonds during such period computed on the assumption that the amount of Parity Bonds Outstanding as of the date of such computation would be amortized (i) in accordance with the mandatory redemption provisions, if any, set forth in the resolution authorizing the issuance of such Parity Bonds, or if mandatory redemption provisions are not provided, during a period commencing on the date of computation and ending on the date 25 years after the date of issuance to provide for essentially level annual debt service of principal and interest over such period and (ii) at an interest rate equal to (A) the yield to maturity set forth in the 25-Revenue Bond Index published in the edition of *The Bond Buyer* (or comparable publication or such other similar index selected by the State with the approval of the Consultant, if applicable) selected by the State and published within ten days prior to the date of calculation or, if such calculation is being made in connection with the certificate required by the General Bond Resolution, as described under the subheading "SUMMARY OF GENERAL BOND RESOLUTION—Parity Bonds," then within ten days of the date of such certificate or (B), if such Parity Bonds have been Outstanding for more than one year, the average of the most recent year's actual interest rates plus 50 basis points; and

(d) with respect to Derivative Products, the State Payments required by contract to be paid to a Reciprocal Payor under any existing Derivative Product, offset by the Reciprocal Payments during the same period during the relevant period, on the assumption that if any such payment is not fixed at the time of execution of the Derivative Product, the amount of such payment will be calculated at the Estimated Average Derivative Rate prevailing during the remaining term of the Derivative Product.

With respect to any Parity Bonds payable in other than U.S. Dollars, Debt Service shall be calculated as provided in the resolution authorizing the issuance of such Parity Bonds.

Debt Service shall be net of any interest and/or principal funded out of Parity Bond proceeds or the proceeds of other funds or indebtedness. Absent a written election by the Designated Representative to the contrary, Debt Service shall be calculated net of any federal subsidy legally available to pay the principal of or interest on the Bonds in the year of calculation. Thereafter, such federal subsidy shall no longer be included in the definition of Revenues.

Debt Service shall include reimbursement obligations to providers of Credit Facilities to the extent such reimbursement obligations are outstanding or as otherwise authorized in a resolution.

Default has the meaning given such term under the subheading "SUMMARY OF GENERAL BOND RESOLUTION—Default and Remedies of Bondowners—*Default*."

Derivative Facility means a letter of credit, an insurance policy, a surety bond or other credit enhancement device, given, issued or posted as security for obligations under one or more Derivative Products.

Derivative Payment Date means any date specified in the Derivative Product on which a State Payment is due and payable under the Derivative Product.

Derivative Product means a written contract or agreement between the State and a Reciprocal Payor, which provides that the State's obligations thereunder will be conditioned on the absence of: (i) a failure by the Reciprocal Payor to make any payment required thereunder when due and payable, and (ii) a default thereunder with respect to the financial status of the Reciprocal Payor; and

(a) under which the State is obligated to pay, on one or more scheduled and specified Derivative Payment Dates, the State Payments in exchange for the Reciprocal Payor's obligation to pay or to cause to be paid to the State, on the same scheduled and specified Derivative Payment Dates, the Reciprocal Payments; *i.e.*, the contract must provide for net payments;

(b) for which the State's obligations to make all or any portion of State Payments may be secured by a pledge of and lien on Revenues on a lien subordinate to the lien thereon of Parity Bonds;

(c) under which Reciprocal Payments are to be made directly into a bond fund for Parity Bonds;

(d) for which the State Payments are either specified to be one or more fixed amounts or are determined according to a methodology set forth in the Derivative Product; and

(e) for which the Reciprocal Payments are either specified to be one or more fixed amounts or are determined according to a methodology set forth in the Derivative Product.

Derivative Product Account means the Derivative Product Account, if any, created and established under the General Bond Resolution.

Designated Representative means, with respect to the State, the Chairman or the Secretary of the Committee, or Debt Manager of the State, or their respective designees.

DTC means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Parity Bonds pursuant to the General Bond Resolution, or any corporate successor thereto.

Estimated Average Derivative Rate means:

(a) as to the variable rate payments to be made by a party under any Derivative Product,

(i) to the extent such variable rate payments have been made for a period of 12 months or more, the higher (in the case of variable rate State Payments), or the lower (in the case of variable rate Reciprocal Payments) of:

(A) the weighted average rate of interest applicable to such payments during the immediately preceding 12-month period; or

(B) the rate applicable under the related Derivative Product as of the date of determination; or

(ii) to the extent such variable rate payments have not been made for a period of 12 months or more, the most current actual rate used in calculating such variable rate payments; and

(b) as to any Derivative Products which have been authorized to be entered into by the State but have not yet been executed or become effective, the variable rate will be estimated by applying the variable rate formula specified in the contract to the most recently published rate for the floating rate index or other equivalent specified in the Derivative Product as the basis upon which the variable rate will be determined,

provided that, when the variable rate to be used in a Derivative Product is specified as the rate or rates applicable to one or more specified maturities of Parity Bonds, the variable rate or rates under the Derivative Product will be deemed to be the same rate or rates estimated for the specified maturity or maturities of the specified Parity Bonds, and *provided further that*, if two or more Derivative Products each specify the same index and formula for determining and setting their respective variable rates, on the same dates, and for the same periods of time, and with respect to identical derivative principal amounts, all such Derivative Products shall be deemed to have the same Estimated Average Derivative Rate, calculated in accordance with paragraphs (a)(i) and (a)(ii) of this definition and, where applicable, with respect to the first of such Derivative Products to become effective.

Fairbanks Airport means the Fairbanks International Airport.

Fiscal Year means any 12-month period ending on June 30 or such other date as is authorized by statute and/or selected by AIAS.

Fitch means Fitch IBCA, Inc., organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such organization shall be dissolved or liquidated or shall no longer, perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody's) designated by the Designated Representative.

Fixed Rate Bonds means those Parity Bonds other than Capital Appreciation Bonds, Original Issue Discount Bonds or Balloon Maturity Bonds issued under a resolution in which the rate of interest on such

Parity Bonds is fixed and determinable through their final maturity or for a specified period of time. If so provided in the resolution authorizing their issuance, Parity Bonds may be deemed to be Fixed Rate Bonds for only a portion of their term.

Future Parity Bonds means any Series of Parity Bonds issued following the date of adoption of the General Bond Resolution having a lien on Net Revenue equal in priority to the lien thereon of the Parity Bonds Outstanding.

Government Obligations means Permitted Investments described in (2) and (7) of the definition thereof.

Governor means the Governor of the State.

Independent Certified Public Accountant means any certified public accountant or firm of such accountants appointed and paid by the State, and who, or each of whom—

(1) is in fact independent, and not under domination of the State;

(2) does not have any substantial interest, direct or indirect, with the State; and

(3) is not connected with the State as an officer or employee of the State, but who may be regularly retained to make annual or similar audits of any of the books of the State.

Interest Account means the account of that name maintained in the Bond Fund pursuant to the General Bond Resolution.

Letter of Representations means the blanket issuer letter of representations from the State to DTC, or any similar written arrangement between the State and a successor depository.

Lieutenant Governor means the Lieutenant Governor of the State.

Maintenance and Operation Costs of the AIAS means the actual and necessary costs of maintaining and operating the AIAS, calculated on sound accounting principles, including (among other things) the reasonable expenses of management., repair and other expenses necessary to maintain the AIAS in good repair and working order, and reasonable amounts for administration, overhead, insurance and other similar costs, but excluding in all cases depreciation and obsolescence charges or reserves therefor, amortization of intangibles or other bookkeeping entries of a similar nature, capital additions, replacements, betterments, extensions or improvements to the AIAS and Debt Service.

Maximum Annual Debt Service means, with respect to any Outstanding Series of Parity Bonds, the highest remaining Annual Debt Service for such Series of Parity Bonds.

Moody's means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency (other than Fitch or S&P) selected by the Designated Representative.

MSRB means the Municipal Securities Rulemaking Board or any successor to its functions.

Net Revenues means all of the Revenues less the Maintenance and Operation Costs of the AIAS.

Original Issue Discount Bonds means Parity Bonds which are sold at an initial public offering price of less than 95% of their face value and which are specifically designated as Original Issue Discount Bonds in the resolution authorizing their issuance.

Outstanding, when used as of any particular time with reference to Parity Bonds, means (subject to redemption as described in the General Bond Resolution) all Parity Bonds theretofore executed by the State and authenticated and delivered by the Registrar under the General Bond Resolution except:

(1) Parity Bonds theretofore cancelled by the Registrar or surrendered to the Registrar for cancellation;

(2) Parity Bonds for the payment or redemption of which funds in the necessary amount shall have theretofore been deposited with the Registrar (whether upon or prior to the maturity or redemption date of such Parity Bonds), provided that, if such Parity Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in the General Bond Resolution provided or provision satisfactory to the Registrar shall have been made for the giving of such notice;

(3) Parity Bonds in lieu of or in substitution for which other Parity Bonds shall have been authenticated and delivered by the Registrar pursuant to the terms of the General Bond Resolution; and

(4) Parity Bonds that have been refunded, provided that the conditions described under the subheading "SUMMARY OF GENERAL BOND RESOLUTION—Refunding Parity Bonds" shall have been satisfied with respect to such Parity Bonds.

Owner or ***Parity Bondowner*** means any person who shall be the bearer of any outstanding Parity Bond registered to bearer or not registered, or the registered owner of any outstanding Parity Bond which shall at the time be registered other than to bearer. ***Owner,*** when all Parity Bonds of a Series are held by a securities depository, means the beneficial owner of the Series in question determined under the rules of that securities depository; otherwise "Owner" means "owner of record on the Bond Register maintained by the Registrar." To the extent that the full payment of the interest on and principal of Parity Bonds of a Series is secured by a policy of Qualified Insurance, the issuer of the policy of Qualified Insurance shall be considered to be the Owner of all the Parity Bonds of that Series for purposes of exercising any rights with respect to supplements and, amendments to the General Bond Resolution.

Parity Bonds means the State of Alaska International Airports System Revenue Bonds issued and at any time outstanding pursuant to the General Bond Resolution and shall include the Parity Bonds Outstanding and any Future Parity Bonds.

Permitted Investment means and includes any of the following obligations, including those offered by the Registrar where applicable, to the extent the same are at the time legal for investment of funds of the State under applicable law:

(1) Cash;

(2) Direct obligations of (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(3) Bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and

credit of the United States of America (stripped securities are only permitted if they-have been stripped-by the agency itself)

(a) U.S. Export-Import Bank (Eximbank). Direct obligations or fully guaranteed certificates of beneficial ownership.

(b) Farmers Home Administration (FmHA) (now known as the United States Department of Agriculture, Rural Development). Certificates of beneficial ownership.

(c) Federal Financing Bank.

(d) Federal Housing Administration Debentures (FHA)'

(e) General Services Administration. Participation certificates.

(f) Government National Mortgage Association (GNMA or "Ginnie Mae").

(g) United States Maritime Administration. Guaranteed Title XI financing.

(h) United States Department of Housing and Urban Development (HUD). Project Notes, Local Authority Bonds, New Communities Debentures - United States Government guaranteed debentures, United States Public Housing Notes and Bonds - United States government guaranteed public housing notes and bonds:

(4) U.S. dollar denominated deposit accounts, time deposits and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 30 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.) Certificates of deposit must be secured at all times by collateral described in (2) and/or (3) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral;

(5) Commercial paper which is rated at the time of purchase in the single highest classification: "A-l+" by S&P and "P-1" by Moody's, and which have original maturities of not more than 270 days;

(6) (a) Investments in a money market funds having 'a rating of "AAAm", "AAAm-G" or "AA-m" or better by S&P or "Aaa", "Aa1" or "Aa2" if rated by Moody's or (b) securities or interests in any mutual fund or any open-ended or closed-ended investment company or investment trust registered under the Federal Investment Company Act of 1940, including those mutual funds or investment companies or trusts for which the Registrar or an affiliate of the Registrar serves as investment advisor, custodian, shareholder, servicing agent, transfer agent, administrator or distributor, if such mutual funds or investment companies or trusts are rated by Standard and Poor's and Moody's in its highest rating category;

(7) (a) Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (c) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the

investment is the real party in interest and has the right to proceed directly and individually against 'the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated (collectively, "United States Obligations");

(8) Federal Housing Administration debentures;

(9) The following obligations of government-sponsored agencies which are not backed by the full faith and credit of the U.S. government (stripped securities are only permitted if they have been stripped by the agency itself):

- Federal Home Loan Banks (FHL Banks) Senior debt obligations
- Federal Home Loan (FM LMC)
  Participation Certificates; Senior debt obligations
- Federal National Mortgage Association (FNMA)
  Senior debt obligations
  Mortgage-backed securities
- Student Loan Marketing Association (SLMA) Senior debt obligations
- Resolution Funding Corporation (REFCORP)
  debt obligations;
- Farm Credit System
  Consolidated system-wide bonds and notes

(10) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least $5 million;

(11) State obligations, which include:

(a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt for which is rated in one of the two highest rating categories by Moody's and by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated;

(b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated in one of the two highest rating categories by S&P and by Moody's; and

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (a) above and rated "AA" or better by S&P and "Aa" or better by Moody's;

(12) Pre-funded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(a) The municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) The municipal obligations are secured by cash or United States Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) The principal of and interest on the United States Obligations (plus any cash in the escrow) have been verified by the report of Independent Certified Public Accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due 'on the municipal obligations ("Verification");

(d) The cash or United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(e) No substitution of a United States Obligation shall be permitted except with another United States Obligation and upon delivery of a new Verification; and

(f) The cash or United States Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent;

(13) Repurchase agreements with any domestic bank with debt rated "AA" or better by S&P, or any foreign bank rated at least "AA" by S&P and "Aa" by Moody's, or with any broker-dealer with "retail customers" which has, or the parent company of which has, long-term debt rated at least "AA" by S&P and "Aa" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corp. (SIPC); provided that such repurchase agreements meet the following requirements:

(a) The market value of the collateral is maintained for United States Treasury Securities (and other United States Obligations acceptable to Credit Facility Issuer) at levels acceptable to the Credit Facility Issuer;

(b) Failure to maintain the requisite collateral percentage will require the Registrar to liquidate the collateral;

(c) The Registrar or a third party acting solely as agent for the Registrar has possession of the collateral or the collateral has been transferred to the Registrar in accordance with applicable state and federal laws (other than by means of entries on the repurchase agreement entity's books) at or before the time of payment;

(d) The repurchase agreement shall state and an opinion of counsel shall be rendered that the Registrar has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof and to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds (in the case of bearer securities, this means the trustee is in possession);

(e) The collateral is free and clear of any third-party liens or claims;

(f) An opinion is rendered that the repurchase agreement is a "repurchase agreement" as defined in the United States Bankruptcy Code;

(g) There is or will be a written agreement governing every repurchase agreement transaction;

(h) The Registrar represents that it has no knowledge of any fraud involved in the repurchase agreement transaction;

(i) The Registrar receives the opinion of counsel (which opinion shall be addressed to the State and the Registrar) that such repurchase agreement as legal, valid and binding and enforceable upon the provider in accordance with its terms, and that the repurchase agreement is a lawful investment for funds of the State;

(14) Collateralized guaranteed investment contracts meeting the criteria then required by the issuer of any Credit Facility then in effect with respect to Parity Bonds Outstanding; and

(15) State investment pools described in the General Bond Resolution.

Qualified Insurance shall mean, until the 2016 New Date, any non-cancelable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) which insurance company or companies, as of the time of issuance of such policy or surety bond, is rated in the highest rating category by any Rating Agency and from and after the 2016 New Date, shall mean any non-cancelable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) which insurance company or companies, as of the time of issuance of such policy or surety bond, is rated in one of the two highest rating categories by any Rating Agency.

Qualified Letter of Credit means any irrevocable letter of credit issued by a financial institution, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is rated in one of the two highest long term Rating Categories by one or more of the Rating Agencies.

Rate Covenant means Net Revenues in each Fiscal Year during which Parity Bonds remain outstanding at least equal to 1.25 times the sum of the Aggregate Annual Debt Service plus any deposits required to be made during such Fiscal Year to establish or maintain the Reserve Requirement and the minimum balance required to be maintained the Repair and Replacement Reserve Account.

Rating Agencies means Moody's, S&P and Fitch or their respective successors and assigns and/or such other securities rating agency selected by the State to provide a rating with respect to a Series of Parity Bonds, or. any portion thereof, which Rating Agency as of the applicable date, shall have assigned a rating to any Series of Parity Bonds or any portion thereof.

Rating Category means a generic rating category of the Rating Agency, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

Reciprocal Payment means any payment to be made to, or for the benefit of, the State under a Derivative Product by the Reciprocal Payor.

Reciprocal Payor means any bank or corporation, partnership or other entity which is a party to a Derivative Product and which is obligated to make one or more Reciprocal Payments thereunder.

Registered Owner means the person named as the registered owner of a Parity Bond in the Bond Register.

Registered Owners' Trustee means the bank or trust company acting in such capacity pursuant to the terms of the General Bond Resolution.

Registrar means the registrar appointed by the Committee under the General Bond Resolution and acting as an independent Registrar with the duties and powers provided in the General Bond Resolution, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in the General Bond Resolution.

Repair and Replacement Reserve Account means the account of that name maintained in the Revenue Fund pursuant to the General Bond Resolution.

Reserve Account means the account of that name maintained in the Bond Fund pursuant to the General Bond Resolution.

Reserve Account Requirement means the lowest of (i) Maximum Annual Debt Service with respect to all Parity Bonds; (ii) 125% of Average Annual Debt Service with respect to all Parity Bonds; and (iii) 10% of the initial principal amount of each Series of Parity Bonds then Outstanding.

Resolution No. 2016-01 means the State Bond Committee of the State of Alaska Resolution No. 2016-01, adopted January 5, 2016 by the Committee.

Retirement Account means the account of that name maintained in the Bond Fund pursuant to the General Bond Resolution.

Revenue Fund means the special fund created by the Act and known as the "International Airports Revenue Fund" into which all Revenues are required to be deposited.

Revenues means all revenues, fees, charges and rentals derived by the State or State corporations from the ownership, lease, use and operation of the AIAS and all of the facilities and improvements thereof and facilities and improvements used in connection therewith. The term "Revenues" includes all income and profit derived from the investment of moneys in any funds or accounts created by the Act (except the Construction Fund) or established pursuant to the General Bond Resolution; it does not include the proceeds of any State tax or license. If and to the extent permitted by the Act, the term Revenues shall exclude

(1) the proceeds of any borrowing by the State and the earnings thereon (other than earnings on proceeds deposited in the Reserve Account);

(2) income and revenue which may not legally be pledged for revenue bond debt service;

(3) passenger facility charges, head taxes, federal grants or substitutes therefor allocated to capital projects;

(4) payments made under Credit Facilities issued to pay or secure the payment of a particular Series of Parity Bonds;

(5) proceeds of insurance or condemnation proceeds other than business interruption insurance;

(6) income and revenue of the State separately pledged and used by it to pay and secure the payment of the principal of and interest on any issue or series of Special Revenue Bonds of the State

issued to acquire, construct, equip, install or improve part or all of the particular facilities from which such income and revenue are derived, provided that nothing described in this subparagraph (6) shall permit the withdrawal from Revenue of any income or revenue derived or to be derived by the State from any income producing facility which shall have been contributing to Revenue prior to the issuance of such Special Revenue Bonds; and

(7) income from investments irrevocably pledged to the payment of bonds issued or to be refunded under any refunding bond plan of the State.

Notwithstanding the foregoing, the State may elect to include other receipts *(e.g.*, passenger facility charges) at any time as additional security or additional Revenue for any one or more series of obligations.

Unless declined by a written election by the Designated Representative, the term Revenues shall not include any federal subsidy legally available to pay the principal of or interest on Bonds.

Rule means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

S&P means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., and its successors and assigns, except that if such corporation or division shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency (other than Moody's or Fitch) selected by the Designated Representative.

SEC means the Securities and Exchange Commission.

Series means an issue of Parity Bonds, identified by a separate Series designation.

Series 1999A Bonds means the State of Alaska International Airports System Revenue Bonds, Series 1999A, the issuance and sale of which is authorized by the Bond Resolution.

Series 1999 Surety Bond Issuer means MBIA Insurance Corporation, a stock insurance company incorporated under the laws of the State of New York.

Seventh Supplemental Resolution means the State Bond Committee of the State of Alaska Supplemental Resolution No. 2015-07, adopted October 27, 2015 by the Committee, as the same may be amended in accordance with its terms.

Sixth Supplemental Resolution means the State Bond Committee of the State of Alaska Supplemental Resolution No. 2010-05, adopted August 30, 2010 by the Committee, as the same may be amended in accordance with its terms.

Special Facilities means particular facilities situated on the properties owned by the AIAS and financed with the proceeds of Special Revenue Bonds.

Special Revenue Bonds means any issue or series of revenue bonds, revenue warrants or other revenue obligations of the State issued to directly or indirectly acquire (by purchase, lease or otherwise), construct, equip, install or improve part or all of Special Facilities and which are payable from and secured by the income and revenue derived from the use, lease or operations of such Special Facilities.

State means the State of Alaska.

State Payments means any payment, other than a termination payment or payment occurring as a result of default or expense payment, required to be made by or on behalf of the State under a Derivative Product and which is determined according to a formula set forth in a Derivative Product.

Supplemental Resolution means any resolution then in full force and effect which-has been duly adopted by the Committee under the Act, or any act supplementary thereto or amendatory thereof, at a meeting of the Committee duly convened and held, at which a quorum was present and acted thereon, amendatory of or supplemental to the General Bond Resolution; but only if and to the extent that such supplemental resolution is specifically authorized under the General Bond Resolution.

Surplus Revenues means any moneys remaining in the Revenue Fund, on the fifth business day of any month, after the requirements of subsections (b) and (c) described under the subheading "SUMMARY OF GENERAL BOND RESOLUTION—Allocation of Moneys in Revenue Fund" have been satisfied.

2016 New Date means the earlier of (i) the date on which the Parity Bonds Outstanding are no longer Outstanding; or (ii) the date on which the Owner(s) of at least two-thirds of the aggregate principal amount of parity Bonds then Outstanding consent to the amendment to the definition of Qualified Insurance made in the Seventh Supplemental Resolution. For purposes of this provision (1) the Owners of the Series 2015/2016 Bonds and any Future Parity Bonds issued following the issuance of the Series 2015/2016 Bonds by their purchase of such Parity Bonds, are deemed to have consented to and approved certain terms of Resolution No. 2016-01 in full compliance with the provisions of the Bond Resolution, and (2) MBIA Insurance Corporation or its successor shall be deemed to be the Owners of the Series 1999A Bonds and the AIAS Revenue Bonds, Series 2006A.

Equal Security

In consideration of the acceptance of the Parity Bonds by those who shall hold the same from time to time, the General Bond Resolution shall constitute a contract between the State and the owners from time to time of the Parity Bonds and interest coupons appertaining thereto, and the covenants and agreements set forth therein to be performed on behalf of the State shall be for the equal and proportionate benefit, security and projection of all owners of the Parity Bonds and interest coupons without preference, priority or distinction as to security or otherwise of any of the Parity Bonds or interest coupons over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided in the Parity Bonds or in the General Bond Resolution.

Authorization of Parity Bonds

Parity Bonds may be issued under the General Bond Resolution from time to time in order to obtain funds for purposes authorized by the Act. The maximum principal amount of Parity Bonds which may be issued under the General Bond Resolution is not limited; subject, however, to the right of the State, which is thereby reserved, to limit or restrict the aggregate principal amount of Parity Bonds which may at any time be issued and outstanding under the General Bond Resolution. The Parity Bonds are designated generally as the "State of Alaska International Airports System Revenue Bonds." The Parity Bonds may be issued in such Series as from time to time shall be authorized by or pursuant to the Act and established by the Committee, and the General Bond Resolution constitutes a continuing agreement with the owners of all of the Parity Bonds issued or to be issued and at any time outstanding to secure the full and final payment of the principal of and premium, if any, and the interest on all Parity Bonds which may from time to time be executed and delivered under the General Bond Resolution; subject to the covenants, agreements, provisions and conditions contained therein.

Parity Bonds and the lien thereof created and established under the General Bond Resolution shall be obligations only of the special fund(s) established in the supplemental resolution authorizing their issuance. Parity Bonds shall be payable solely from and secured solely by Revenues as provided in the General Bond Resolution; *provided, however*, that any Series of Parity Bonds also may be payable from and secured by a Credit Facility pledged specifically to or provided for that Series of Parity Bonds or may be issued or maintained in conjunction with a Derivative Product.

From and after the time of issuance and delivery of the Parity Bonds of each Series and so long thereafter as any of the same remain Outstanding, the State has irrevocably obligated and bound itself to set aside and pay into the Bond Fund out of Revenues, on or prior to the date on which the interest on or principal of and interest on the Parity Bonds shall become due, the amount necessary to pay such interest or principal and interest coming due on the Parity Bonds of such Series.

Said amounts so pledged to be paid into such special funds are declared to be a prior lien and charge upon Revenues superior to all other charges of any kind or nature whatsoever except for charges equal in rank that may be made thereon to pay and secure the payment of the principal of and interest on other Series of Parity Bonds issued under authority of a supplemental resolution in accordance with the provisions of the General Bond Resolution, as described below under the subheadings "SUMMARY OF GENERAL BOND RESOLUTION—Issuance of Additional Series of Future Parity Bonds" and "SUMMARY OF GENERAL BOND RESOLUTION—Parity Bonds."

Parity Bonds shall not in any manner or to any extent constitute general obligations of the State or of any political subdivision of the State of Alaska.

Issuance of Additional Series of Future Parity Bonds.

The State may issue under the General Bond Resolution from time to time one or more Series of Parity Bonds by means of a supplemental resolution for any purpose of the State now or hereafter permitted by law, provided that the State shall comply with the terms and conditions for the issuance of Parity Bonds described under this subheading and in "SUMMARY OF GENERAL BOND RESOLUTION—Parity Bonds."

Each Series of Parity Bonds shall be authorized by a supplemental resolution which shall, among other provisions, specify or provide for:

(a) the maximum authorized principal amount, designation and Series of such Parity Bonds;

(b) the general purpose or purposes for which such Series of Parity Bonds is being issued, and the deposit, disbursement and application of the proceeds of the sale of the Parity Bonds of such Series;

(c) the date or dates, and the maturity date or dates, of the Parity Bonds of such Series, and the principal amount maturing on each maturity date;

(d) the maximum interest rate or rates on the Parity Bonds of such Series (which may be a rate of zero) and the interest payment date or dates therefor, and whether such interest rate or rates shall be fixed, variable or a combination of both and, if necessary, the manner of determining such rate or rates;

(e) the circumstances, if any, under which the Parity Bonds of such Series will be deemed to be no longer Outstanding;

(f) the currency or currencies in which the Parity Bonds of such Series are payable;

(g) the denominations of, and the manner of dating, numbering, and, if necessary, authenticating, the Parity Bonds of such Series;

(h) the place or places of payment of the principal, redemption price, if any, or purchase price, if any, of and interest on, the Parity Bonds of such Series;

(i) the tender agent or tender agents, if any, for the Parity Bonds of such Series and the duties and obligations thereof;

(j) the remarketing agent or remarketing agents, if any, for the Parity Bonds of such Series and the duties and obligations thereof;

(k) the registrar or trustee, if any, for the Parity Bonds of such Series and the duties and obligations thereof;

(l) the form or forms of the Parity Bonds of such Series and any coupons attached thereto, which may include but shall not be limited to, registered form, bearer form with or without coupons, and book-entry form, and the methods, if necessary, for the registration, transfer and exchange of the Parity Bonds of such Series;

(m) the terms and conditions, if any, for the redemption of the Parity Bonds of such Series prior to maturity, including the redemption date or dates, the redemption price or prices and other applicable redemption terms;

(n) the terms and conditions, if any, for the purchase of the Parity Bonds of such Series upon any optional or mandatory tender for purchase prior to maturity, including the tender date or dates, the purchase date or dates, the purchase price or prices and other applicable terms;

(o) the manner of sale of the Parity Bonds of such Series, with or without a premium or a discount;

(p) if so determined by the State, the authorization of and any terms and conditions with respect to credit or liquidity support for the Parity Bonds of such Series and the pledge or provision of moneys, assets or security other than Revenues to or for the payment of the Parity Bonds of such Series or any portion thereof;

(q) a subaccount within the Reserve Account for the Parity Bonds of such Series and the application of moneys or securities therein; and

(r) any other provisions which the State deems necessary or desirable in connection with the Parity Bonds of such Series.

Each such supplemental resolution also may provide for delegation to the Designated Representative of the authority to approve the final terms and conditions of a series of Parity Bonds, including but not limited to the matters described in this section.

Parity Bonds

(a) *Limitations on Issuance of Parity Bonds.* All Parity Bonds authorized to be issued under the General Bond Resolution shall have an equal lien and charge upon the Revenues upon fulfillment of the conditions of the General Bond Resolution, whether at the time of authorization or issuance of such Parity Bonds. Except as described in subsection (b) below, the State shall not issue any Series of Future Parity Bonds or incur any additional indebtedness with a parity lien or charge on Revenues *(i.e.*, on a parity of lien with Parity Bonds at the time Outstanding) unless:

(1) The issuance of the additional Series of Future Parity Bonds shall have been authorized by legislation amending or supplementing the Act.

(2) Such additional Series of Future Parity Bonds shall have been authorized to pay the costs of acquiring, equipping, constructing or installing additions and improvements to and extensions of the AIAS, facilities for the landing, parking, loading, storing, repairing, safety or utility of aircraft at the AIAS or passenger, freight or terminal facilities, including safety equipment and devices, at the AIAS, found to be necessary by the Commissioner of Transportation and Public Facilities and constituting a project authorized by the Act.

(3) The State shall be in compliance with all covenants set forth in the General Bond Resolution or will be in compliance when the Future Parity Bonds are issued.

(4) There shall have been filed a certificate (prepared as described in subsection (c) or (d) below) demonstrating fulfillment of the Coverage Requirement.

(b) *No Certificate Required.* The certificate described in the foregoing subsection (a)(4) shall not be required as a condition to the issuance of Future Parity Bonds:

(1) if the Future Parity Bonds are for the purpose of refunding Parity Bonds Outstanding upon compliance with the provisions described below under the subheading "SUMMARY OF GENERAL BOND RESOLUTION—Refunding Parity Bonds;" or

(2) if the Future Parity Bonds are being issued to pay costs of facilities for which Parity Bonds have been issued previously and the principal amount of such Future Parity Bonds being issued for completion purposes does not exceed an amount equal to an aggregate of 15% of the principal amount of Parity Bonds theretofore issued for such facilities and reasonably allocable to the facilities to be completed as shown in a written certificate of a Designated Representative, and there is delivered a Consultant's certificate stating that the nature and purpose of such facilities has not materially changed.

(c) *Certificate of the State Without A Consultant.* If required pursuant to the foregoing subsection (a)(4), a certificate may be delivered by the State without a Consultant if Net Revenues for the Base Period (confirmed by an independent auditor) conclusively demonstrate compliance with the Coverage Requirement.

(d) *Certificate of a Consultant.* Unless compliance with the requirements of subsection (a)(4) have been otherwise satisfied (as provided in subsections (b) or (c) above), compliance with the Coverage Requirement described under this subheading shall be demonstrated conclusively by a certificate of a Consultant.

In making the computations of Net Revenues for the purpose of certifying compliance with the Coverage Requirement described under this subheading, the Consultant shall use as a basis the Net Revenues for the Base Period. In making such computations the Consultant shall make such adjustments to Net Revenues as he deems reasonable.

Refunding Parity Bonds

The State, by means of a supplemental resolution adopted in compliance with the provisions described under the subheading "SUMMARY OF GENERAL BOND RESOLUTION—Issuance of Additional Series of Future Parity Bonds," may issue refunding Future Parity Bonds under the General Bond Resolution as follows:

(a) *Refunding of Parity Bonds.* Future Parity Bonds may be issued at any time for the purpose of refunding (including by purchase) Parity Bonds, including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption (or purchase) and the expenses of issuing such Future Parity Bonds to purchase or refund the same and of effecting such refunding upon delivery of a certificate as described under the subheading "SUMMARY OF GENERAL BOND RESOLUTION—Parity Bonds." Such refunding Future Parity Bonds also may be issued without a certificate if the Maximum Annual Debt Service on all Parity Bonds to be Outstanding after the issuance of the refunding Future Parity Bonds shall not be greater than the Maximum Annual Debt Service were such refunding not to occur and, subject to the further condition which shall be applicable only until the 2016 New Date, that total debt service has been reduced.

(b) *Refunding of Other Bonds.* Future Parity Bonds may be issued at any time for the purpose of refunding (including by purchase) any other bonds of the State (issued for the AIAS), including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption of such bonds (or purchase) and the expenses of issuing the Future Parity Bonds to purchase or refund the same and of effecting such refunding; provided, however, that prior to the issuance of such Future Parity Bonds the State must provide a certificate if required, as described under the subheading "SUMMARY OF GENERAL BOND RESOLUTION—Parity Bonds."

(c) *Refunding of Parity Bonds within One Year of the Maturity Thereof.* Future Parity Bonds may be issued for the purpose of refunding (including by purchase) at any time within one year prior to maturity, any Parity Bonds for the payment of which sufficient Net Revenues or other moneys are not available, without the requirement of a certificate described under the subheading "SUMMARY OF GENERAL BOND RESOLUTION—Parity Bonds."

Validity of Parity Bonds

The validity of the authorization and issuance of the Parity Bonds shall not be affected in any way by any proceedings taken by the State for the acquisition or construction of the additions, improvements, extensions or facilities for which the Parity Bonds are issued or by any contracts made by the State in connection therewith. The recital contained in the Parity Bonds that the same are issued pursuant to the Act shall be conclusive evidence of their validity and of the regularity of their issuance in conformity with the Act.

Special Facilities Bonds

The State reserves the right to issue, from time to time, in one or more series, Special Facilities Bonds as provided in the General Bond Resolution to finance and refinance Special Facilities, including all reserves required therefor, all related costs of issuance and other amounts reasonably relating thereto, provided that such Special Facilities Bonds shall be payable solely from payments arising from the use, operation, lease of Special Facilities or any source other than money provided by the State. In no event shall any Revenues or any other amounts held in any other fund or account maintained by the State as security for Parity Bonds or for the construction, operation, maintenance or repair of the AIAS be pledged to the payment of Special Faculties Bonds or to the payment of any lessee expense for maintenance and operation of Special Facilities.

Pledge of Revenues; Revenue Fund

All of the Revenues are irrevocably pledged to the punctual payment of the principal of and interest on the Parity Bonds, and Revenues shall not be used for any other purpose while any of the Parity Bonds remain outstanding; except that out of Revenues there may be apportioned such sums, for such purposes, as are expressly described under the subheading "SUMMARY OF GENERAL BOND RESOLUTION—Allocation of Moneys in Revenue Fund." Said pledge shall constitute a first lien on the Revenues for the payment of the Parity Bonds in accordance with the terms thereof.

All Revenues shall be deposited in the special fund created by the Act and known as the "International Airports Revenue Fund" (the "***Revenue Fund***"), which shall be completely segregated and set apart from all other funds of the State and shall be maintained by the State so long as any of the Parity Bonds are Outstanding. All moneys at any time deposited in the Revenue Fund shall be held in trust for the benefit of the owners from time to time of the Parity Bonds and the coupons appertaining thereto, and shall be disbursed, allocated and applied solely for the uses and purposes described under the subheading "SUMMARY OF GENERAL BOND RESOLUTION—Allocation of Moneys in Revenue Fund."

Allocation of Moneys in Revenue Fund

All moneys in the Revenue Fund shall be set aside in the State Treasury, or deposited by the State with the Registrar, as specified in the General Bond Resolution, in the following order of priority in the following respective special funds and accounts, each of which the State has covenanted to establish and maintain, and shall be held in trust by the State or by the Registrar in such funds and accounts and disbursed and applied only for the purposes authorized in the General Bond Resolution:

(a) *Flow of Funds.* All Revenues shall be deposited in the Revenue Fund as collected. The Revenue Fund shall be held separate and apart from all other funds and accounts of the State Treasury, and the Revenues deposited therein shall be used only for the following purposes and in the following order of priority:

First, to be deposited in the Interest Account for the payment of interest on Parity Bonds;

Second, to be deposited in the Retirement Account for the payment of principal of and redemption premium for Parity Bonds;

Third, to be deposited in the Reserve Account to establish and maintain the Reserve Requirement;

Fourth, to be deposited in the Repair and Replacement Reserve Account in order to maintain the balance required therein by subsection (c) described under this subheading;

Fifth, to pay Maintenance and Operating Costs of the AIAS and all improvements and facilities thereof;

Sixth, to pay the costs of renewals, replacements and extraordinary repairs to the AIAS and all of the improvements and facilities thereof;

Seventh, to be deposited in any debt service fund for subordinate lien debt (to the extent permitted by the Act);

Eighth, to be deposited into any reserve account for subordinate lien debt (to the extent permitted by the Act);

Ninth, to redeem before their fixed maturities any and all revenue bonds issued for the purposes of the AIAS, to acquire, construct and install necessary additions and improvements to and extensions of and facilities for the AIAS and all of their facilities, and to pay any and all other costs relating to the ownership, use and operation of the AIAS; and

Tenth, for any other purpose permitted by the Act as it is then in effect including any amendments thereto which may hereafter be adopted. Specifically, to the extent permitted by the Act, Maintenance and Operating Costs shall be paid prior to principal and interest on Parity Bonds, and the payment of such Maintenance and Operating Costs shall be made as a first priority under subsection (a) described under this subheading.

(b) *International Airports Revenue Bond Redemption Fund.* The special fund of the State created by the Act and known as the "International Airports Revenue Bond Redemption Fund" (the "***Bond Fund***") shall be held by the Registrar, which shall establish accounts within said Fund designated as the Interest Account, the Retirement Account and the Reserve Account.

(1) Interest Account. The State shall deposit from the Revenue Fund with the Registrar in the Interest Account commencing with the month of issuance of the Series of Parity Bonds, in approximately equal monthly installments on or before the fifth business day of each month (provided that the initial monthly deposit may be made on such later date prior to the close of the month following the date of issuance of a Series of Parity Bonds), an amount equal to at least one-sixth of the aggregate amount of interest becoming due and payable on all outstanding Parity Bonds during the next ensuing six months, until the requisite amount of interest on all of the outstanding Parity Bonds is on deposit in such fund. Amounts previously deposited in the Interest Account from accrued interest received upon the sale of Parity Bonds or from transfers from the Construction Fund for interest during construction shall be credited against such installments, and the amount of any such installment to be deposited from the Revenue Fund shall be correspondingly reduced. No deposit need be made in the Interest Account if the amount contained therein is at least equal to the interest to become due in the next ensuing six months upon all of the Parity Bonds then Outstanding. Moneys in the Interest Account shall be used and withdrawn by the Registrar solely for the purpose of paying the interest on the Parity Bonds as it shall become due and payable (including accrued interest on any Parity Bonds purchased or redeemed prior to maturity pursuant to the General Bond Resolution).

(2) Retirement Account. The State shall deposit from the Revenue Fund with the Registrar in the Retirement Account, in approximately equal monthly installments on or before the fifth business day of each month, following the date of delivery of any Parity Bonds, an amount at least equal to the sum of (A) one-twelfth of the aggregate yearly amount of principal becoming due and payable on the outstanding serial Parity Bonds during the next ensuing twelve months and (B) at least one twelfth of any minimum sinking fund payment required on any minimum sinking fund payment date occurring within the next ensuing twelve months. (In the event that the first maturity date or the first minimum sinking fund payment date with respect to any Series of Parity Bonds shall be less than twelve months after the date of delivery of said Series of Parity Bonds, such deposits in the Retirement Account during the period between

said date of delivery and said first maturity date or first minimum sinking fund payment date shall be in such monthly amounts, larger than those provided by the foregoing sentence, as may be necessary to assure that there will be on hand in the Retirement Account on said maturity date or minimum sinking fund payment date an amount sufficient to pay the principal or minimum sinking fund payment then due.) No deposit need be made in the Retirement Account if the amount contained therein is sufficient (i) to pay the principal of all serial Parity Bonds then outstanding maturing by their terms in the next ensuing twelve months and (ii) to provide any such minimum sinking fund payment required or any minimum sinking fund payment date occurring within the next ensuing twelve months. Moneys in the Retirement Account shall be used and withdrawn by the Registrar solely for the purpose of paying the principal of the Parity Bonds as they become due and payable or for the purchase or redemption of term Parity Bonds prior to their fixed maturity date.

(3) Reserve Account. A Reserve Account (the "***Reserve Account***") is hereby authorized to be created for the purpose of securing the payment of the principal of, premium, if any, and interest on all Parity Bonds.

The State has covenanted and agreed that on the date of issuance of each Series of Parity Bonds, the State will assure that the amount on hand in the Reserve Account shall be sufficient to meet the Reserve Account Requirement.

The Reserve Account Requirement shall be maintained by deposits of cash, a Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. To the extent that the State obtains a Qualified Letter of Credit or Qualified Insurance in substitution for cash or securities in the Reserve Account, all or a portion of the money on hand in the Reserve Account may be transferred to the Retirement Account at the direction of the Designated Representative. In computing the amount on hand in the Reserve Account, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at the face amount thereof, and all other obligations purchased as an investment of moneys therein shall be valued at market at least annually. The market value of securities then credited to the Reserve Account shall be determined and any deficiency in the Reserve Account shall be made up in equal installments within six months after the date of such valuation. As used in the General Bond Resolution, the term "cash" shall include U.S. currency, cash equivalents and evidences thereof, including demand deposits, certified or cashier's check; and the deposit to the Reserve Account may be satisfied by the transfer of qualified investments to such account.

If the balance on hand in the Reserve Account is sufficient to satisfy the Reserve Requirement, interest earnings shall be applied as provided in the following sentences. Whenever there is a sufficient amount in the Bond Fund, including all accounts therein, to pay the principal of, premium, if any, and interest on all Parity Bonds Outstanding, the money in the Reserve Account may be used to pay such principal, premium, if any, and interest. So long as the money left remaining on deposit in the Reserve Account is equal to the Reserve Requirement, money, in the Reserve Account may be transferred to the Retirement Account at the Direction of the Designated Representative. The State also may transfer out of the Reserve Account any money required in order to prevent any Parity Bonds from becoming "arbitrage bonds" under the Code.

If a deficiency in the Interest Account or the Retirement Account shall occur immediately prior to a debt service payment date with respect to Parity Bonds, such deficiency shall be made up from the Reserve Account by the withdrawal of cash therefrom for that purpose and by the sale or redemption of obligations held in the Reserve Account, in such amounts as will provide cash in the Reserve Account sufficient to make up any such deficiency with respect to the Parity Bonds, and if a deficiency still exists immediately prior to a debt service payment date and after the withdrawal of cash, the State shall then draw from any Qualified Letter of Credit or Qualified Insurance for the Parity Bonds in sufficient amount to make up the deficiency. Drawings under Qualified Insurance and Qualified Letters of Credit shall be made on a pro-rata basis (in proportion to the respective maximum coverage(s) available under Qualified Insurance and Qualified Letters of Credit). Such draw shall be made at such times and under such conditions as such Qualified Letter of Credit or such Qualified Insurance shall provide. Reimbursement shall be made over a twelve-month period to the issuer of any Qualified Letter of Credit or Qualified Insurance in accordance with the reimbursement agreement related thereto, and after making necessary provision for the payments required to be made in paragraphs First and Second described under subsection (a) of this subheading. If the State shall have failed to make any payment required to be made under such reimbursement agreement for the Parity Bonds, the issuer shall be entitled to exercise all remedies available at law or under the General Bond Resolution; provided, however, that no acceleration of the Parity Bonds shall be permitted, and no remedies which adversely affect Registered Owners of the Parity Bonds shall be permitted. Any deficiency created in the Reserve Account by reason of any such withdrawal shall be made up from the next available Revenue but in no event later than within one year from Qualified Insurance or a Qualified Letter of Credit or out of Net Revenues (or out of other money on hand and legally available for such purpose) after making necessary provisions for the payments required to be made into the Interest Account and Retirement Account within such year.

In making the payments and credits to the Reserve Account described under this subsection (b)(3), to the extent that the State has obtained Qualified Insurance or a Qualified Letter of Credit for specific amounts required pursuant to this section to be paid out of the Reserve Account such amounts so covered by Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Reserve Account as described under this subsection (b)(3) to the extent that such payments and credits to be made are to be made or insured by Qualified Insurance, or are to be made or guaranteed by a Qualified Letter of Credit. In the event of termination of a Qualified Letter of Credit or if the issuer of the Qualified Insurance or the Qualified Letter of Credit shall be insolvent or no longer in existence, the Reserve Requirement shall be satisfied (A) in equal monthly payments, within six months after the insolvency or incapacity, but no later than the date of cancellation or termination, with cash or with other Qualified Insurance or another Qualified Letter of Credit, or (B) in equal monthly payments, within six months after the insolvency of the issuer of a Qualified Letter of Credit or Qualified Insurance or termination of a Qualified Letter of Credit, out of Net Revenues (or out of other money on hand and legally available for such purpose) after making necessary provisions for the payments required to be made into the Interest Account and Retirement Account.

(c) *Repair and Replacement Reserve Account.* The State shall establish a separate account, within the Revenue Fund, designated the "Repair and Replacement Reserve Account," which shall be maintained so long as any of the Parity Bonds are outstanding. On or before the fifth business day of each month, the State shall transfer from the Revenue Fund to the Repair and Replacement Reserve Account an amount equal to one percent (1%) of the Revenues received during the month preceding the month last ended, until such time as the balance in the Repair and Replacement Reserve Account shall equal five hundred thousand dollars ($500,000). Thereafter, the State shall transfer from the Revenue Fund to the Repair and Replacement Reserve Account, on or before the fifth business day of each month, such sums, up to one percent (1%) of the Revenues received during the month preceding the month last ended, as may be necessary to restore and maintain a balance of five hundred thousand dollars ($500,000) in the Repair and Replacement Reserve Account. In the event that the amount in the Reserve Account shall at any time be reduced below the balance required to be maintained therein, the State shall transfer moneys from the Repair and Replacement Reserve Account to the Registrar for deposit in the Reserve Account to the extent necessary to eliminate such deficiency. Subject to the foregoing, moneys in the Repair and Replacement Reserve Account shall be used only to pay the costs of extraordinary repairs, renewals and replacements of facilities of the AIAS to the extent that (i) such costs are not provided for by the proceeds of insurance and (ii) Surplus Revenues are not available for the payment thereof.

(d) *Derivative Products.* The following shall be conditions precedent to the use of any Derivative Product:

(1) *Opinion of Bond Counsel.* The State shall obtain an opinion of its bond counsel on the due authorization and execution of such Derivative Product opining that the action proposed to be taken by the State is authorized or permitted by the General Bond Resolution or the applicable provisions of any supplemental resolution authorizing Parity Bonds, as such resolutions may be amended or supplemented from time to time and will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on any Parity Bonds then Outstanding.

(2) *Payments.* Each Derivative Product shall set forth the manner in which the State Payments and Reciprocal Payments are to be calculated and a schedule of Derivative Payment Dates.

(3) *Supplemental Agreements to Govern Derivative Products.* Prior to entering into a Derivative Product, the Committee shall adopt a resolution, which shall:

(i) create and establish a Derivative Product Account or provide for some other way to account for the use of a Derivative Product; establish general provisions for the retention of Revenues in amounts sufficient to make, when due, State Payments;

(ii) establish general provisions for the rights of providers of Derivative Products or Derivative Facilities; and

(iii) set forth such other matters as the Committee deems necessary or desirable in connection with the management of Derivative Products as are not clearly inconsistent with the provisions of the General Bond Resolution.

Except as may be otherwise provided in the resolution establishing a Derivative Product Account, additional Parity Bonds may be delivered in connection with any Derivative Product. The General Bond Resolution may be amended in the future to reflect the lien position and priority of any payments made in connection with a Derivative Product; *provided however*, that the lien on Net Revenues of payments under Derivative Products must be subordinate to the lien thereon of Parity Bonds.

Deposit and Investment of Moneys in Funds

All moneys held in the Construction Fund, the Revenue Fund and the Bond Fund and all accounts and subaccounts therein shall be held in time or demand deposits in any bank or trust company authorized to accept deposits of public funds (including the Registrar), and shall be secured at all times by such obligations as are required by law and to the fullest extent required by law, except such moneys which are at the time invested as described under this subheading. All such moneys shall be invested in Permitted Investments. In addition, such money may be invested in any of the investment pools operated by the Department of Revenue. Each investment (other than investments in the State investment pools) shall mature or in the case of investment pool funds shall be available at such times and in such amounts as shall be required to provide money to make the payments required to be made from said accounts and funds. If money is held by the Registrar, the Registrar shall not invest money in the absence of written direction to the Registrar by a Designated Representative from the Department. of Revenue. Moneys in the Repair and Replacement Reserve Account shall be invested only in Permitted Investments maturing within five years from the date of investment. All interest or other income received on any moneys so invested shall be deposited in and become a part of the respective fund or account from which such investment was made, except as shall be necessary to comply with the tax covenants described under the subheading "SUMMARY

OF GENERAL BOND RESOLUTION—Tax Covenants" or otherwise to comply with the requirements of the Code. The Registrar shall not be accountable for any depreciation in the value of the investments made in accordance with the provisions described under this subheading, or for any losses incurred upon any authorized disposition thereof.

Certification by Committee of Amounts Required

The Committee shall, on or before December 31 of each year, commencing with the year in which the Parity Bonds of Series are issued, certify to the Commissioner of the Department of Revenue and the Commissioner of the Department of Transportation and Public Facilities the amounts required in the next ensuing calendar year by the General Bond Resolution to be paid out of the Revenue Fund into the Bond Fund (including the Interest Account, the Retirement Account and the Reserve Account) and to be paid into the Repair and Replacement Reserve Account. At the same time the Committee shall also certify to said Commissioners the last date or dates upon which such payments may be made.

Covenants of the State

Punctual Payment. The State shall punctually pay or cause to be paid the principal and interest to become due in respect of all the Parity Bonds, in strict conformity with the terms of the Parity Bonds and of the General Bond Resolution, and it shall faithfully observe and perform all of the conditions, covenants and requirements of the General Bond Resolution and of the Parity Bonds.

Against Sale or Other Disposition of AIAS. The State shall not sell, mortgage or otherwise dispose of the AIAS or any part thereof essential to the proper operation of the airports or to the maintenance of the Revenues. The State shall not enter into any lease or agreement which impairs the operation of the AIAS or any part thereof necessary to secure adequate Revenues for the payment of the principal of and interest on the Parity Bonds, or which would otherwise impair the rights of the Parity Bondowners with respect to the Revenues or the operation of the AIAS.

Maintenance and Operation of AIAS. The State shall maintain and preserve the airports in good repair at all times from the Revenues and any other funds available for such purposes, and shall operate the AIAS in an efficient and economical manner.

Payment of Claims. The State shall pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Revenues or any part thereof, or upon any funds in the hands of the Registrar, prior or superior to the lien of the Parity Bonds, or which might impair the security of the Parity Bonds.

Insurance. The State shall procure, and maintain at all times while any of the Parity Bonds shall be outstanding, fire and extended coverage insurance on all buildings constituting any part of the AIAS, and public liability insurance, as further described in the General Bond Resolution. Any or all such insurance may be provided as a part of the State's comprehensive self-insurance and excess insurance and need not be separately provided for the AIAS, as further described in the General Bond Resolution.

Books and Accounts; Financial Statements.

(a) The State shall keep proper books of record and accounts of the AIAS, separate from all other records and accounts of the State, in which complete and correct entries shall be made of all transactions relating to the AIAS. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Registrar or of the owners of not less than ten percent (10%) of the principal amount of the Parity Bonds then outstanding, or their representatives authorized in writing.

(b) The State shall cause to be prepared and placed on file with the Registrar annually within 180 days after the close of each Fiscal Year so long as any of the Parity Bonds are outstanding, a detailed statement for the preceding Fiscal Year showing the Revenues, disbursements from the Revenues and expenditures applicable to the AIAS, together with a detailed balance sheet reflecting the balances in all funds relating to the AIAS held by the State or the Registrar as of the end of such Fiscal Year, which statement and balance sheet shall be accompanied by an opinion in writing of an Independent Certified Public Accountant.

Protection of Security and Rights of Parity Bondowners. The State shall preserve and protect the security of the Parity Bonds and the rights of the Parity Bondowners, and shall warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Parity Bonds by the State, the Parity Bonds and coupons appertaining thereto shall be incontestable by the State.

Maintenance of Registrar. The State shall appoint and at all times have a paying agent, authenticating agent, transfer agent and registrar for the purpose of paying the principal of, and the interest on, the Parity Bonds, authenticating Parity Bonds, transferring ownership therein and maintaining a Bond Register for Parity Bonds held in registered form. The Registrar is initially appointed as the Registrar for all Parity Bonds under the General Bond Resolution.

Eminent Domain Proceeds. If all or any part of the AIAS shall be taken from State ownership and airport use by eminent domain proceedings, the net proceeds realized by the State from such taking shall be held in a special fund in trust and shall be applied and disbursed as further described in the General Bond Resolution.

Rate Covenant. The Commissioner of Transportation and Public Facilities shall fix and collect such fees, charges and rentals to be derived by the State from the ownership, lease, use and operation of the AIAS as will provide Net Revenues in each Fiscal Year at least equal to the Rate Covenant. If the Net Revenues in any Fiscal Year are less than required to fulfill the Rate Covenant, then the Commissioner of Transportation and Public Facilities may retain a Consultant to make recommendations as to operations and the revision of schedules of rentals, tariffs, rates, fees and charges; and upon receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Commissioner of Transportation and Public Facilities, on the basis of such recommendations and other available information, will establish rentals, tariffs, rates, fees and charges for services and operations which will be necessary to meet the Rate Covenant in the Fiscal Year during which such adjustments are made. If the Commissioner of Transportation and Public Facilities has taken the steps described in this paragraph, there shall be no default with respect to the Rate Covenant or Default under the provisions described under the subheading "SUMMARY OF GENERAL BOND RESOLUTION— Default and Remedies of Bondowners—*Default*" during such Fiscal Year, as long as the AIAS meets the Rate Covenant in the next upcoming Fiscal Year.

Further Assurances. The State and the Committee shall adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the General Bond Resolution, and for the better assuring and confirming unto the owners of the Parity Bonds of the rights and benefits provided in the General Bond Resolution.

Appointment of Registrar

The Committee has found it reasonably necessary to select a Registrar for the owners of the Parity Bonds, for the safeguarding and disbursement of the moneys in the Bond Fund, and for such duties with respect to the authentication, delivery and registration of the Parity Bonds as the Committee has determined and set forth in the General Bond Resolution.

The Committee may remove the Registrar initially appointed, and any successor thereto, and may appoint a successor or successors thereto; but any such successor shall be a bank or trust company, having a combined capital and surplus of at least fifty million dollars ($50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any such supervising or examining authority, then for the purposes described under this subheading, the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Registrar may at any time resign by giving written notice to the State and by giving notice to the Parity Bondowners. Upon receiving such notice of resignation, the Committees shall promptly appoint a successor Registrar by an instrument in writing. Any resignation or removal of the Registrar and appointment of a successor Registrar shall become effective upon acceptance of appointment by the successor Registrar. The fees of the Registrar shall be as set forth in a written agreement between the Debt Manager and the Registrar.

Modification or Amendment of the General Bond Resolution

Amendments Permitted.

(a) The General Bond Resolution and the right and obligations of the State and of the owners of the Parity Bonds and the coupons may be modified or amended at any time by a supplemental resolution, with the written consent of the owners of at least two-thirds of the aggregate principal amount of Parity Bonds then Outstanding, exclusive of Parity Bonds disqualified as described under the subsection "—Disqualified Parity Bonds" in this subheading. No such modification or amendment shall (1) extend the maturity of any Parity Bond or of any interest installment thereon, or reduce the interest rate thereon, or reduce the principal thereof or any premium payable on the redemption thereof, without the express consent of the owner of such Parity Bond, or (2) reduce the percentage of Parity Bonds required for written consent to an amendment or modification, or (3) modify any of the rights or obligations of the Registrar without its written assent thereto.

(b) The General Bond Resolution and the rights and obligations of the State and of the owners of the Parity Bonds and the coupons may also be modified or amended at any time by a supplemental resolution; without the consent of any Parity Bondowners, but only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the State in the General Bond Resolution contained, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved in the General Bond Resolution to or conferred upon the State;

(2) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the General Bond Resolution, or in regard to questions arising under the General Bond Resolution or in any other respect as the Committee may deem necessary or desirable and not inconsistent with the General Bond Resolution, and which shall not materially adversely affect the interests of the owners of the Parity Bonds; and

(3) to provide for the issuance of an additional Series of Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the certain provisions of the General Bond Resolution related to the issuance of Parity Bonds.

The provisions of the General Bond Resolution described under the subsections "—Procedures for Amendment with Written Consent of Parity Bondowners" and "—Disqualified Parity Bonds" in this subheading shall not apply to any supplemental resolution adopted as described in this subsection (b), and such a supplemental resolution shall become effective upon its adoption.

Notwithstanding anything in the General Bond Resolution to the contrary, the adoption by the Committee of a supplemental resolution authorizing the issuance of Future Parity Bonds shall not be considered an additional resolution for purposes described under this subheading, and the Committee may approve such supplemental resolution in accordance with the provisions of the General Bond Resolution described under the subheadings "SUMMARY OF GENERAL BOND RESOLUTION—Issuance of Additional Series of Future Parity Bonds" and "SUMMARY OF GENERAL BOND RESOLUTION—Parity Bonds" without the requirement of notice to or consent of any party (unless otherwise required by the provisions under such subheadings or by the terms of any other contractual arrangement of the State).

Procedure for Amendment with Written Consent of Parity Bondowners. The Committee may at any time adopt a supplemental resolution amending the provisions of the Parity Bonds or of the General Bond Resolution, to the extent that such amendment is permitted by the provisions described above under the subsection "*—Amendments Permitted*," to take effect when and as provided in the General Bond Resolution. A copy of such supplemental resolution, together with a request to Parity Bondowners for their consent thereto, shall be mailed by the State to each registered owner of Parity Bonds Outstanding and to each owner of any such Parity Bonds payable to bearer who shall have filed with the Registrar an address for notices, but failure to mail copies of such supplemental resolution and request shall not affect the validity of the supplemental resolution when assented to as provided in the General Bond Resolution. Notice of the fact of the adoption of such supplemental resolution (stating that a copy thereof is available for inspection at the principal office of the Registrar) shall be provided to all owners of Parity Bonds then held in book-entry only form in accordance with the operational procedures then in effect at DTC and with respect to Parity Bonds then held in registered form, but not then held in book-entry only form, such notice shall be given by U.S. Mail, postage prepaid to the owner of each Parity Bond then affected at the address shown for such owner on the Bond Register and with respect to Parity Bonds held in coupon or bearer form, notice of such amendment shall be published at least once a week for two successive weeks in a financial newspaper or journal, printed in the English language and customarily published on each business day, of general circulation in San Francisco, California, and in a similar newspaper or journal of general circulation in New York, New York, the first publication in each case to be made not more than fifteen days after the date of adoption of such resolution.

Such supplemental resolution shall not become effective unless there shall be filed with the Registrar the written consents of the owners of at least two-thirds of the aggregate principal amount of the Parity Bonds then Outstanding (exclusive of Parity Bonds disqualified as provided below under the subsection "*—Disqualified Parity Bonds*") and a notice shall have been published as provided in the General Bond Resolution. Each such consent shall be effective only if accompanied by proof of ownership of the Parity Bonds for which such consent is given, which proof shall be such as is permitted by the General Bond Resolution. Any such consent shall be binding upon the owner of the Parity Bonds giving such consent and on any subsequent owner (whether or not such subsequent owner has notice thereof) unless such consent is revoked in writing by the owner giving such consent or a subsequent owner by filing such revocation with the Registrar prior to the date when the notice provided for in the General Bond Resolution has been published. From and after the 2016 New Date, the supplemental resolution authorized as described under this subsection shall become effective upon at least a majority of the aggregate principal amount of Parity Bonds then Outstanding, and the notice described shall no longer be required.

After the owners of the required percentage of Parity Bonds shall have filed their consents to the supplemental resolution, the State shall mail and publish a notice of the Parity Bondowners in the manner described under this subsection for the mailing of the supplemental resolution and publication of the notice of adoption thereof, stating in substance that the supplemental resolution has been consented to by the owners of the required percentage of Parity Bonds and will be effective as provided in the General Bond Resolution (but failure to mail copies of said notice shall not affect the validity of the supplemental resolution or consents thereto). Proof of the publication of such notice shall be filed with the Registrar. A record, consisting of the papers required to be filed with the Registrar, shall be proof of the matters therein stated until the contrary is proved. The supplemental resolution shall become effective upon the filing with the Registrar of proof of the mailing or publication of such last-mentioned notice; and the supplemental resolution shall be deemed conclusively binding (except as otherwise specifically provided in the General Bond Resolution) upon the State and the owners of all Parity Bonds and coupons upon such filing or if notice was required to be made by publication as described above, at the expiration of sixty days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Disqualified Parity Bonds. Parity Bonds owned or held by or for the account of the State or any agency or instrumentality thereof shall not be deemed outstanding for the purpose of any consent or any calculation of outstanding Parity Bonds described under this subheading, and shall not be entitled to consent to or take any action described under this subheading. The Registrar may adopt appropriate regulations to require each Parity Bondowner, before his consent described under this subheading shall be deemed effective, to reveal if the Parity Bonds as to which consent is given are disqualified as described under this subheading.

Consent of Credit Facility Issuer. If and to the extent that any Series of Parity Bonds is secured by a Credit Facility that assures the full payment of principal and interest on such Series, then, for so long as the Credit Facility Issuer is not then in default of its obligations under such Credit Facility, the adoption of any supplemental resolution amending the General Bond Resolution shall be subject to the prior written consent of the Credit Facility Issuer. In addition, the Credit Facility Issuer shall be considered as the owner of such Series of Parity Bonds for all purposes requiring the consent of registered and beneficial owners, and neither the registered nor the beneficial owners of Parity Bonds shall have any right to receive notice of any amendment nor shall such owner have any right to consent or object to the adoption of a supplemental resolution.

Effect of Supplemental Resolution. From and after the time any supplemental resolution becomes effective pursuant to subsection (b) under the subsection "*—Amendments Permitted*" or the subsection "*—Procedure for Amendment with Written Consent of Parity Bondowners*," the General Bond Resolution shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under the General Bond Resolution of the State, the Registrar and all owners of outstanding Parity Bonds (and of interest coupons appertaining thereto, whether attached thereto or detached therefrom) shall thereafter be determined, exercised and enforced under the General Bond Resolution subject in all respects to such modification and amendments, and all the terms and conditions of any such supplemental resolution shall be deemed to be part of the terms and conditions of the General Bond Resolution for any and all purposes.

Default and Remedies of Bondowners

Default. The Committee has found and determined that the failure or refusal of the State or any of its officers to perform the covenants and obligations of the General Bond Resolution will endanger the operation of the AIAS and the application of Revenue and such other money, funds and securities to the purposes set forth therein. Any one or more of the following shall constitute a "Default" under the General Bond Resolution:

(a) The State shall fail to make payment of the principal of any Parity Bond when the same shall become due and payable;

(b) The State shall fail to make payments of any installment of interest on any Parity Bond when the same shall become due and payable;

(c) The State shall default in the observance or performance of any other covenants, conditions, or agreements on the part of the State contained in the General Bond Resolution, and such default shall have continued for a period of (1) 30 days after notice thereof has been delivered to the Committee or (2) the next upcoming Fiscal Year if the Commissioner of Transportation of Public Facilities has taken the steps described under the subheading "SUMMARY OF GENERAL BOND RESOLUTION—Covenants of the State—*Rate Covenant*" but the conditions described under that paragraph have not been met.

Subject to provisions of the preceding paragraph, upon the occurrence of a Default and so long as such Default shall not have been remedied, a Registered Owners' Trustee may be appointed for the Parity Bonds of the Series then in Default by the owners of 51% in principal amount of the Parity Bonds Outstanding of the Series by an instrument or concurrent instruments in writing signed and acknowledged by such Registered Owners or by their attorneys-in-fact duly authorized and delivered to such Registered Owners' Trustee, notification thereof being given to the State. Any Registered Owners' Trustee appointed under the provisions described under this subsection shall be a bank or trust company organized under the laws of a state or a national banking association. The fees and expenses of a Registered Owners' Trustee shall be borne by the Registered Owners and not by the State. The bank or trust company acting as a Registered Owners' Trustee may be removed at any time, and a successor Registered Owners' Trustee may be appointed by the owners of a majority in principal amount of the Parity Bonds then Outstanding of the Series in Default, by an instrument or concurrent instruments in writing signed and acknowledged by such Registered Owners or by their attorneys-in-fact duly authorized.

The Registered Owners' Trustee appointed in the manner provided in the General Bond Resolution, and each successor thereto, is declared to be a trustee for the owners of all the Parity Bonds for which such appointment is made and is empowered to exercise all the rights and powers conferred on the Registered Owners' Trustee in the General Bond Resolution.

A Registered Owners' Trustee may upon the happening of a Default and during the continuation thereof, take such steps and institute such suits, actions or other proceedings in its own name, or as trustee, all as it may deem appropriate for the protection and enforcement of the rights of Registered Owners to collect any amounts due and owing the State with respect to the AIAS, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in the General Bond Resolution.

Any action, suit or other proceedings instituted by a Registered Owners' Trustee under the General Bond Resolution shall be brought in its name as trustee for the Registered Owners and all such rights of action upon or under any of the Parity Bonds of the Series then in Default or the provisions of the General

Bond Resolution may be enforced by a Registered Owners' Trustee without the possession of any of said Series of Parity Bonds, and without the production of the same at any trial or proceedings relating thereto except where otherwise required by law, and the respective owners of said Parity Bonds by taking and holding the same, shall be conclusively deemed irrevocably to appoint a Registered Owners' Trustee the true and lawful trustee to the respective owners of said Series of Parity Bonds then in Default, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums that become distributable on account of said Series of Parity Bonds; to execute any paper or documents for the receipt of such moneys, and to do all acts with respect thereto that the Registered Owner himself might have done in person. Nothing contained in the General Bond Resolution shall be deemed to authorize or empower any Registered Owners' Trustee to consent to accept or adopt, on behalf of any owner of said Parity Bonds then in Default, any plan of reorganization or adjustment affecting the said Series of Parity Bonds or any right of any owner thereof, or to authorize or empower the Registered Owners' Trustee to vote the claims of the owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the State shall be entitled to participate or enter an appearance.

No owner of any one or more of the Series of Parity Bonds in Default shall have any right to institute any action, suit or proceedings at law or in equity for the enforcement of the same, unless Default shall have happened and be continuing, and unless no Registered Owners' Trustee has been appointed as provided in the General Bond Resolution, but any remedy authorized in the General Bond Resolution to be exercised by a Registered Owners' Trustee may be exercised individually by any Registered Owner, in his own name and on his own behalf or for the benefit of all Registered Owners, in the event no Registered Owners' Trustee has been appointed, or with the consent of the Registered Owners' Trustee if such Registered Owners' Trustee has been appointed; provided however, that nothing in the General Bond Resolution or in the Parity Bonds shall affect or impair the obligation of the State which is absolute and unconditional, to pay from Revenue the principal of and interest on said Parity Bonds to the respective owners thereof at the respective due dates therein specified, or affect or impair the right of action, which is absolute and unconditional, of such owners to enforce such payments.

The remedies conferred upon or reserved to the owners of the Parity Bonds and to a Registered Owners' Trustee in the General Bond Resolution are not intended to be exclusive of any other remedy or remedies, excepting only acceleration of debt and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the General Bond Resolution or now or hereafter existing at law or in equity or by statute. The privileges granted in the General Bond Resolution shall be exercised from time to time and continued so long as and as often as the occasion therefor may arise and no waiver of any default under the General Bond Resolution, whether by a Registered Owners' Trustee or by the owners of Parity Bonds, shall extend to or shall affect any subsequent default or shall impair any rights or remedies consequent thereon. No delay or omission of the Registered Owners or of a Registered Owners' Trustee to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein.

Upon any such waiver, such Default shall cease to exist, and any Default arising therefrom shall be deemed to have been cured, for every purpose of the General Bond Resolution; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Liability of State Limited to Revenues

Notwithstanding anything in the General Bond Resolution contained, the State shall not be required to advance any moneys derived from the proceeds of any taxes, or from any source of income other than the Revenues, for the payment of the principal of or interest on the Parity Bonds, for the maintenance and operation of the airports or for the performance of any covenants contained in the General Bond Resolution.

Nevertheless, the State may, but shall not be required to, advance for any of the purposes hereof any moneys which the Legislature may hereafter authorize.

The Parity Bonds shall be revenue bonds, secured exclusively by the Revenues as in the General Bond Resolution provided. The Parity Bonds are not a general obligation of the State, and the general fund of the State is not liable, and the credit or taxing power of the State is not pledged, for the payment of the Parity Bonds or their interest. The owners of the Parity Bonds, or the coupons thereto appertaining, shall never have the right to compel the exercise of the taxing power by the State or the forfeiture of any property of the State.

Benefits of Resolution Limited to Parties

Nothing in the General Bond Resolution, expressed or implied, is intended to give to any person other than the State, the Registrar, the Paying Agents and the owners of the Parity Bonds and coupons, any right, remedy or claim under or by reason of the General Bond Resolution. Any covenants, stipulations, promises or agreements in the General Bond Resolution contained by and on behalf of the State shall be for the sole and exclusive benefit of the owners of the Parity Bonds and coupons, the Registrar.

Execution of Documents by Parity Bondowners

Any request, consent or other instrument which the General Bond Resolution may require or permit to be executed by Parity Bondowners may be in one or more instruments of substantially similar tenor, and shall be executed by Parity Bondowners in person or by their attorneys appointed in writing.

Except as otherwise expressly provided in the General Bond Resolution, the fact and date of the execution by any Parity Bondowner or his attorney of any such request, consent or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgements of deeds to be recorded in the state in which he purports to act, that the person signing such request, consent or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise expressly provided in the General Bond Resolution, the amount of Parity Bonds transferable by delivery held by any person executing any such request, consent or other instrument or writing as a Parity Bondowner, the numbers of the Parity Bonds held by such person, and the date of his holding such Parity Bonds, may be proved by a certificate, which need not be acknowledged or verified, satisfactory to the Registrar, executed by a trust company, bank, banker or other depositary wherever situated, showing that at the date therein mentioned such person had on deposit with such depositary, or exhibited to it, the Parity Bonds described in such certificate. The Registrar and the State may conclusively assume that such ownership continues until written notice to the contrary is served upon the Registrar. The fact and the date of execution of any request, consent or other instrument and the amount and distinguishing numbers of Parity Bonds held by the person so executing such request, consent or other instrument may also be proved in any other manner which the Registrar may deem sufficient. The Registrar may nevertheless, in its discretion, require further or other proof in cases where it deems the same desirable. The ownership of registered Parity Bonds and the amount, maturity, number and date of bolding the same shall be proved by the registry books.

Any request, consent or other instrument or writing of the owner of any Parity Bond shall bind all future owners of such Parity Bond in respect of anything done or suffered to be done by the Registrar or the State in good faith and in accordance therewith.

Waiver of Personal Liability

No member of the Committee and no officer, agent or employee of the State, or of any department or agency thereof; shall be individually or personally liable for the payment of the principal of or interest on the Parity Bonds; but nothing contained in the General Bond Resolution shall relieve any such member, officer, agent or employee from the performance any official duty provided by law.

SUMMARY OF EIGHTH SUPPLEMENTAL RESOLUTION

Certain Definitions

For purposes of the Eighth Supplemental Resolution, and of any certificate, opinion or other document mentioned therein, certain capitalized terms shall have the meanings specified in the Eighth Supplemental Resolution. Unless otherwise defined in the Eighth Supplemental Resolution, all capitalized terms used therein shall have the meanings assigned to such terms in the General Bond Resolution.

Beneficial Owner means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2021 Bonds (including persons holding Series 2021 Bonds through nominees, depositories or other intermediary).

Bond Counsel means a firm of lawyers nationally recognized and accepted as bond counsel and so employed by the State for any purpose under the Eighth Supplemental Resolution applicable to the use of that term.

Bond Purchase Contract means the agreement(s) between the State and the Underwriter with respect to the purchase of one or more series of Series 2021 Bonds, as approved by the Designated Representative pursuant to the Eighth Supplemental Resolution.

Construction Fund means the account or accounts designated by the Debt Manager to hold and disburse a portion of the Series 2021 Bond proceeds to pay costs of issuance related to the Series 2021 Bonds.

DTC means The Depository Trust Company, New York, New York as depository for the Series 2021 Bonds, or any successor or substitute depository for the Series 2021 Bonds.

Eighth Supplemental Resolution means the State Bond Committee of the State of Alaska Supplemental Resolution No. 2021-02, adopted July 1, 2021 by the Committee, as the same may be amended in accordance with its terms.

Fitch means Fitch Ratings, Inc., organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such organization shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Fitch shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody's) designated by the Designated Representative.

Moody's means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term Moody's shall be deemed to refer to any other nationally recognized securities rating agency (other than Fitch or S&P) selected by the Designated Representative.

Outstanding, when used as of a particular time with reference to Series 2021 Bonds, means all Series 2021 Bonds delivered hereunder except:

(a) Series 2021 Bonds cancelled by the Registrar or surrendered to the Registrar for cancellation; and

(b) Series 2021 Bonds paid or deemed to have been paid within the meaning of the Eighth Supplemental Resolution.

Person means an individual, a corporation, a partnership, limited liability company, an association, a joint stock company, a trust, an unincorporated organization, a governmental body or a political subdivision, a municipal corporation, a public corporation or any other group or organization of individuals.

Rating Agency means Fitch, Moody's or S&P.

Rating Category means the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

Record Date means the 15th day of the month next preceding each interest payment date.

Registered Owner means the person named as the registered owner of a Series 2021 Bond on the Bond Register. For so long as the Series 2021 Bonds are held by a Securities Depository or its nominee, such Securities Depository shall be deemed to be the Registered Owner.

Securities Depository means any clearing agency registered under Section 17A of the Securities Exchange Act of 1934, as amended.

S&P means S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, a limited liability company organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term S&P shall be deemed to refer to any other nationally recognized securities rating agency (other than Moody's or Fitch) selected by the Designated Representative.

Series 2021 Bonds means the State of Alaska International Airports System Revenue Refunding Bonds, Series 2021, issued in one or more series, pursuant to the Eighth Supplemental Resolution.

Surety Bond means the surety bond(s), if any, issued by the Surety Bond Issuer on the date(s) of issuance of the Series 2021 Bonds for the purpose of satisfying all or a portion of the Reserve Account Requirement.

Surety Bond Agreement means any Agreement(s) between the State and the Surety Bond Issuer with respect to the Surety Bond(s).

Surety Bond Issuer means any issuer(s) of the Surety Bond(s).

Underwriter means, together, RBC Capital Markets, LLC, J.P. Morgan Securities LLC and BofA Securities, Inc.

Description of the Series 2021 Bonds

The Series 2021 Bonds shall be registered as to both principal and interest and shall be numbered separately in the manner and with any additional designation as the Registrar deems necessary for purposes of identification, shall be dated as of the date of their original delivery, shall be in the denomination of $5,000 each or any integral multiple of $5,000 (provided that no Series 2021 Bond of a series shall represent more than one maturity), and shall bear interest from their date, with the first interest payment occurring on the date set forth in the Bond Purchase Contract, and semiannually thereafter on the first days of each April and October and shall mature on October 1 in the years and principal amounts and shall bear interest at the rates set forth in the Bond Purchase Contract and as approved by the Designated Representative pursuant to the Eighth Supplemental Resolution.

The Series 2021 Bonds are not general obligations of the State, and no tax revenues of the State may be used to pay the principal of, premium, if any, and interest on the Series 2021 Bonds.

The Series 2021 Bonds shall be obligations only of the Bond Fund and shall be payable and secured as provided in the Eighth Supplemental Resolution. The Series 2021 Bonds do not constitute an indebtedness of the State within the meaning of the constitutional provisions and limitations of the State of Alaska.

Redemption and Purchase

Selection of the Series 2021 Bonds for Redemption. The maturities and series to be redeemed shall be selected by the State and, within a maturity, as long as the Series 2021 Bonds are held in book-entry only form, the selection of the Series 2021 Bonds to be redeemed shall be made in accordance with the operational arrangements in effect at DTC. If the Series 2021 Bonds are no longer held in uncertificated form, the selection of such Series 2021 Bonds to be redeemed shall be made as described in this subsection. If the State redeems at any one time fewer than all of the Series 2021 Bonds having the same maturity date, the particular Series 2021 Bonds or portions of Series 2021 Bonds of maturity within a series to be redeemed shall be selected by lot (or in such other manner determined by the Registrar) in increments of $5,000. In the case of a Series 2021 Bond of a denomination greater than $5,000, the State and Registrar shall treat each Series 2021 Bond as representing such number of separate Series 2021 Bonds each of the denomination of $5,000 as is obtained by dividing the actual principal amount of such Series 2021 Bond by $5,000. In the event that only a portion of the principal sum of a Series 2021 Bond is redeemed, upon surrender of the such Series 2021 Bond at the designated corporate trust office of the Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof or, at the option of the Registered Owner, a Series 2021 Bond of like series, maturity and interest rate in any of the denominations authorized in the Eighth Supplemental Resolution.

Notice of Redemption.

(i) *Official Notice*. Unless waived by any owner of the Series 2021 Bonds to be redeemed, official notice of any such redemption (which notice, in the case of an optional redemption, may be a conditional notice and shall state that redemption is conditioned by the Registrar on the receipt of sufficient funds for redemption) shall be given by the Registrar on behalf of the State by mailing a copy of an official redemption notice by first class mail at least 20 days prior to the date fixed for redemption to the Registered Owner of the Series 2021 Bonds to be redeemed at the address shown on the Register or at such other address as is furnished in writing by such Registered Owner to the Registrar. Funds received by the Registrar pursuant to a conditional notice of redemption described above shall be held uninvested until the date fixed for redemption.

All official notices of redemption shall be dated and shall state:

(1) the redemption date,

(2) the redemption price,

(3) if fewer than all Outstanding Series 2021 Bonds are to be redeemed, the identification by series and maturity (and, in the case of partial redemption, the respective principal amounts) of the Series 2021 Bonds to be redeemed,

(4) that on the date fixed for redemption, provided that in the case of optional redemption the full amount of the redemption price is on deposit therefor, the redemption price will become due and payable upon each such Series 2021 Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and

(5) the place where such Series 2021 Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Registrar.

Unless the State has revoked the notice of redemption in the case of an optional redemption, on or prior to any redemption date, the State shall deposit with the Registrar an amount of money sufficient to pay the redemption price of all the Series 2021 Bonds or portions of the Series 2021 Bonds which are to be redeemed on that date.

Failure to give notice as to redemption of any Series 2021 Bond or any defect in such notice shall not invalidate redemption of any other Series 2021 Bond.

Notwithstanding the foregoing, if the Series 2021 Bonds are then held in book-entry only form, notice of redemption shall be given only in accordance with the operational arrangements then in effect at DTC. In any event, notice of redemption shall be given by the State to the Registrar who shall give notice to DTC at least 20 days prior to the proposed date of redemption of the Series 2021 Bonds.

(ii) *Effect of Notice; Series 2021 Bonds Due*. If notice of redemption has been duly given and, in the case of an optional redemption, money for the payment of the redemption price or portions thereof to be redeemed is held by the Registrar, then on the redemption date the Series 2021 Bonds or portions thereof so called for redemption shall become payable at the redemption price specified in such notice; and from and after the redemption date, interest thereon or on portions thereof so called for redemption shall cease to accrue, such Series 2021 Bonds or portions thereof shall cease to be Outstanding and to be entitled to any benefit, protection or security hereunder and the Owners of such Series 2021 Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the redemption price upon delivery of such Series 2021 Bonds to the Registrar. Upon surrender for any partial redemption of any Series 2021 Bond, there shall be prepared for the Registered Owner a new Series 2021 Bond of the same maturity and Series in the aggregate amount of the unpaid principal. All Series 2021 Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

(iii) *Additional Notice*. In addition to the foregoing notice, further notice shall be given by the State as described below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above described. Each further notice of redemption given under the Eighth Supplemental Resolution shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Series 2021 Bonds being redeemed; (B) the date of issue of the Series 2021 Bonds as originally issued; (C) the rate of interest borne by each Series 2021 Bond being redeemed; (D) the maturity date of each Series 2021 Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Series 2021 Bonds being redeemed. Each further notice of redemption may be sent at least 25 days before the redemption date to each party entitled to receive a notice of redemption pursuant to the provisions described under the subheading "SUMMARY OF EIGHTH SUPPLEMENTAL RESOLUTION—Undertaking to Provide Ongoing Disclosure," and to the Underwriter or to their business successors, if any, and to such persons (including the MSRB) and with such additional information as the Registrar deems appropriate, but such mailings shall not be a condition precedent to the redemption of such Series 2021 Bonds.

(iv) *Use of CUSIP Numbers*. Upon the payment of the redemption price of the Series 2021 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by maturity, the Series 2021 Bonds being redeemed with the proceeds of such check or other transfer.

(v) *Amendment of Notice Provisions*. The foregoing notice provisions described under this subheading, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended without the consent of any owners of the Series 2021 Bonds by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Purchase of the Series 2021 Bonds for Retirement. The State reserves the right to use at any time any Revenue on deposit in the Revenue Fund available after providing for the payments authorized by subsections (b)(1) through (3) of the General Bond Resolution described under the subheading "SUMMARY OF GENERAL BOND RESOLUTION—Allocation of Moneys in Revenue Fund" to purchase for retirement any of the Series 2021 Bonds offered to the State at any price deemed reasonable to the State's Debt Manager.

Effect of Optional Redemption/Purchase. To the extent that the State shall have optionally redeemed or purchased any Term Bonds since the last scheduled mandatory redemption of such Term Bonds, the State may reduce the principal amount of the Term Bonds of the same Series and maturity to be redeemed in like aggregate principal amount. Such reduction may be applied in the year specified by the Designated Representative.

Place and Medium of Payment

Payment. The payments of principal, interest, redemption price and purchase price of the Series 2021 Bonds shall be payable in lawful money of the United States of America. For so long as all Series 2021 Bonds are in fully immobilized form, such payments of principal and interest thereon shall be made as provided in the operational arrangements of DTC as referred to in the Letter of Representations. In the event that the Series 2021 Bonds are no longer in fully immobilized form, interest on such Series 2021 Bonds shall be paid by check or draft mailed (or by wire transfer, without transfer fee, to a Registered Owner of such Series 2021 Bonds in aggregate principal amount of $1,000,000 or more who so requests) to the Registered Owners of the Series 2021 Bonds at the addresses for such Registered Owners appearing on the Series 2021 Bond Register on the 15th day of the month preceding the interest payment date. Principal and premium, if any, of the Series 2021 Bonds shall be payable upon presentation and surrender of such Series 2021 Bonds by the Registered Owners at the designated office of the Registrar.

Accrual of Interest. Interest on the Series 2021 Bonds shall be calculated on the basis of a 360-day year (twelve 30-day months).

Construction Fund and Reserve Account

Construction Fund. A portion of the Series 2021 Bonds allocated to pay costs of issuance of the Series 2021 Bonds shall be deposited in the Construction Fund maintained in the State Treasury. However, such amount shall be segregated for purposes of accounting for expenditures. Separate accounts are authorized to be maintained in the State Treasury's Construction Fund, for each series of the Series 2021 Bond proceeds. Disbursements shall be made from the proceeds of the respective series of Series 2021 Bonds to pay allocable costs of issuance of the Series 2021 Bonds.

Reserve Account. There is authorized to be created in the Reserve Account a subaccount for the Series 2021 Bonds. The State covenants and agrees that on the date of issuance of each Series of the Series 2021 Bonds, it will deposit funds into the Reserve Account in the amount necessary to satisfy the Reserve Account Requirement attributable to the Series 2021 Bonds (then being issued), or purchase one or more Surety Bonds therefor, which with the remaining balance on hand in the Reserve Account (currently in the form of a surety bond and cash reserve) to be equal to the Reserve Account Requirement.

The Designated Representative may decide to utilize one or more Surety Bonds to satisfy the Reserve Account Requirement. Upon such election, the Designated Representative is hereby authorized to execute and deliver one or more Surety Bond Agreements with one or more Surety Bond Issuers to effect the delivery of the Surety Bond(s).

Defeasance

If money and/or noncallable Government Obligations maturing at such time(s) and bearing such interest to be earned thereon (without any reinvestment thereof) as will provide a series of payments which shall be sufficient together with any money initially deposited, to provide for the payment of the principal of, premium, if any, and interest on all or a designated portion of the Series 2021 Bonds when due (whether at maturity or upon earlier redemption in accordance with their respective terms) to effect such payment and are pledged irrevocably in accordance with a refunding or defeasance plan adopted by the State for the purpose of effecting such payment, then no further payments need be made in the Bond Fund for the payment of the principal of, interest or redemption premium on such Series 2021 Bonds, the Registered Owners thereof shall cease to be entitled to any lien, benefit or security of the Eighth Supplemental Resolution, except the right to receive payment of the principal of, premium, if any, and interest on such Series 2021 Bonds when due in accordance with their respective terms from the money and the principal and interest proceeds on the Government Obligations set aside in the trust account, and such Series 2021 Bonds shall no longer be deemed to be Outstanding under the Eighth Supplemental Resolution, or under any resolution authorizing the issuance of bonds or other indebtedness of the State.

Within 30 days of any defeasance of the Series 2021 Bonds, the State shall provide notice of defeasance of the Series 2021 Bonds to Registered Owners of the Series 2021 Bonds being defeased, and to each party entitled to receive notice in accordance with the provisions described under the subheading "SUMMARY OF EIGHTH SUPPLEMENTAL RESOLUTION—Undertaking to Provide Ongoing Disclosure." If any defeasance is effected with, in whole or in part, Government Obligations, a verification report by a verification agent or independent accounting firm to the effect that such deposit is sufficient to pay the principal, interest and premium (if any) on the Series 2021 Bonds as they become due, must be delivered to the Registrar prior to such defeasance.

Undertaking to Provide Ongoing Disclosure

The Committee authorized the Debt Manager to enter into agreements for ongoing disclosure, substantially in the form attached to the Preliminary Official Statement for each Series of the Series 2021

Bonds for the benefit of the Beneficial Owners of the Series 2021 Bonds in order to assist the Underwriter in complying with Section (b)(5) of the Rule.

Liability of State Limited to Revenues

Notwithstanding anything contained in the Eighth Supplemental Resolution, the State shall not be required to advance any moneys derived from the proceeds of any taxes, or from any source of income other than the Revenues, for the payment of the principal of or interest on the Parity Bonds, for the maintenance and operation of the airports or for the performance of any covenants contained in the Eighth Supplemental Resolution. Nevertheless, the State may, but shall not be required to, advance for any of the purposes hereof any moneys which the Legislature may hereafter authorize.

The Parity Bonds shall be revenue bonds, secured exclusively by the Revenues as in the General Bond Resolution provided. The Parity Bonds are not a general obligation of the State, and the general fund of the State is not liable, and the credit or taxing power of the State is not pledged, for the payment of the Parity Bonds or their interest. The owners of the Parity Bonds, or the coupons thereto appertaining, shall never have the right to compel the exercise of the taxing power by the State or the forfeiture of any property of the State.

Discharge of Resolution; Supplement to Resolution No. 99-01

If:

(i) all of the outstanding Parity Bonds shall have matured, or if notice of redemption of all of the outstanding Parity Bonds prior to maturity shall have been given, or provision satisfactory to the Registrar shall have been irrevocably made for the giving of such notice, and if the State shall have deposited with the Registrar, in trust, funds pursuant to the General Bond Resolution sufficient to pay and available for the payment of all amounts then due and thereafter to become due on all Parity Bonds, including all principal, interest and redemption premiums, or

(ii) all of the outstanding Parity Bonds are to be refunded, and the conditions described under the subheading "SUMMARY OF GENERAL BOND RESOLUTION—Refunding Parity Bonds" have been satisfied with respect to such Parity Bonds, then, at the election of the State, and notwithstanding that any Parity Bonds or interest coupons shall not have been surrendered for payment, the pledge of the Revenues provided for in the General Bond Resolution and all other obligations of the State under the General Bond Resolution shall cease and terminate, except only the obligation of the State to pay or cause to be paid to the owners of the Parity Bonds and interest coupons not so surrendered and paid all sums due thereon. Notice of such election shall be filed with the Registrar.

Any funds held by any Registrar, at the time of receipt by the Registrar of such notice from the State, which are not required for the purpose above mentioned, shall be paid over to the Registrar. Any funds thereafter held by the Registrar, which are not required for said purpose, shall be paid over to the State.

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APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL REGARDING THE BONDS

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August __, 2021

State of Alaska
State Bond Committee
Juneau, Alaska

State of Alaska International Airport System
Revenue Refunding Bonds, Series 2021A (Governmental – Non-AMT),
Series 2021B (Private Activity – Non-AMT) and Series 2021C (Private Activity – AMT)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the State Bond Committee (the "Committee") of the State of Alaska (the "State") in connection with the State's issuance of its (i) $11,710,000 aggregate principal amount of International Airports System Revenue Refunding Bonds, Series 2021A (Governmental – Non-AMT) (the "Series 2021A Bonds"), (ii) $7,460,000 aggregate principal amount of International Airports System Revenue Refunding Bonds, Series 2021B (Private Activity – Non-AMT) (the "Series 2021B Bonds") and (iii) $66,340,000 aggregate principal amount of International Airports System Revenue Refunding Bonds, Series 2021C (Private Activity – AMT) (the "Series 2021C Bonds" and, together with the Series 2021A Bonds and the Series 2021B Bonds, the "Series 2021 Bonds"), issued pursuant to Resolution No. 99-01, adopted by the Committee on January 28, 1999 (the "1999 Bond Resolution"), as amended and supplemented from time to time, including as supplemented by Resolution No. 2021-02, adopted by the Committee on July 1, 2021 (the "2021 Bond Resolution" and together with the 1999 Bond Resolution, the "Bond Resolution"). The State has appointed The Bank of New York Mellon Trust Company, N.A. as registrar (the "Registrar") under the Bond Resolution. The Series 2021 Bonds are issued for the stated purposes of (i) refunding certain outstanding Parity Bonds; (ii) making a deposit to the Reserve Account and (iii) paying costs of issuing the Series 2021 Bonds. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Resolution.

In such connection, we have reviewed the Bond Resolution; the Tax Certificate, dated the date hereof (the "Tax Certificate"), of the State; an opinion of the Attorney General of the State of Alaska, as counsel to the State; certificates of the State, the Registrar and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Series 2021 Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Series 2021 Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the State. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2021 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2021 Bonds, the Bond Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against the State. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Bond Resolution or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2021 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2021 Bonds constitute the valid and binding limited obligations of the State.

2. The Bond Resolution has been duly adopted by, and constitutes the valid and binding obligation of, the State. The Bond Resolution creates a valid pledge, to secure the payment of the principal of and interest on the Series 2021 Bonds, of the Revenues and any other amounts held pursuant to the Bond Resolution, subject to the provisions of the Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Resolution.

3. Interest on the Series 2021 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Series 2021B Bond or Series 2021C Bond for any period that such Series 2021B Bond or Series 2021C Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2021B Bonds or the Series 2021C Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Interest on the Series 2021A Bonds and on the Series 2021B Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series 2021C Bonds is a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series 2021 Bonds is exempt from taxation by the State of Alaska except for transfer, inheritance and estate taxes. We express no opinion regarding other

tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2021 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX D

DTC AND ITS BOOK-ENTRY ONLY SYSTEM

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APPENDIX D

(To Blanket Issuer Letter of Representations)

SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE
(Prepared by DTC – bracketed material may apply only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities 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 issues of 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 a Standard & Poor's rating of AA+. 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.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by 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 Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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FORM OF

CONTINUING DISCLOSURE CERTIFICATE

DATED AUGUST 26, 2021

(a) This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed by the State of Alaska (the "State") in connection with the issuance of $11,710,000 International Airports System Revenue Refunding Bonds, Series 2021A (Governmental – Non-AMT) (the "2021A Bonds"), $7,460,000 International Airports System Revenue Refunding Bonds, Series 2021B (Private Activity – Non-AMT) (the "2021B Bonds") and $66,340,000 International Airports System Revenue Refunding Bonds, Series 2021C (Private Activity – AMT) (the "2021C Bonds" and together with the 2021A Bonds and the 2021B Bonds, the "Bonds"), each dated August 26, 2021. The Bonds are being issued pursuant to Resolution No. 99-01, adopted by the State Bond Committee of the State of Alaska on January 28, 1999 (as supplemented and amended, the "General Bond Resolution") including as supplemented by Resolution No. 2021-02, adopted on July 1, 2021 ("Eighth Supplemental Resolution").

In Section 2.14 of the Eighth Supplemental Resolution, the State undertook to enter into an undertaking in accordance with Section (b)(5) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule"), for the benefit of the beneficial owners or holders of the Bonds.

(b) *Definitions*. Capitalized terms used herein which are not otherwise defined shall have the meanings given such terms in the Resolution. In addition, the following terms shall have the following meanings.

Annual Disclosure Report shall mean any Annual Disclosure Report provided by the State pursuant to, and as described in, subsection (c) of this Disclosure Certificate.

Audited Financial Statements means the State of Alaska International Airports System's annual financial statements, prepared in accordance with Governmental Accounting Standards Board, which financial statements shall have been audited by a firm of independent certified public accountants.

Beneficial Owner shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

Disclosure Representative means the Debt Manager of the State or his or her designee or such other officer or employee as the State shall designate in writing from time to time.

Fiscal Year means any 12-month period ending on June 30 or such other date as is authorized by statute and/or selected by AIAS.

Financial Obligation means, for purposes of the Listed Events set out in Section (d)(1)(x) and Section (d)(2)(viii) hereof, a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

MSRB means the Municipal Securities Rulemaking Board or any successors to its functions.

Obligated Person means the State and each airline or other entity at any time using the System (i) that is obligated under an airport use agreement, lease or other agreement having a term of more than one year with rates calculated to pay a portion of the debt service on the Bonds, and (ii) has paid amounts equal to at least 20 percent of the Revenues of the System for each of the prior two fiscal years of the System or such other meaning as may be defined or clarified under the Rule.

Rule shall mean Rule 15c2-12(b)(5)(i) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

State shall mean the State of Alaska.

System shall mean the Alaska International Airports System.

(c) *Financial Statements/Operating Data*.

(1) *Annual Disclosure Report*. The State covenants and agrees that not later than seven months after the end of each Fiscal Year (the "Submission Date"), commencing February 1, 2022 for the fiscal year ending June 30, 2021, the State shall provide or cause to be provided to the MSRB, an annual report (the "Annual Disclosure Report") that is consistent with the requirements of part (2) of subsection (c). The Annual Disclosure Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in part (2) of subsection (c); provided that any audited annual financial statements may be submitted separately from the balance of the Annual Disclosure Report and later than the Submission Date if such audited financial statements are not available by the Submission Date. If the State's Fiscal Year changes, the State shall give notice of such change in a timely manner to the MSRB, and if for any Fiscal Year the State does not furnish an Annual Disclosure Report to the MSRB by the Submission Date, the State shall send to the MSRB notice of its failure to furnish such report pursuant to subsection (e).

(2) *Content of Annual Disclosure Reports*. The State's Annual Disclosure Report shall contain or include by reference (without duplication) the following:

(A) Audited Financial Statements;

(B) Updated versions of the type of information contained in the final Official Statement, as follows:

(i) AVIATION ACTIVITIES AND ACTIVITY LEVELS – Anchorage International Airport: Annual Passenger Activity (Table 4);

(ii) AVIATION ACTIVITIES AND ACTIVITY LEVELS – Anchorage International Airport: Annual Passenger Enplanements (Table 5);

(iii) AVIATION ACTIVITIES AND ACTIVITY LEVELS – Fairbanks International Airport: Annual Passenger Activity (Table 7);

(iv) AVIATION ACTIVITIES AND ACTIVITY LEVELS - Fairbanks International Airport: Annual Passenger Enplanements (Table 8);

(v) AVIATION ACTIVITIES AND ACTIVITY LEVELS – Anchorage International Airport: Annual All-Cargo Aircraft Landings (Table 10);

(vi) AVIATION ACTIVITIES AND ACTIVITY LEVELS – Anchorage International Airport: Annual All-Cargo Aircraft Certificated Maximum Gross Takeoff Weight (Table 11);

(vii) AVIATION ACTIVITIES AND ACTIVITY LEVELS – Fairbanks International Airport: Annual All-Cargo Aircraft Landings (Table 12);

(viii) AVIATION ACTIVITIES AND ACTIVITY LEVELS - Fairbanks International Airport: Annual All-Cargo Aircraft Certificated Maximum Gross Takeoff Weight (Table 13);

(ix) Aggregate principal amount of airport revenue bonds outstanding and any change in the aggregate principal amount of authorized airport revenue bonds;

(x) Any material change in the methodology described in "SYSTEM OPERATING AGREEMENT, REVENUES AND EXPENSES—System Operating Revenue—*Airline Operations*."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the State or related public entities, which are available to the public on the MSRB's internet website. The State shall clearly identify each such other document so included by reference.

In addition, the State agrees to annually determine whether any users of the System are "Obligated Persons" as such term is defined in this Certificate. If the State determines that any such user is an Obligated Person, the State will request that such Obligated Person provide to the same parties who receive the State's net Annual Disclosure Report either (a) a copy of the most recently prepared financial statements (audited, if available) of such user or (b) if such user files a Form 10K or Form 10Q with the SEC, a cross-reference to such filing. The State agrees to include in the terms of any written operating agreement or similar contract, if any is entered into in the future with the users of the System provisions requiring such users to provide the information described in the preceding sentence to the State if the State makes the determination that such user is an Obligated Person.

(d) *Reporting of Significant Events*.

(1) The State agrees to provide or cause to be provided, to the MSRB, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) business days after the occurrence of the event:

(i) Principal and interest payment delinquencies;

(ii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) Unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) Substitution of credit or liquidity providers, or their failure to perform;

(v) Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701-TEB;

(vi) Tender offers;

(vii) Defeasances;

(viii) Rating changes;

(ix) Bankruptcy, insolvency, receivership or similar event of the Obligated Person; and

(x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the System, any of which reflect financial difficulties.

<u>Note</u>: for the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental

authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

(2) The State agrees to provide or cause to be provided, to the MSRB, notice of the occurrence of any of the following events with respect to the Bonds, ***if material***, not later than ten (10) business days after the occurrence of the event:

(i) Unless described in paragraph (d)(1)(v) above, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) Modifications to rights of the Owners of the Bonds;

(iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving the Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(vii) Appointment of a successor or additional trustee or the change of name of a trustee; or;

(viii) Incurrence of a Financial Obligation of the System, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the System, any of which affect security holders.

(e) *Notice Upon Failure to Provide Financial Data*. The State agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of its failure to provide the annual financial information described in subsection (c) above on or prior to the Submission Date.

(f) *Termination/Modification*. The State's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance (if notice of such defeasance is given as provided above) or payment in full of all of the Bonds. The undertaking shall be null and void if the State (1) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require the undertaking, or any such provision, have been repealed retroactively or otherwise do not apply to the Bonds; and (2) notifies the MSRB of such opinion and the cancellation of the State's undertaking. Notwithstanding any other provision of the Resolution, the State may amend its undertaking (including the items in the closing certificate referenced above) and any provision of its undertaking may be waived, in accordance with the Rule; provided that (A) if the amendment or waiver relates to the provisions of subsections (c)(1), (c)(2) or (d) above, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted; (B) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (C) the amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the beneficial owners of the Bonds.

In the event of any amendment of or waiver of a provision of its undertaking, the State shall describe such amendment in the next Annual Disclosure Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the State. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a timely manner to the MSRB, and (ii) the Annual Disclosure Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(g) *Registered Owner's and Beneficial Owners' Remedies Under the State's Undertaking*. A Registered Owner's and the Beneficial Owners' right to enforce the provisions of the State's undertaking shall be limited to a right to obtain specific enforcement of the State's obligations under the undertaking, and any failure by the State to comply with the provisions of the State's undertaking shall not be an event of default under the Resolution.

(h) *Additional Information*. Nothing in the State's undertaking shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in the State's undertaking or any other means of communication, or including any other information in any Annual Disclosure Report or notice of occurrence of a material event, in addition to that which is required by the State's undertaking. If the State chooses to include any information in any Annual Disclosure Report or notice of the occurrence of a material event in addition to that specifically required by the State's undertaking, the State shall have no obligation under the Resolution to update such information or to include it in any future Annual Disclosure Report or notice of occurrence of a material event.

(i) *EMMA; Format for Filing with the MSRB*. Until otherwise designated by the MSRB or the Securities and Exchange Commission, any filing required to be made with the MSRB under the undertaking are to be submitted through the MSRB's Electronic Municipal Market Access system ("EMMA"), currently located at www.emma.msrb.org. All notices, financial information and operating data required by the undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to the undertaking must be accompanied by identifying information as prescribed by the MSRB.

STATE OF ALASKA

By: ________________________________
Disclosure Representative

APPENDIX F

SUMMARY INFORMATION REGARDING THE ECONOMY OF THE STATE OF ALASKA

INFORMATION CONCERNING THE STATE OF ALASKA AND THE STATE'S ECONOMY

The information concerning the State of Alaska ("Alaska" or the "State") set forth here is dated as of the date of the Official Statement. The information contained herein is subject in all respects to the complete text of the financial reports referenced. The information contained herein has been obtained from sources that the State believes to be reliable but is not guaranteed as to accuracy.

State of Alaska

The key drivers of the Alaska economy include natural resource development, federal (including national defense), State, and local government, seafood, and tourism. Approximately 25.6 percent of the State's total nonfarm employment is derived from government (including federal, State, and local). Other major industries in Alaska include the education and health services industry, and trade, transportation, and utilities, making up 16.4 percent and 19.3 percent of total nonfarm employment, respectively. The State's major exports are oil, seafood (primarily salmon, halibut, cod, pollock, and crab), coal, gold, silver, zinc, and other minerals (Alaska Department of Labor and Workforce Development, Research & Analysis, Employment Statistics; 2020 Annual Average).

Historically, petroleum-related revenue has been the largest source of unrestricted revenue for the State's General Fund. Approximately 80 percent of the FY 2018 unrestricted General Fund revenue was generated from petroleum. In 2018, the Legislature enacted Senate Bill 26 ("SB 26"), which directs the State to appropriate amounts from the earnings reserve of the Alaska Permanent Fund to the General Fund as unrestricted General Fund revenue, diminishing the percentage of unrestricted revenue that petroleum-related revenue represents to a projected 24.9 percent for FY 2021.

In FY 2019, pursuant to SB 26, the State began appropriating amounts from the Permanent Fund Earnings Reserve to the General Fund as unrestricted General Fund revenue. SB 26 adjusted the transfer from the Permanent Fund Earnings Reserve to an amount determined by taking 5.25 percent of the average market value of the Permanent Fund for the first five of the preceding six fiscal years, including the fiscal year just ended. Effective July 1, 2021, the amount determined for transfer from the Permanent Fund Earnings Reserve is reduced to 5.00 percent of the average market value of the fund for the first five of the preceding six fiscal years, including the fiscal year just ended. As described below in "Government Funds – The Alaska Permanent Fund," this calculation does not include the principal attributable to the settlement of *State v. Amerada Hess*. The Alaska Permanent Fund Corporation ("APFC"), which manages the Permanent Fund, projects this annual transfer of unrestricted General Fund revenue to the General Fund in their monthly history and projections report. This shift of classification of revenue of the Permanent Fund from restricted to unrestricted was incorporated into the Fall 2018 Revenue Sources Book. For FY 2019, SB 26 resulted in a transfer of $2.7 billion from the Permanent Fund Earnings Reserve to unrestricted General Fund revenue, and for FY 2020 the transfer was approximately $2.9 billion. The enacted FY 2021 budget includes approximately $3.1 billion in transfers from the Permanent Fund Earnings Reserve to the General Fund as unrestricted revenue. The Permanent Fund Dividend may be paid out of this transfer, and any residual revenue is available for other appropriation. The 2018 dividend paid in FY 2019 was $1,606 per qualified resident, and the 2019 dividend paid in FY 2020 was $992 per qualified resident.

Population

Alaska's Statewide population of 728,903 (July 2020 estimate) increased by 18,672, or 2.6 percent from the 2010 Census estimate; however, remains below the recent peak of an estimated 740,637 residents in July 2016.

The following table summarizes the State's population since 2010, as well as the estimated population in each of the State's regions. The majority of the high-growth areas were those with access to the road system. The highest growth area was in the Anchorage / Mat-Su Borough Region, with a 15,454 population increase from 2010 to 2020, or an increase of 4.1 percent.

Population Estimates of Alaska by Region, 2010-2020*

Area Name	Census Estimate July 2010	Estimate July 2011	Estimate July 2012	Estimate July 2013	Estimate July 2014	Estimate April 2015	Estimate July 2016	Estimate July 2017	Estimate July 2018	Estimate July 2019	Estimate July 2020
Alaska	710,231	722,473	731,005	736,552	737,053	737,786	740,637	738,920	735,367	732,734	728,903
Anchorage / Mat-Su Region	380,821	387,425	391,970	397,171	398,520	399,077	402,169	402,783	400,658	399,269	396,275
Gulf Coast Region	78,631	80,184	80,546	80,548	80,855	81,025	81, 171	80,882	80, 946	81,048	80,995
Interior Region	112,021	112,879	115,417	114,617	113,098	112,978	113,351	112,166	111,066	110,067	110,946
Northern Region	26,445	26,932	27,269	27,559	27,508	27,811	27,815	27,750	27,666	27,484	27,123
Southeast Region	71,664	73,622	74,173	74,367	74,500	74,354	73,835	73,047	72,805	72,571	71,946
Southwest Region	40,649	41,431	41,630	42,290	42,572	42,541	42,296	42,292	42,226	42,295	41,618

Source: US Census Bureau for 2010 Census estimates, and Alaska Department of Labor and Workforce Development, Research and Analysis Section for July 2011 through 2020 estimates.

Income

In 2018 and 2019, Alaska had a median household income of $75,545 (ranking 9th) and $75,463 (ranking 13th) in the United States, respectively.[1]

The State's single consumer price index registered inflation of 0.5 percent or less each year from 2015 through 2017, which was the lowest period for inflation in the Alaska's history. In 2018, consumer prices increased 3 percent, which was the highest inflation rate in five years and the first time in three years that Alaska's costs increased faster than the U.S. One of the largest contributors to the 2018 increase was medical care, which tends to run higher than the overall index. In 2019, the average inflation rate for Alaska (CPI Urban Alaska, formerly Municipality of Anchorage) was 1.4 percent. The average in the United States was 1.8 percent.

The cost of living in Alaska remains significantly higher than the national average. According to the first quarter 2019 index for professional households, comparing cities' costs to the U.S. average, Anchorage, Fairbanks, and Juneau, the cost of living in those cities in comparison to the total index is approximately 127, 128, and 134 percent, respectively, more expensive than the average index of the United States.[2]

Employment

The unemployment rate for Alaska for June 2021 was 6.6 percent, as compared to a national unemployment rate for the same period of approximately 6.1 percent. Historically, Alaska's unemployment rate has exceeded the national rate. The unemployment rate for the Anchorage Region and Fairbanks Region for June 2021 was 6.4 percent and 5.2 percent, respectively.[3]

The largest employment sector in Alaska is government comprised of Federal, State and local government employees. Government employment on average for CY 2020 was 76,800. The largest non-government sector of employment was Trade, Transportation and Utilities with 58,900. The chart below provides a summary of the employment of the Alaska labor force by industry in CY 2020.

[1] United States Census Bureau; Household Income: 2019 – American Community Survey Briefs, September 2020, ACSBR/20-03.
[2] Alaska Department of Labor and Workforce Development, Alaska Economic Trends, July 2019.
[3] Alaska Department of Labor and Workforce Development, and the U.S. Bureau of Labor Statistics, not seasonally adjusted, preliminary.

ALASKA LABOR FORCE SUMMARY
CY 2020

	2010[1]	2020[1]	Change (2010-2020)
Total Nonfarm	325,000	302,700	-6.9%
Mining and Logging	15,000	11,300	-24.7%
Oil and Gas	12,700	7,800	-38.6%
Construction	16,600	15,800	-4.8%
Manufacturing	12,800	12,000	-6.3%
Trade, Transportation, Utilities	62,600	58,900	-5.9%
Wholesale Trade	6,200	6,200	0.0%
Retail Trade	35,400	33,400	-5.6%
Transportation, Warehousing and Utilities	21,000	19,300	-8.1%
Information	6,500	4,900	-24.6%
Financial Activities	12,200	10,800	-11.5%
Professional and Business Services	28,000	26,100	-6.8%
Educational and Health Services	43,100	49,400	14.6%
Health Care	30,200	38,200	26.5%
Leisure and Hospitality	31,500	26,600	-15.6%
Other Services	11,200	10,100	-9.8%
Government	85,400	76,800	-2.1%
Federal Government[2]	17,500	15,400	-10.1%
State Government	25,900	22,400	-13.5%
Local Government[3]	42,000	39,000	-7.1%

(1) Figures use an annual average.
(2) Federal government does not include military or armed personnel.
(3) Includes tribal government.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis.

Federal Spending[4]

Federal spending has a significant impact on Alaska's economy. Federal funds contribute to military and federal government employment, as well as provide support for specific in-state programs and projects. In many cases, State funds are also used to leverage federal funds in matching programs helping to improve Alaskan communities.

According to Pew Trusts, in federal FY 2019, federal spending in Alaska comprised 42.7% of total state revenue, with 20.5% from taxes, 8.3% from service charges, 0.1% from local sources, and 28.5% from miscellaneous sources.

Oil and Gas[5]

According to a study completed by McDowell Group, Inc. for the Alaska Oil and Gas Association (released January 2020), in 2018, the primary oil and gas companies employed 4,111 Alaska residents earning $983 million in wages. Alaska residents represent 84 percent of primary company total hire in Alaska. Based on the report, including all direct, indirect, and induced employment and wages, oil and gas industry spending in Alaska accounted for 41,800 jobs and $3.1 billion in total wages in Alaska in 2018, including 5,800 jobs in the oil and gas support services sector, and 31,900 indirect and induced jobs in other private and public sectors.

[4] The Pew Charitable Trusts, How States Raise Their Tax Dollars, FY 2019.
[5] McDowell Group, Inc. (January 2020). The Role of the Oil and Gas Industry in Alaska's Economy. Alaska Oil and Gas Association. Retrieved from http://www.mcdowellgroup.net/wp-content/uploads/2020/01/mcdowell-group-aoga-report-final-1-24-2020.pdf.

Government[6]

Government was responsible for 76,800 jobs on average in calendar year 2020, over a quarter of all nonfarm employment in the State. This sector encompasses occupations in all industries, including teachers, builders, deckhands, and scientists.

Local government administrations and school districts represent the largest employers of that sector and accounted for approximately 12.9 percent of total nonfarm employment, which includes tribal government. State government employment accounted for approximately 7.4 percent of total nonfarm employment.

Federal government was responsible for 15,400 jobs on average in CY 2020, representing approximately 5.1 percent of total nonfarm employment. Before September 11, 2001, the military was reducing its presence in Alaska; however, since then the United States .S. has funneled additional defense funds into the State. Though the Base Realignment and Closure Act of 2005 resulted in closures, the overall presence of armed forces in the State has increased. Other military growth includes civilian defense employment and federal spending on base and facility upgrades, salaries, and maintenance. Ten percent of all construction spending in Alaska in CY 2019 was tied to national defense, up 13 percent and $80 million from the prior year. This increase was largely due to the military investment in reconstruction at Eielson Air Force Base to accommodate the two full squadrons of F-35s that will arrive during 2020. [7]

Health Care[8]

Health care has been the State's fastest-growing industry. It employed approximately 38,200 people on average in CY 2020, which accounted for approximately 12.6% of total nonfarm employment, and represented a 26.5 percent increase over a ten-year period. In 2017, health care practitioners and technicians made an average wage of $98,020 in Alaska, making Alaska the highest paying state for these jobs overall, followed by Hawaii and California. The national health care wage average was $80,760.

The growing population of elderly Alaskans increased demand for services. Although only 7.7 percent of Alaskans are over 65 compared to the nation's 13 percent, the 65-plus group grew by 54 percent between 2000 and 2010, compared to 13 percent nationally. As the industry expanded and more health care choices emerged, more of Alaska's health care spending remained in-State. In 1990, health care accounted for 4 percent of Alaska's wage and salary employment versus 7 percent for the nation. By 2010, that difference narrowed to 9.3 percent for Alaska and 10.6 percent nationwide.

Fishing

In Alaska, approximately 5.7 billion pounds of seafood, worth approximately $2.0 billion, was harvested on average in CY 2017 and CY 2018 (2017/2018 annual averages). Alaska produces two-thirds of the nation's seafood harvest in a typical year and is home to nine of the top twenty United States fishing ports by value. The seafood industry contributed $5.6 billion in economic output to Alaska's economy in 2017/2018. This measurement includes all the economic activity supported by harvesting, processing, and support sectors.

In 2017, Alaska's leading export was seafood, accounting for approximately 49 percent of Alaska's total exports of $4.9 billion. Two countries, China and Japan, make up more than $1.4 billion dollars of Alaska's total seafood exports. Japan, long the State's largest seafood export market, purchased approximately $622.9 million. China exceeded Japan as the largest seafood export market in 2011 (also topping all markets in total exports) and accounted for approximately $796 million. [9]

Commercial fishermen landed over 5.4 billion pounds of Alaska seafood worth approximately $2.0 billion in ex-vessel value on average in CY 2017 and 2018 in Alaska (annual averages). Salmon is the most valuable commercial species, making up 37 percent of first wholesale value, with Alaskan Pollock second making up 31 percent of first wholesale value. [10]

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[6] Alaska Department of Labor and Workforce Development, Research and Analysis Section.

[7] Readiness and Environmental Protection Integration Program State Profile for Alaska 2018.

[8] Alaska Economic Trends, September 2011, The Decade in Review: 2000 – 2010, and Alaska Economic Trends, December 2018.

[9] 2017 State of Alaska Export Report.

[10] Economic Value of the Alaska Seafood Industry, McDowell Group, Inc. January 2020 (for 2017/2018).

Over five billion pounds of Alaska seafood was harvested, and processed by 166 shore-based processing facilities in 2018, employing 25,901 workers. Seafood processing is Alaska's largest manufacturing subsector, accounting for roughly 70 percent of all manufacturing employment in Alaska.[11]

In 2017, the top ports ranked by value in Alaska were -- Dutch Harbor ranked first ($173 million), Naknek-King Salmon ranked second ($154 million), Kodiak ranked third ($152 million), Alaska Peninsula ranked fourth ($112 million), and Aleutian Islands ranked fifth ($106 million).[12] The following chart shows Alaska commercial harvest and ex-vessel value from 2009 through 2018:

Source: McDowell Group, The Economic Value of Alaska's Seafood Industry, January 2020 Report

Mining

Alaska's mining industry includes exploration, mine development, and production. The industry produces zinc, lead, copper, gold, silver, coal, as well as construction minerals such as sand, gravel, and rock. Alaska's six largest operating mines are Fort Knox, Greens Creek, Red Dog, Usibelli Coal, Northern Star Pogo, and Kensington, and provided nearly 4,700 full-time jobs of the nearly 9,600 direct and indirect jobs attributed to the mining industry in Alaska in CY 2020. The export value of Alaska's primary produced metals was $1.9 billion, or 38 percent of Alaska's total exports in 2019.

The growth in mining was supported by several large developments across Alaska. The Northern Star Pogo Mine was acquired by Northern Star Resources Limited in 2018 and was the eighth largest gold producer in the U.S. in 2020. The Fort Knox Mine is in its 24th year of production and is the largest single property taxpayer in the Fairbanks North Star Borough. The Fort Knox Mine is Alaska's largest producing gold mine and poured its eighth millionth ounce in 2019. The Greens Creek Mine is the largest silver producer in the U.S. and in the top 10 producers worldwide. The Red Dog Mine is the largest lead concentrate and zinc concentrate producer in the U.S. [13]

Tourism[14]

The Alaska Summer 2019 visitor volume of 2,213,000 was the fifth consecutive summer of growth, and the largest single year growth in the last decade. By transportation market for Summer 2019, 60.2 percent traveled by cruise ship, 35.7 percent were air visitors, and 4.1 percent were highway / ferry visitors. The following chart shows Summer visitor volume since the 2010 season:

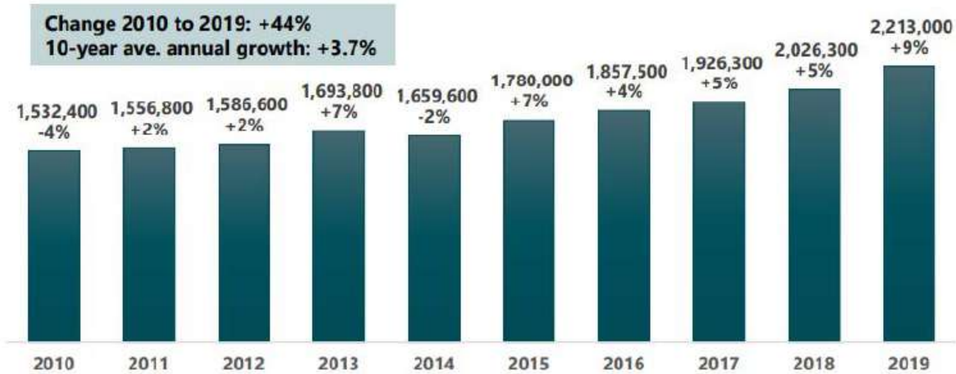
[11] Economic Value of the Alaska Seafood Industry, McDowell Group, Inc. January 2020 (for 2017/2018).

[12] Economic Value of the Alaska Seafood Industry, McDowell Group, Inc. January 2020 (for 2017/2018).

[13] The Economic Benefits of Alaska's Mining Industry, McDowell Group, Inc. report for the Alaska Miners Association. February 2021.

[14] McDowell Group, Inc., June 2020 report for ATIA on Alaska Visitor Volume Winter 2018-19 & Summer 2019.

Chart 4. Alaska Visitor Volume, Summers 2010-2019



Source: McDowell Group, Alaska Visitor Volume Winter 2018-19 & Summer 2019, June 2020 Report

The effects of COVID-19 have impacted tourism activity within the State and have largely diminished, and in some cases prohibited, certain modes of travel (for example, large cruise ships) to and from the State during calendar year 2020, and the nature of the impact is likely to evolve over the next several years. The scope and severity of COVID-19 travel restrictions vary throughout the United States and the world, and governmental authorities continue to adjust and revise these restrictions from time to time.

Retail[15]

A number of new chain and homegrown retailers opened in Alaska during the past two decades. Since 2000, the following retailers opened stores in Alaska: Kohl's, Costco, Walmart, Best Buy, Target, Sportsman's Warehouse, Petco, Bed Bath and Beyond, and Walgreens. The retail sector provided 33,400 jobs on average in Alaska in 2020.

Transportation[16]

Given the geography of the State, Alaskans rely on aviation and marine transportation to move people and goods. Although Alaska is the largest state in terms of area, it has the fifth-lowest road mileage in the U. S. The primary reasons for the low road miles in Alaska are (i) the majority of people live in the urbanized areas and (ii) extreme weather, rugged terrain, vast distances, low population density and scattered islands make road construction difficult and costly compared to the number of users. Many remote communities are connected to the rest of Alaska and the rest of the world, through waterways or airports, rather than roads.

Most goods shipped to and from Alaska move by way of intermodal transportation systems. Most food, household items and consumer goods shipped from the lower 48 states of the U. S. to Alaska generally arrive by container ship, barge or roll-on, roll-off vessel. Upon arriving in Alaska, freight bound for destinations connected by the highway system are transported by truck or by rail on the Alaska Railroad. Freight bound for remote destinations is flown from Anchorage or Fairbanks to the remote communities. Heavy or bulk commodities are most often moved by barge to remote communities where seasonal barge service is available.

Given the size, geography and population distribution in Alaska, air transportation is critical for Alaska's economy and the health, safety and welfare of all Alaskans. The State owns about 252 rural airports, in addition to Ted Stevens Anchorage International Airport ("ANC") and Fairbanks International Airport. ANC serves as the primary passenger airport in the State and is an important cargo airport globally.

Alaska's ports and harbors are an important element of the State's economy, providing for the import and export of goods. Port and harbor facilities provide an economic base for those communities dependent on marine resource utilization such as fishing and recreational use. They are an essential link to Alaska's resources, including fisheries, oil, natural gas, mineral resources and recreational activities.

The Alaska Marine Highway System ("AMHS") is a critical part of Alaska's transportation system and the service it provides is part of the National Highway System. AMHS serves Alaska ports by transporting passengers and vehicles between coastal communities. This service helps meet the social, educational, health and economic needs of Alaskans.

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[15] Alaska Economic Trends, September 2011 and January 2014, Decade in Review, 2000-2010.
[16] Alaska State Transportation Plan, adopted February 29, 2008.

The Alaska Railroad operates a total of 656 miles of railway miles in Alaska, consisting of 467 miles of main line, 54 miles of branch line and 135 miles of yards and sidings. The Alaska Railroad plays an important economic role. In 2018, the Alaska Railroad carried 3.2 million tons of freight and 531,611 passengers. As of June 2018, the railroad employed 550 year-round employees, and approximately 130 to 140 additional employees are hired for additional summer activity.[17]

[17] Alaska Railroad Corporation Annual Report 2018, https://www.alaskarailroad.com/sites/default/files/Communications/AnnualReport2018_Apr2019_Secured_FINAL.pdf.

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STATE OF ALASKA • International Airports System Revenue Refunding Bonds Series 2021A (Governmental – Non-AMT), 2021B (Private Activity – Non-AMT) and 2021C (Private Activity – AMT)

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