

OFFICIAL STATEMENT DATED SEPTEMBER 8, 2005

NEW ISSUE
BOOK-ENTRY-ONLY

RATINGS: Moody's: "Aaa"
S&P: "AAA"
(See "RATINGS" herein)
INSURANCE: FGIC

In the opinion of Birch, Horton, Bittner and Cherot, Bond Counsel, interest on the Series 2005 Bonds is not excluded from income for federal income tax purposes, but is free from taxation by the State of Alaska, except for transfer, estate, and inheritance taxes. Bond Counsel expresses no opinion regarding any federal or other state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2005 Bonds. See the information herein under the caption, "TAX MATTERS".

\$62,824,573
ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY
TAXABLE REVENUE BONDS
(RENTAL CAR FACILITY PROJECT AT TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT)

\$49,530,000
SERIES 2005A
(Current Interest Bonds)

\$13,294,573
SERIES 2005B
(Capital Appreciation Bonds)

Dated: Date of Issuance

Due: March 1, as shown on the inside cover page

The above-captioned Series 2005A Bonds (the "*Series 2005A Bonds*") and Series 2005B Bonds (the "*Series 2005B Bonds*") and, together with the Series 2005A Bonds, the "*Series 2005 Bonds*") are special and limited obligations of the Alaska Industrial Development and Export Authority (the "*Authority*"), and are payable solely from and secured exclusively by proceeds of the Customer Facility Charge (defined herein) and other amounts pledged under the Trust Indenture dated as of September 1, 2005 (the "*Indenture*") by and between the Authority and The Bank of New York Trust Company, N.A. (the "*Trustee*"). See "SECURITY FOR THE SERIES 2005 BONDS." Proceeds of the Series 2005 Bonds are to be used, among other things, to pay for the costs of the design, acquisition, development, construction, equipping and financing of a new consolidated rental car facility at the Ted Stevens Anchorage International Airport. See "SOURCES AND USES OF FUNDS."

The Series 2005A Bonds are issued as fully registered bonds in denominations of \$5,000, or any integral multiple in excess thereof. The Series 2005B Bonds will be issued in fully registered form in denominations of \$5,000 in Maturity Value and integral multiples thereof. The Series 2005 Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("*DTC*"), securities depository for the Series 2005 Bonds. Purchases of the Series 2005 Bonds are to be made in book-entry form only. Beneficial owners of the Series 2005 Bonds will not receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Series 2005 Bonds. See "THE SERIES 2005 BONDS – Book-Entry-Only System."

The Series 2005A Bonds will mature in principal amounts and bear interest at the rates as shown on the inside cover page hereof, which interest is payable on March 1, 2006 and on each March 1 and September 1 thereafter, to and including the final maturity date as shown on the inside cover page hereof, unless the Series 2005A Bonds are redeemed earlier. The Series 2005B Bonds will mature on the dates and in the Maturity Values and will accrete in value from the date of issue to maturity at the yields set forth on the inside cover page hereof. Payments of principal of and premium, if any, and interest on the Series 2005 Bonds will be made by the Trustee, as Paying Agent, to DTC which in turn is obligated to remit such principal, premium, if any, and interest to DTC Participants for disbursement to the beneficial owners of the Series 2005 Bonds.

Certain of the Series 2005 Bonds are subject to optional and mandatory redemption prior to maturity as described in "THE SERIES 2005 BONDS – Redemption Prior to Maturity."

The scheduled payment of principal of and interest on the Series 2005 Bonds when due will be guaranteed under an insurance policy (the "*Bond Insurance*") to be issued concurrently with the delivery of the Series 2005 Bonds by Financial Guaranty Insurance Company (the "*Bond Insurer*").



THE SERIES 2005 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR OTHER LIABILITY OF THE STATE OF ALASKA OR OF A POLITICAL SUBDIVISION OF THE STATE OF ALASKA, EXCEPT THE AUTHORITY. AS TO THE AUTHORITY, THE SERIES 2005 BONDS CONSTITUTE LIMITED OBLIGATIONS AND ARE PAYABLE SOLELY FROM CUSTOMER FACILITY CHARGE PROCEEDS AND OTHER AMOUNTS AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE SERIES 2005 BONDS. THE AUTHORITY MAY NOT AND DOES NOT ESTABLISH, PLEDGE, COLLECT, OR ENFORCE COLLECTION OF THE CUSTOMER FACILITY CHARGE. THE AUTHORITY MAY NOT AND DOES NOT PLEDGE THE FAITH AND CREDIT OF THE STATE OF ALASKA OR OF A POLITICAL SUBDIVISION OF THE STATE OF ALASKA, AND DOES NOT PLEDGE ITS FAITH AND CREDIT, TO THE PAYMENT OF THE SERIES 2005 BONDS, AND THE ISSUANCE OF THE SERIES 2005 BONDS DOES NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF ALASKA OR A POLITICAL SUBDIVISION OF THE STATE OF ALASKA TO APPLY MONEY FROM, OR LEVY OR PLEDGE, ANY FORM OF TAXATION WHATEVER TO THE PAYMENT OF THE SERIES 2005 BONDS. THE AUTHORITY HAS NO TAXING POWER.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Prospective purchasers of the Series 2005 Bonds should read this Official Statement in its entirety, giving particular attention to the matters referred to under "INVESTMENT CONSIDERATIONS," in order to obtain information essential to the making of an informed investment decision.

The Series 2005 Bonds are offered when, as, and if issued by the Authority and accepted by the Underwriter, subject to the approval of legality of the Series 2005 Bonds by Birch, Horton, Bittner and Cherot, Anchorage, Alaska, Bond Counsel, and the satisfaction of certain other conditions. Certain legal matters will be passed upon for the Underwriter by its legal counsel, Brownstein Hyatt & Farber, P.C., Denver, Colorado. In addition, certain legal matters will be passed upon by the Attorney General of the State of Alaska, by Ashburn & Mason, P.C., Anchorage, Alaska on behalf of the Developer and SPE (each as defined herein), and on behalf of the Operators (defined herein) by O'Melveny & Myers LLP, and their individual counsel. It is expected that the Series 2005 Bonds will be available for book-entry delivery through the facilities of DTC on or about September 22, 2005.

RBC DAIN RAUSCHER

MATURITY SCHEDULE

\$49,530,000 SERIES 2005A (Current Interest Bonds)

\$1,590,000 Serial Bonds

<u>Maturing (March 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP No.</u>
2006	\$740,000	4.13%	100%	011903 BN0
2007	200,000	4.35	100%	011903 BP5
2008	210,000	4.43	100%	011903 BQ3
2009	215,000	4.50	100%	011903 BR1
2010	225,000	4.56	100%	011903 BS9

\$18,705,000 5.25% Term Bond due March 1, 2030, Yield: 5.423% (CUSIP 011903 BT7)

\$29,235,000 5.30% Term Bond due March 1, 2035, Yield: 5.473% (CUSIP 011903 BU4)

\$13,294,573 SERIES 2005B (Capital Appreciation Bonds)

\$2,973,138.50 Serial Bonds

<u>Maturing (March 1)</u>	<u>Original Principal Amount</u>	<u>Yield to Maturity¹</u>	<u>Maturity Value</u>	<u>CUSIP</u>
2011	\$661,181.00	4.67%	\$850,000	011903 BV2
2012	626,203.50	4.80	850,000	011903 BW0
2013	592,875.00	4.90	850,000	011903 BX8
2014	561,612.00	4.97	850,000	011903 BY6
2015	531,267.00	5.04	850,000	011903 BZ3

\$10,321,434.50 Capital Appreciation Term Bond due March 1, 2025, Yield to Maturity¹: 5.21%, Maturity Value \$28,055,000, CUSIP No. 011903 CA7.

¹ The approximate yields shown are for illustration purposes only. All amounts due on the Series 2005B Bonds are based on the definition of Maturity Value set forth in the Indenture.

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offer to sell the Series 2005 Bonds or the solicitation of an offer to buy, nor shall there be any sale of the Series 2005 Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make an offer, solicitation or sale in that state or jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or to make any representation other than those contained in this Official Statement in connection with the offering of the Series 2005 Bonds and, if given or made, that information or representation must not be relied upon.

The information set forth under the captions, "INTRODUCTION-The Authority," "THE AUTHORITY" and "LITIGATION – Authority" has been furnished by the Alaska Industrial Development and Export Authority; the information set forth under the captions "INTRODUCTION – The Airport," "THE AIRPORT," "THE PROJECT – Lease," and "LITIGATION – Airport and State" has been furnished by the Airport; the information set forth under the captions "INTRODUCTION – Financial Feasibility Report," "FEASIBILITY REPORT" and Appendix A, has been furnished by the Feasibility Consultant; the information set forth under the caption, "BOOK ENTRY ONLY SYSTEM" has been furnished by DTC and the information set forth under the caption, "THE BOND INSURANCE AND THE BOND INSURER" has been furnished by the Bond Insurer. All other information in this Official Statement has been obtained from the SPE, the Developer and other sources that are believed to be reliable, but is not to be construed as a representation of the Underwriter. The information and expressions of opinion in this Official Statement 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 Authority, DTC, the Airport, the SPE, the Developer, or the Operators since the date of this Official Statement.

The Authority has consented to the use of this Official Statement. The Authority does not assume any responsibility for the accuracy or completeness of any information contained in this Official Statement, except such information relating specifically to the Authority under the captions, "INTRODUCTION – The Authority," "THE AUTHORITY" and "LITIGATION – Authority."

Other than the information concerning the Bond Insurer contained under the caption "BOND INSURANCE POLICY AND INSURER" and in Appendix B (the specimen Municipal Bond Insurance Policies), none of the information in this Official Statement has been supplied or verified by the Bond Insurer and the Bond Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; or (ii) the validity of the Series 2005 Bonds.

Other than the information concerning the Operators contained under the captions "INTRODUCTION – The Rental Car Companies," "THE RENTAL CAR COMPANIES" and "LITIGATION – Operators" and information specifically concerning the Operators in Appendix A, none of the information in this Official Statement has been supplied or verified by the

Operators and the Operators make no representation or warranty, express or implied, as to, and assume no liability for (i) the accuracy or completeness of such information, or (ii) the validity of the Series 2005 Bonds.

Other than the information concerning the Airport contained under the captions "INTRODUCTION – The Airport," "THE AIRPORT," "THE PROJECT – Lease," "LITIGATION – Airport and State," and information regarding the Customer Facility Charge and Rate Covenant, none of the information in this Official Statement has been supplied or verified by the Airport and the Airport makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, or (ii) the validity of the Series 2005 Bonds.

Other than the information concerning the Feasibility Consultant and the Feasibility Report contained under the captions "INTRODUCTION – Financial Feasibility Report" and "FEASIBILITY REPORT" and Appendix A, none of the information in this Official Statement has been supplied or verified by the Feasibility Consultant and the Feasibility Consultant makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, or (ii) the validity of the Series 2005 Bonds.

Other than the information concerning the Project, the SPE and the Developer contained under the captions "THE SPE" and "THE PROJECT" and other sections referencing matters concerning the Project, the SPE and the Developer, none of the information in this Official Statement has been supplied or verified by the SPE or the Developer and the SPE and the Developer make no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, or (ii) the validity of the Series 2005 Bonds.

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

THE SERIES 2005 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE INDENTURE HAS NOT 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 SERIES 2005 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH SERIES 2005 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 SERIES 2005 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

Relating to

\$62,824,573

**ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY
TAXABLE REVENUE BONDS
(RENTAL CAR FACILITY PROJECT AT
TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT)**

\$49,530,000

SERIES 2005A

(Current Interest Bonds)

\$13,294,573

SERIES 2005B

(Capital Appreciation Bonds)

INTRODUCTION

This Official Statement, which includes the cover page, table of contents and Appendices, furnishes information concerning the issuance and sale by the Alaska Industrial Development and Export Authority (the "*Authority*") of \$49,530,000 aggregate principal amount of its Taxable Revenue Bonds, Series 2005A (Rental Car Facility Project at Ted Stevens Anchorage International Airport) (the "*Series 2005A Bonds*") and of \$13,294,573 Original Principal Amount of its Taxable Revenue Bonds, Series 2005B (Rental Car Facility Project at Ted Stevens Anchorage International Airport) (the "*Series 2005B Bonds*", and together with the Series 2005A Bonds, the "*Series 2005 Bonds*"), the security for the Series 2005 Bonds, the consolidated rental car facility being financed with the Series 2005 Bond proceeds, the Ted Stevens Anchorage International Airport (the "*Airport*") as the location where the consolidated rental car facility will be located, the Feasibility Report prepared in connection with the Series 2005 Bonds, and certain other matters in connection therewith.

The offering of the Series 2005 Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Series 2005 Bonds. The following introductory material is only a brief description of and is qualified by the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein, particularly the section entitled "INVESTMENT CONSIDERATIONS." Detachment or other use of this section titled "INTRODUCTION" without the entire Official Statement, including the cover page and appendices, is unauthorized.

Unless otherwise defined herein, capitalized terms used herein are defined in APPENDIX C – GLOSSARY OF TERMS.

The Series 2005 Bonds

The Series 2005 Bonds are being issued by the Authority, a public corporation of the State of Alaska (the "*State*") and a body corporate and politic constituting a political subdivision within the Alaska Department of Commerce, Community, and Economic Development, with

separate and independent legal existence under the laws of the State. The Series 2005 Bonds are issued by the Authority under Resolution G05-03 adopted on August 8, 2005 (as amended by Resolution G05-03A adopted on August 31, 2005) and under the Trust Indenture dated as of September 1, 2005 (the "*Indenture*") by and between the Authority and The Bank of New York Trust Company, N.A. (the "*Trustee*") to finance the Project (defined below) and are payable solely from and secured by a pledge of the proceeds derived from a uniform daily usage fee (the "*Customer Facility Charge*" or "*CFC*") to be collected from the on-Airport rental car customers and remitted by the rental car companies operating on the Airport premises (collectively, the "*Operators*") and certain funds and accounts held under the Indenture, all as more fully described herein. The Project is not subject to any mortgage or other lien for the benefit of the owners of the Series 2005 Bonds.

The Series 2005 Bonds will bear interest from their dated date at the interest rates set forth on the inside cover page and herein, and will mature on the dates set forth on the inside cover page hereof and as further described herein under the section entitled "DEBT SERVICE SCHEDULE." Certain of the Series 2005 Bonds will be subject to optional and mandatory redemption prior to maturity as described herein under "THE SERIES 2005 BONDS – Redemption Prior to Maturity." Interest on the Series 2005A Bonds will be initially payable on March 1, 2006 and on each March 1 and September 1 thereafter to and including prior redemption or maturity thereof, and will be computed on the basis of a 360-day year of twelve 30-day months. The Series 2005B Bonds will accrete in value, compounded on each March 1 and September 1, commencing on March 1, 2006. The Series 2005 Bonds will be issued initially only in book-entry form in the name of Cede & Co., as nominee of The Depository Trust Company ("*DTC*"). See "THE SERIES 2005 BONDS – Registration, Payment, Transfer and Exchange – Book-Entry Form."

The proceeds of the Series 2005 Bonds will be used by the Anchorage RAC Center, LLC, an Alaska limited liability corporation and special purpose entity (the "*SPE*") pursuant to the Use of Proceeds Agreement, dated as of September 1, 2005 (the "*Use of Proceeds Agreement*"). Series 2005 Bond Proceeds are to be used to (i) pay for the costs of the design, acquisition, development, construction, equipping and financing of the new multi-level consolidated rental car facility at the Airport (the "*Consolidated Facility*"), (ii) repay a commercial loan obtained by the SPE to fund initial costs of the design, development and construction of the Consolidated Facility (the "*Bridge Loan*"), (iii) fund the debt service reserve account Reserve Policy premium, (iv) fund the Coverage Fund in the amount of the Coverage Fund Requirement; (v) initially fund the Renewal and Replacement Fund in the amount of \$1,000,000 (which is less than the Renewal and Replacement Fund Required Level), (vi) fund the Administrative Expense Fund, and (vii) pay for the costs of issuance of the Series 2005 Bonds, including the purchase of the Bond Insurance Policy.

Because the Use of Proceeds Agreement does not provide a loan to the SPE, the SPE is not required to repay any Series 2005 Bond proceeds from any of its funds or assets or to pledge or assign any of its property as security for the Series 2005 Bonds. Instead, the CFC proceeds and certain funds and accounts under the Indenture are the only source of funds for payment of principal of and interest on the Series 2005 Bonds.

The Project

The Consolidated Facility will consist of a multi-level parking garage structure directly across from and connected to the South Terminal of the Airport, containing customer service areas, Operator sales offices, rental car ready/return spaces, fueling areas and individual maintenance, servicing and storage facilities for each Operator. The construction of the Consolidated Facility will also involve site development and infrastructure improvements for such facility, including new roadway improvements, landscaping and signage (collectively with the Consolidated Facility, referred to herein as the “*Project*”). See “THE PROJECT.” Venture Development Group, LLC, an Alaska limited liability company (the “*Developer*”) and Neeser Construction, Inc. (the “*General Contractor*”) are responsible for the design, development, construction and delivery of the Project in accordance with a Development Agreement, as further described and defined below under “THE PROJECT – Developer and Development Agreement.”

The Rental Car Companies

The eight Operators: (i) have each individually executed an Amended and Restated On-Airport Rental Car Concession Agreement dated June 16, 2005, (collectively, the “*Concession Agreements*”) with the State of Alaska, Department of Transportation and Public Facilities, Ted Stevens Anchorage International Airport authorizing them to carry out certain vehicle rental and other related activities at and from on-Airport facilities, requiring each Operator to sublease certain space in the Consolidated Facility upon its completion and obligating each Operator to collect from its on-Airport customers and remit to the Trustee proceeds of the Customer Facility Charge, and (ii) are each expected to execute on or prior to the issuance of the Series 2005 Bonds, a Sublease with the SPE (collectively, the “*Subleases*”), in which each Operator will agree to, among other things, sublease a portion of the Consolidated Facility, pay monthly rent to the SPE and collect the Customer Facility Charge from its on-Airport customers as required by the Concession Agreement. See “THE RENTAL CAR COMPANIES.” THE SERIES 2005 BONDS ARE NOT AN INDEBTEDNESS OR OTHER LIABILITY OF THE OPERATORS AND THE OPERATORS ARE NOT LIABLE FOR ANY PAYMENTS RELATING TO THE SERIES 2005 BONDS, OTHER THAN TIMELY REMITTING THE CFC PROCEEDS COLLECTED BY SUCH OPERATORS FROM THEIR ON-AIRPORT CUSTOMERS TO THE TRUSTEE.

Security for the Series 2005 Bonds

Indenture and Use of Proceeds Agreement. The Series 2005 Bonds will be issued under the Indenture. Concurrently with the issuance of the Series 2005 Bonds, the SPE and the Authority will enter into the Use of Proceeds Agreement. Pursuant to the Use of Proceeds Agreement, the Authority will transfer the net proceeds of the Series 2005 Bonds to the Trustee for payment of costs of issuance and for use by the SPE to pay for Project costs.

The Authority will pledge and assign to the Trustee its rights under the Use of Proceeds Agreement, except its rights to indemnification and payment of fees and expenses (the “*Unassigned Rights*”), and all moneys and investments from time to time on deposit in the funds and accounts created under the Indenture, except for the Operations and Maintenance Fund (collectively, the “*Pledge and Assignment*”). See “SECURITY FOR THE SERIES 2005

BONDS.” Amounts on deposit in the Renewal and Replacement Fund are to be used to pay for certain costs of capital repairs, replacements and additions to the Consolidated Facility, and if necessary, to pay principal of and interest on the Series 2005 Bonds. See “SECURITY FOR THE SERIES 2005 BONDS – Administrative Expense Fund and Renewal and Replacement Fund.” Amounts on deposit in the Operations and Maintenance Fund are to be used to pay for ongoing general operation and maintenance costs of the Consolidated Facility, including the costs of insurance, a portion of the real estate taxes and maintenance of reserves. See APPENDIX E – SELECTED PROVISIONS OF THE INDENTURE AND USE OF PROCEEDS AGREEMENT.

Customer Facility Charge. The Customer Facility Charge is to be collected from the on-Airport rental car customers and the proceeds thereof remitted to the Trustee by the Operators in accordance with the Concession Agreements, the Statute, the May 24, 2005, State of Alaska Department of Transportation and Public Facilities Commissioner’s Order (“*Order*”) Imposing Obligation to Collect and Remit Customer Facility Charges issued by the Commissioner of the Alaska Department of Transportation and Public Facilities (the “*Commissioner*”), the Subleases and the Land/Building Lease ADA-31367 between the State and the SPE (the “*Lease*”). Under the Statute, the Order, the Subleases, the Concession Agreements, and the Lease, each Operator is required to collect the Customer Facility Charge from its customers that rent vehicles from, or otherwise enter into motor vehicle rental agreements with the Operator at the Airport and to make monthly remittances thereof to the Trustee. Under the Approval of Indebtedness to Be Secured Under Commissioner’s Order Imposing the Obligation to Collect and Remit Customer Facility Charges dated September 8, 2005 (“*Indebtedness Approval*” or “*Commissioner’s Approval*”), the Commissioner has identified the indebtedness under the Indenture, upon repayment of the Bridge Loan, as beneficiary of the assignment under the Order of the Customer Facility Charge to the Trustee. The Customer Facility Charge is to be set and adjusted in accordance with the Statute (defined below), the Order, the Indebtedness Approval, the Lease and the Subleases, in order for it to be maintained in accordance with the Indenture at a level estimated to generate revenues in each Bond Year at least equal to the debt service requirements on the Series 2005 Bonds for such Bond Year, plus the amounts necessary to fund in such bond year all amounts required by the Indenture, including, but not limited to, the Coverage Fund which is required to be maintained in an amount at least equal to 25% of Maximum Annual Debt Service. The commitment of the Commissioner to make annual and other periodic adjustments to the level of the CFC for such purpose is contingent upon receipt of a report of an Independent Rate Consultant retained by the SPE. Failure to retain such a consultant on a timely basis could affect such required CFC adjustments. See “SECURITY FOR THE SERIES 2005 BONDS – Pledged Revenues, and – Rate Covenant.”

The Customer Facility Charge has been collected by each Operator since June 24, 2005 and until issuance of the Series 2005 Bonds is pledged to and has been used to repay the indebtedness evidenced by the Bridge Loan. Upon issuance of the Series 2005 Bonds and prepayment of the Bridge Loan in full, the Customer Facility Charge will be pledged solely to and used only for repayment of the Series 2005 Bonds, and any other Bonds Outstanding and any other obligations under the Indenture. For a description of the projected amounts of the Customer Facility Charge from the date of collection thereof through Bond Year 2016, see the Feasibility Report attached hereto as APPENDIX A.

NEITHER THE OPERATORS, THE SPE NOR THE AIRPORT HAVE GUARANTEED THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 2005 BONDS, AND NO PROPERTIES OR REVENUES OF THE OPERATORS, THE SPE OR THE AIRPORT ARE PLEDGED AS SECURITY THEREFOR. IN ADDITION, WHILE THE OPERATORS ARE REQUIRED TO COLLECT CUSTOMER FACILITY CHARGES FROM THEIR ON-AIRPORT CUSTOMERS, THE OPERATORS HAVE NOT GUARANTEED PAYMENT BY THEIR CUSTOMERS OF THE CUSTOMER FACILITY CHARGE.

THE AUTHORITY MAY NOT AND DOES NOT ESTABLISH, PLEDGE, COLLECT OR ENFORCE COLLECTION OF THE CUSTOMER FACILITY CHARGE.

Without limiting the foregoing, the Customer Facility Charges collected by the Operators are pledged by the Commissioner as security for the payment of principal of and interest on the Series 2005 Bonds.

Bond Insurance Policy

Payment, when due, of the principal of and interest on the Series 2005 Bonds, will be guaranteed by a Municipal Bond New Issue Insurance Policy (the “*Policy*” or the “*Bond Insurance Policy*”) to be issued by Financial Guaranty Insurance Company (the “*Bond Insurer*” or “*Financial Guaranty*”) simultaneously with the delivery of the Series 2005 Bonds. See “BOND INSURANCE POLICY AND INSURER” and APPENDIX B – SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY AND SPECIMEN RESERVE POLICY.

Debt Service Reserve Fund Reserve Policy

The Bond Insurer has committed to issue its Municipal Bond Debt Service Reserve Fund Policy (the “*Reserve Policy*”) that will provide for payment to the Trustee of amounts necessary to pay principal of and interest on the Series 2005 Bonds (up to the maximum available amount under the Reserve Policy) in the event there are insufficient amounts on deposit in the Principal and Interest Account of the Bond Fund to make such payments. The Reserve Policy is to be issued by the Bond Insurer at the time of delivery of the Series 2005 Bonds, and will be held by the Trustee in the Debt Service Reserve Account in lieu of depositing funds therein equal to the Debt Service Reserve Account Requirement. The face amount of the Reserve Policy shall be an amount equal to the Debt Service Reserve Account Requirement. See “SECURITY FOR THE SERIES 2005 BONDS – Reserve Policy.”

The Authority

The Authority is a public corporation of the State and a body corporate and politic constituting a political subdivision within the Alaska Department of Commerce, Community, and Economic Development, with separate and independent legal existence under the laws of the State. For a more detailed description of the Authority, see the section herein entitled “THE AUTHORITY.”

The SPE

The SPE is an Alaska limited liability company formed in April 2005 for the special purposes of facilitating the financing of and managing the Consolidated Facility and has no assets or liabilities other than those with respect to such purposes. For a further description of the SPE, see the caption herein entitled “THE SPE.”

The Airport

The Airport is part of the State of Alaska International Airports System (the “*System*”). The System is owned and operated as an enterprise fund of the State and is managed by the Department of Transportation and Public Facilities (the “*Department*”). The System currently comprises two major international air carrier airports, the Airport and Fairbanks International Airport (together, the “*Airports*”). The Airport, which opened in 1951, is both the primary passenger airport in the State and an important cargo airport globally. The Airport facilities include two terminal buildings, three air carrier runways and 31 passenger gates. For a more detailed description of the Airport, see the section herein entitled “THE AIRPORT.” As further described herein, neither the State, the Department nor the Airport is responsible for the design, development, or construction of the Project. Such duties are the responsibility of the Developer and General Contractor.

Financial Feasibility Report

Unison-Maximus, Inc., an Illinois corporation (the “*Feasibility Consultant*”), has been retained to provide a financial feasibility report with respect to the Series 2005 Bonds and the Project. The Feasibility Consultant’s Financial Feasibility Report dated September 1, 2005 (the “*Feasibility Report*”) is set out in full in APPENDIX A hereto and should be read in its entirety for an understanding of the assumptions and rationale underlying the financial forecasts contained therein. The Feasibility Report is based upon the assumptions stated therein. It should be noted that the Feasibility Report projects Customer Facility Charge revenues only through Bond Year 2016, however, the Series 2005 Bonds mature on March 1, 2035 and the amount of principal of and interest due and owing on the Series 2005 Bonds after Bond Year 2016 continues to increase in approximate five-year intervals until final maturity of the Series 2005 Bonds.

Investment Considerations

The purchase and ownership of the Series 2005 Bonds involves certain investment considerations. Prospective purchasers of the Series 2005 Bonds are urged to read this Official Statement in its entirety. For a discussion of certain investment considerations relating to the Series 2005 Bonds, see “INVESTMENT CONSIDERATIONS.”

Forward-Looking Statements

This Official Statement, and particularly the information contained under this caption, the caption “INVESTMENT CONSIDERATIONS,” and in APPENDIX A (specifically, the information contained in the cover letter from the Feasibility Consultant, and the information contained in Sections V and VI of the Feasibility Report), contains statements relating to future

results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. For a discussion of certain of such risks and possible variations in results, see “INVESTMENT CONSIDERATIONS” herein (specifically, the information contained under the subheadings “Achievement of Projections,” “Airline Industry and Airport Factors,” “Construction of Project,” “Competition and Alternate Modes of Transportation,”) and Section V of APPENDIX A hereto.

Additional Information

The descriptions of documents included herein do not purport to be comprehensive or definitive. Prospective purchasers of the Series 2005 Bonds are referred to the Indenture, the Use of Proceeds Agreement, the Lease, the Subleases, the Concession Agreements and other documents and agreements described or referred to in this Official Statement for the complete terms thereof. During the offering period of the Series 2005 Bonds, copies of these documents and agreements may be obtained from, and inquiries regarding information contained in this Official Statement may be directed to RBC Dain Rauscher Inc., the Underwriter, at 2398 E. Camelback Road, Suite 700, Phoenix, AZ 85016 and thereafter may be obtained from the Trustee, at Two Union Square, 601 Union Street, Suite 1720, Seattle, WA 98101.

Changes from Preliminary Official Statement

This Official Statement includes certain information which was not available for inclusion in the Preliminary Official Statement dated September 1, 2005, with respect to the Series 2005 Bonds (the “Preliminary Official Statement”), including the principal amounts, original principal amounts, maturities, maturity values, interest rates, prices, yields, and other terms of the Series 2005 Bonds. This Official Statement also contains certain other changes and additions, including certain changes to the capital budget amounts of the Project in the section entitled “THE PROJECT – Project Budget,” to references to the estimated operating budget in the section entitled “FEASIBILITY REPORT – General Description,” to footnotes in the Debt Service Coverage table in the section entitled “FEASIBILITY REPORT – Forecasted Coverage,” to the descriptions of certain provisions of the documents set forth herein and in the appendices attached hereto, as well as information reflecting events occurring since the date of the Preliminary Official Statement, which have been included in order to make this Official Statement complete as of its date. Purchasers of the Series 2005 Bonds should read this Official Statement in its entirety.

THE AUTHORITY

The Alaska Industrial Development and Export Authority was created in 1967 pursuant to Alaska Statutes 44.88, as amended (the “*Alaska Act*”). Pursuant to the Alaska Act, the Authority has the power to issue bonds, including bonds on which the principal and interest are payable exclusively from the income and receipts or other money derived from the project financed with the proceeds of bonds, for the purpose of financing projects or to refund bonds that

were issued for that purpose. Before issuing such bonds, the Authority must provide for consideration at least sufficient, in the judgment of the Authority, to pay the principal of and interest on bonds as they become due and to maintain reserves for the payments that the Authority considers necessary or desirable. While the Authority has determined that the terms of the Indebtedness Approval, the Order, the Concession Agreements, the Lease and the Subleases require collection and remittance of CFCs sufficient to pay principal of and interest on the Series 2005 Bonds, the Authority gives no assurances and makes no representations as to the likelihood that the CFC will be assessed, collected, adjusted or remitted in amounts sufficient to pay the principal of and interest on the Series 2005 Bonds, and purchasers of the Series 2005 Bonds are advised to make their own inquiries and reach their own conclusions in that regard.

The Authority is governed by a board of directors consisting of two members of the general public appointed by the Governor of Alaska for two-year terms and three *ex officio* members. The *ex officio* members are the Commissioner of the Alaska Department of Commerce, Community, and Economic Development, the Commissioner of the Alaska Department of Revenue, and one other member of the Governor's cabinet appointed at his discretion.

The Series 2005 Bonds are revenue bonds of the Authority secured solely by the revenues and assets pledged under the Indenture authorizing the issuance of the Series 2005 Bonds. The Series 2005 Bonds are not general obligations of the Authority, and the assets and revenues of the Authority are not available for the payment of the Series 2005 Bonds or any fees or charges related thereto except to the extent specifically pledged therefor under the Indenture authorizing the issuance of the Series 2005 Bonds. The Series 2005 Bonds do not constitute an indebtedness or other liability of the State or of a political subdivision of the State, except the Authority. The Authority may not pledge the faith or credit of the State or of a political subdivision of the State, and does not pledge the faith or credit of the Authority, to the payment of the Series 2005 Bonds, and the issuance of the Series 2005 Bonds does not directly or indirectly or contingently obligate the State or a political subdivision of the State to apply money from, or levy or pledge, any form of taxation whatever to the payment of the Series 2005 Bonds. The owners of the Series 2005 Bonds must look only to the CFC proceeds collected and remitted by the Operators as required under the Order (and otherwise) and other amounts pledged as security for the Series 2005 Bonds under the Order, the Indebtedness Approval and the Indenture authorizing the issuance of the Series 2005 Bonds, and not to any other revenues and assets of the Authority for repayment of the Series 2005 Bonds.

THE SERIES 2005 BONDS

The following is a summary of certain provisions of the Series 2005 Bonds, including terms relating to redemption of the Series 2005 Bonds. Reference is hereby made to the Indenture and the Use of Proceeds Agreement in their entirety for the detailed provisions pertaining to the Series 2005 Bonds. See APPENDIX E – SELECTED PROVISIONS OF THE INDENTURE AND THE USE OF PROCEEDS AGREEMENT.

General Description

The Series 2005A Bonds are current interest bonds dated as of their date of issuance and are to be issued in the aggregate original principal amount of \$49,530,000. The Series 2005B Bonds are capital appreciation bonds dated their date of issuance and are to be issued in the aggregate Original Principal Amount of \$13,294,573.

Series 2005A Bonds

The 2005A Bonds will be issued in fully registered form in denominations of \$5,000 in principal amount and integral multiples thereof. Interest on the Series 2005A Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2006, and will accrue from the date of issuance thereof at the rates set forth on the inside cover page hereof. Interest on the 2005A Bonds is payable by check or draft mailed on each registration Interest Payment Date to the Owner thereof at such Owner's address as it appears on the registration books of the Trustee serving as registrar, at the close of business, on the fifteenth (15th) day next preceding each Interest Payment date (the "**Record Date**"). Interest on the Series 2005A Bonds is computed on the basis of a 360-day year, consisting of twelve 30-day months. Principal and the redemption price of the Series 2005A Bonds are payable by the Trustee, serving as paying agent, upon surrender of the Series 2005 Bonds to be paid or redeemed.

Series 2005B Bonds

The 2005B Bonds will be issued in fully registered form in denominations of \$5,000 in Maturity Value and integral multiples thereof. The Maturity Value of the Series 2005B Bonds is payable on their respective maturity dates or on any earlier mandatory redemption date. The Series 2005B Bonds will accrete in value from the date they are issued through maturity or any earlier mandatory redemption date, compounded on March 1 and September 1 of each year, commencing March 1, 2006, in accordance with the definition of Maturity Value and Accreted Value in Appendix C hereto and the accretion tables set forth in Appendix G hereto, at the yields set forth on the inside cover hereof. *The accretion tables set forth in Appendix G hereto and the yields set forth on the inside cover page hereto are for illustration purposes only; all amounts due on the Series 2005B Bonds are based on the definition of Maturity Value set forth in the Indenture.* The Maturity Value and redemption price of the Series 2005B Bonds are payable by the Trustee serving as paying agent, upon surrender of the Series 2005B Bonds to be paid or redeemed.

Redemption Prior to Maturity

Optional Redemption. The Series 2005A Bonds maturing on March 1, 2006 through and including March 1, 2010 are not subject to redemption prior to maturity. The Series 2005A Bonds maturing on March 1, 2030 and 2035 are subject to optional redemption prior to their respective stated maturity dates, by the Authority upon request of the SPE (and with the consent of the Operators), in whole or in part, on any date on or after March 1, 2015, at the redemption prices stated below (expressed as a percentage of the principal amount redeemed) determined in accordance with the schedule set forth below, plus accrued interest to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
On or after March 1, 2015 and on or before February 29, 2016	102%
On or after March 1, 2016 and on or before February 28, 2017	101%
On or after March 1, 2017	100%

The Series 2005B Bonds are not subject to optional redemption prior to their respective maturity dates.

Mandatory Redemption. The Series 2005A Bonds maturing on March 1, 2030 and March 1, 2035 the (“*Series A Term Bonds*”) will be subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements set forth below at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date. The payments specified in the Indenture which are to be deposited into the Bond Fund will be sufficient to redeem, and the Trustee will redeem the following principal amounts of Series A Term Bonds on the following dates:

Series A Term Bonds Maturing on March 1, 2030

<u>Redemption Date</u> <u>(March 1)</u>	<u>Principal Amount</u>
2026	\$3,370,000
2027	3,545,000
2028	3,730,000
2029	3,925,000
2030*	4,135,000

*Final Maturity

Series A Term Bonds Maturing on March 1, 2035

<u>Redemption Date</u> <u>(March 1)</u>	<u>Principal Amount</u>
2031	\$5,260,000
2032	5,540,000
2033	5,830,000
2034	6,140,000
2035*	6,465,000

*Final Maturity

The Series 2005B Bonds maturing on March 1, 2025 (the “Series B Term Bonds”) will be subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements set forth below at a redemption price equal to 100% of the principal amount thereof to be redeemed. The payments specified in the Indenture which are to be deposited into the Bond Fund will be sufficient to redeem, and the Trustee will redeem the following principal amounts of Series 2005B Term Bonds on the following dates:

Redemption Date (March 1)	<u>Principal Amount</u>
2016	\$1,033,799.00
2017	980,453.50
2018	932,626.50
2019	884,799.50
2020	831,454.00
2021	1,250,860.00
2022	1,188,317.00
2023	1,127,613.50
2024	1,072,428.50
2025*	1,019,083.00

*Final Maturity

Selection of Bonds for Redemption

Redemption payments on the Series 2005 Bonds being redeemed in part will be made on a *pro rata* basis to each Owner in whose name such Series 2005 Bonds are registered on the Record Date immediately preceding a redemption date. “Pro rata” is determined, in connection with any mandatory sinking fund redemption or any optional redemption, in part, by multiplying the principal amount of the Series 2005 Bonds of such maturity to be redeemed on the applicable redemption date by a fraction, the numerator of which is equal to the principal amount of the Series 2005 Bonds of such maturity owned by an Owner, and the denominator of which is equal to the total amount of the Series 2005 Bonds of such maturity then Outstanding immediately prior to such redemption date, and then rounding the product down to the next lower integral multiple of \$5,000, provided that the portion of any Series 2005 Bonds to be redeemed is required to be in an Authorized Denomination and all Series 2005 Bonds of a maturity to remain outstanding following any redemption are required to be in Authorized Denominations.

So long as there is a securities depository for the Series 2005 Bonds, there will be only one registered Owner and neither the Authority nor the Trustee will have responsibility for prorating partial redemptions among beneficial owners of the Series 2005 Bonds.

Registration, Payment, Transfer and Exchange – Book-Entry Form

General. The descriptions contained under “Redemption Prior to Maturity” above and which follow insofar as they describe DTC and its relationship with Cede & Co.; the procedures and recordkeeping with respect to beneficial ownership interests in the Series 2005 Bonds; payment of interest and other payments on the Series 2005 Bonds to Participants or Beneficial Owners; confirmation and transfer of beneficial ownership interests in the Series 2005 Bonds; redemption procedures and notices for the Series 2005 Bonds while such bonds are in a book-entry system; and other bond-related transactions by and between DTC, Participants and Beneficial Owners, are based on information that has been obtained from sources that the Authority believes to be reliable, including DTC, but neither the Authority, the SPE, nor the Underwriter has any responsibility for the accuracy thereof.

Registration, Transfer and Exchange. The Series 2005 Bonds are issued in fully registered form and are initially to be registered in the name of Cede & Co., as nominee for DTC, as securities depository for the Series 2005 Bonds. Purchases by Beneficial Owners of the Series 2005 Bonds are to be made in book-entry form in the principal amount of \$5,000 or any integral multiple thereof. One fully registered bond certificate will be issued for each maturity of the Series 2005 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Payments to Beneficial Owners are to be made as described below under “Book-Entry Form.”

The Series 2005 Bonds may be exchanged or transferred at the principal office of the Trustee. No charge is to be imposed upon registered owners in connection with the transfer or exchange except for taxes and governmental charges related thereto. Transfers by Beneficial Owners are to be made as described below under “Book-Entry Form.”

Book-Entry Form. The information contained in the following paragraphs of this subsection has been extracted from a schedule prepared by DTC entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE.” The contents of the DTC website referenced below are not incorporated in the Official Statement by such reference.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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, in turn, is owned

by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2005 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2005 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2005 Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2005 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2005 Bonds, except in the event that use of the book-entry system for the Series 2005 Bonds is discounted.

To facilitate subsequent transfers, all Series 2005 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2005 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2005 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2005 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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.

Redemption notices shall be sent to DTC. If less than all of the Series 2005 Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2005 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting

or voting rights to those Direct Participants to whose accounts Series 2005 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2005 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the date payable 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, the Trustee, or the Authority, 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 Authority or Trustee, disbursement of such payments to Direct Participants will be responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its service as depository with respect to the Series 2005 Bonds at any time by giving reasonable notice to the Authority or Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2005 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2005 Bond certificates will be printed and delivered to DTC.

NEITHER THE STATE, THE AUTHORITY, THE SPE, THE TRUSTEE, THE OPERATORS NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2005 BONDS UNDER THE INDENTURE; (III) THE SELECTION BY DTC OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2005 BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2005 BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2005 BONDS; OR (VI) ANY OTHER MATTER.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE SERIES 2005 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO DTC AND NOT LESS THAN TWO NATIONAL INFORMATION SERVICES. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY

PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES 2005 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

ESTIMATED SOURCES AND USES OF FUNDS

The table below shows the estimated sources and uses of funds for the Project.

SOURCES:	<u>Amount</u>
Series 2005A Bond Proceeds	\$49,530,000.00
Series 2005B Bond Proceeds	13,294,573.00
Original Issue Discount	<u>(1,172,922.60)</u>
 TOTAL:	 <u>\$61,651,650.40</u>
 USES:	
Deposit to Project Fund	54,823,687.22
Deposit to Coverage Fund	1,702,668.75
Deposit to Renewal and Replacement Fund	1,000,000.00
Deposit to Administrative Expense Fund	50,000.00
Bridge Loan Repayment*	\$21,011.00
Costs of Issuance**	<u>4,054,283.43</u>
 TOTAL:	 <u>\$61,651,650.40</u>

* An additional \$1,494,950 of Series 2005 Bond proceeds will be held by the Trustee for repayment of the Bridge Loan.

** Includes underwriter's discount, bond insurance premium, legal fees, debt service reserve account surety bond premium and miscellaneous costs.

SECURITY FOR THE SERIES 2005 BONDS

General

The Series 2005 Bonds are special limited obligations of the Authority, payable solely from the Revenues pledged under the Indenture for payment, and from other funds and accounts available therefor under the Indenture. Revenues consist primarily of Customer Facility Charge proceeds to be collected and remitted by the Operators to the Trustee to pay the principal of and premium, if any, and interest on the Series 2005 Bonds when such become due. Additional Bonds may be issued under the Indenture upon compliance with the terms thereof. See section entitled "Completion Bonds, Additional Bonds and Refunding Bonds" below.

Neither the Consolidated Facility nor any other facilities or properties of the State (including the Airport) or of the Operators are pledged as security for the Series 2005 Bonds and no facilities of the SPE are pledged as security.

THE SERIES 2005 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR OTHER LIABILITY OF THE STATE OF ALASKA OR OF A POLITICAL SUBDIVISION OF THE STATE OF ALASKA, EXCEPT THE AUTHORITY. AS TO THE AUTHORITY,

THE SERIES 2005 BONDS CONSTITUTE LIMITED OBLIGATIONS AND ARE PAYABLE SOLELY FROM CUSTOMER FACILITY CHARGE PROCEEDS AND OTHER AMOUNTS AVAILABLE UNDER THE INDENTURE FOR THE PAYMENT OF THE SERIES 2005 BONDS. THE AUTHORITY MAY NOT AND DOES NOT ESTABLISH, PLEDGE, COLLECT, OR ENFORCE COLLECTION OF THE CUSTOMER FACILITY CHARGE. THE AUTHORITY MAY NOT AND DOES NOT PLEDGE THE FAITH AND CREDIT OF THE STATE OF ALASKA OR OF A POLITICAL SUBDIVISION OF THE STATE OF ALASKA, AND DOES NOT PLEDGE ITS FAITH AND CREDIT, TO THE PAYMENT OF THE SERIES 2005 BONDS, AND THE ISSUANCE OF THE SERIES 2005 BONDS DOES NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF ALASKA OR A POLITICAL SUBDIVISION OF THE STATE OF ALASKA TO APPLY MONEY FROM, OR LEVY OR PLEDGE, ANY FORM OF TAXATION WHATEVER TO THE PAYMENT OF THE SERIES 2005 BONDS. THE AUTHORITY HAS NO TAXING POWER.

Bond Insurance Policy

Payment, when due, of the principal of and interest on the Series 2005 Bonds will be guaranteed by the Bond Insurance Policy to be issued by the Bond Insurer simultaneously with the delivery of the Series 2005 Bonds. See "BOND INSURANCE POLICY AND INSURER" and APPENDIX B.

Pledged Revenues

The Series 2005 Bonds are payable from and secured by the Customer Facility Charge proceeds collected from on-Airport rental car customers and remitted by the Operators to the Trustee in accordance with the Statute, the Order, the Concession Agreements, the Subleases and the Lease. Under the Order, the Concession Agreements, the Subleases and the Lease, each Operator is required to collect the Customer Facility Charge from customers that rent vehicles from, or otherwise enter into motor vehicle rental agreements with, the Operator at the Airport. Such collection is required in order to pay indebtedness under the Statute (defined below). The Operators began collecting the Customer Facility Charge on June 24, 2005 in the amount of \$4.00 per Transaction Day (as defined in APPENDIX C – GLOSSARY OF TERMS) and until issuance of the Series 2005 Bonds and repayment of the Bridge Loan the proceeds thereof are pledged to and have been used to pay debt service requirements with respect to the Bridge Loan. Upon issuance of the Series 2005 Bonds, the Bridge Loan will be paid in full with proceeds of the Series 2005 Bonds and such pledge and use of CFC proceeds will no longer be in effect.

For so long as the Series 2005 Bonds and any other Bonds are Outstanding, and any other obligations under the Indenture are due and owing, the State will, under the Statute, the Order, the Concession Agreements and the Lease, irrevocably and unconditionally require the Customer Facility Charge to be collected and remitted by any company renting passenger vehicles on property at the Airport.

The Commissioner's imposition on the Operators of the obligation to collect the Customer Facility Charge from the on-Airport rental car customers in order to pay the principal of, interest on, and other costs of debt service with respect to the Series 2005 Bonds is authorized under Alaska Statutes 02.15.090, as amended (the "*Statute*"). The Statute provides in part that:

for the privilege of occupying or using a state-owned facility on an airport, which facility is or will be acquired, constructed, equipped, installed, or improved with the proceeds of indebtedness, the payment of which, with approval of the commissioner, is or will be secured solely by proceeds from customer facility charges, the department may require all persons under contract to occupy or use all or a portion of the planned facility, and shall require occupants or users of all or a portion of the facility, to collect from their customers a uniform customer facility charge and remit the proceeds to . . . a trustee or another third party bound to use the proceeds for the principal, interest, reserves, and any other applicable requirements of the indebtedness documentation . . . The commissioner shall set the customer facility charge at an amount projected to generate proceeds sufficient to satisfy all requirements established by the indebtedness documentation, including payment of principal and interest on the indebtedness, maintenance of any reserves, and satisfaction of any other requirement of the indebtedness documentation. . .

Accordingly, since the Operators under the Concession Agreements and Subleases are to occupy the Consolidated Facility which is to be developed, constructed and insured in accordance with the Development Agreement, the Construction Contract and the Lease, as further described herein, they are required to collect and remit the proceeds of the Customer Facility Charge while the Series 2005 Bonds are outstanding, any other obligations under the Indenture are outstanding and they are parties to a Concession Agreement and Sublease.

The Statute also authorizes the Commissioner to require the Operators to collect a uniform Facility Maintenance Charge (the "Facility Maintenance Charge") in order to provide funds to pay for all or a portion of the costs, fees and expenses required to maintain and operate the Consolidated Facility, including insurance costs and maintenance reserves. See "THE PROJECT – Operation and Maintenance." Proceeds of the Facility Maintenance Charge are not available to pay the principal of or interest on the Series 2005 Bonds.

According to the Attorney General's Office of the State of Alaska, which represents the Department, the Customer Facility Charge and the Facility Maintenance Charge are not revenues of the System that must be appropriated by the legislature under the Constitution of the State. A written legal opinion to such effect is to be delivered at the time of issuance of the Series 2005 Bonds.

The Concession Agreements and the Order, along with the Statute, grant to the Trustee a direct right to enforce the collection and remittance of the CFC. In addition, the Order grants to the Trustee the right to appoint a qualified feasibility consultant periodically to review and make recommendations with respect to the level of the CFC. The SPE will assign to the Trustee all of its rights relating to the collection and remittance of the CFC under the Lease and the Subleases.

The amount of the Customer Facility Charge to be initially imposed and collected upon issuance of the Series 2005 Bonds will remain at \$4.00 per Transaction Day, however, it is expected that the Customer Facility Charge will be adjusted prior to March 2, 2006 in accordance with the Order and the Lease. The amount of the Customer Facility Charge to be collected by an Operator from its on-Airport customers will be established by order of the

Commissioner or his delegee, will be the same amount for each of the other Operators and will be set forth as a separate line item in each rental agreement and identified as a Customer Facility Charge. Each Operator is required to remit all Customer Facility Charge proceeds collected by it directly to the Trustee no later than the 20th day of each month with respect to the Customer Facility Charge proceeds collected during the preceding month during which the Series 2005 Bonds are outstanding. The Customer Facility Charge proceeds collected by each Operator prior to remittance to the Trustee are regarded as trust funds held by an Operator, for the beneficial interest of the Trustee. All Customer Facility Charge proceeds collected by an Operator are held in trust prior to being remitted to the Trustee, and the Operators acknowledge in the Concession Agreements and the Subleases that the Customer Facility Charge proceeds are pledged as security for the Series 2005 Bonds. See APPENDIX D – SELECTED PROVISIONS OF THE CONCESSION AGREEMENTS, LEASE AND SUBLEASES. The Customer Facility Charge proceeds and the Facility Maintenance Charge proceeds will be combined by each Operator in segregated accounts of such Operator and remitted monthly to the Trustee which is required to separate such funds based on monthly reports from each Operator, for deposit into the appropriate funds and accounts under the Indenture.

For a description of the projected amounts of the Customer Facility Charge and the Facility Maintenance Charge for Bond Years 2006 through 2016, see “FEASIBILITY REPORT” herein and the Feasibility Report attached hereto as APPENDIX A. It should be noted that the Feasibility Report does not project Customer Facility Charge revenues after Bond Year 2016, however, the Series 2005 Bonds mature on March 1, 2035 and the amount of principal of and interest on the Series 2005 Bonds due and owing after Bond Year 2016 continues to increase in approximate five-year intervals until final maturity of the Series 2005 Bonds.

No SPE, Developer, Operator or Airport Liability

NONE OF THE AIRPORT, THE SPE, THE DEVELOPER OR THE OPERATORS HAVE GUARANTEED THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE SERIES 2005 BONDS, AND NO PROPERTIES OR REVENUES OF THE OPERATORS ARE PLEDGED AS SECURITY THEREFOR. WHILE THE OPERATORS ARE REQUIRED TO COLLECT CUSTOMER FACILITY CHARGES FROM THEIR ON-AIRPORT CUSTOMERS, THE OPERATORS HAVE NOT GUARANTEED THE PAYMENT BY THEIR CUSTOMERS OF THE CUSTOMER FACILITY CHARGE. IN ADDITION, THE SERIES 2005 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR OTHER LIABILITY OF THE OPERATORS, AND THE OPERATORS ARE NOT LIABLE FOR ANY PAYMENTS RELATING TO THE SERIES 2005 BONDS OTHER THAN TIMELY REMITTING TO THE TRUSTEE CFC PROCEEDS COLLECTED FROM THEIR ON-AIRPORT CUSTOMERS.

THE SERIES 2005 BONDS SHALL NOT CONSTITUTE OBLIGATIONS OF THE AIRPORT OR THE SYSTEM AND NO REVENUES OR PROPERTIES OF THE AIRPORT OR THE SYSTEM ARE PLEDGED OR WILL BE MADE AVAILABLE TO REPAY ANY OF THE SERIES 2005 BONDS.

Without limiting the foregoing, the Customer Facility Charges collected by the Operators are pledged by the Commissioner as security for the payment of principal of and interest on the Series 2005 Bonds and any other obligations due and owing under the Indenture.

Debt Service Reserve Account

The Indenture establishes the Debt Service Reserve Account within the Bond Fund, which is required to be funded in an amount equal to, at any time, the least of (i) 10% of the aggregate principal amount of the Bonds then Outstanding, (ii) Maximum Annual Debt Service, or (iii) 125% of Average Annual Debt Service (the “*Debt Service Reserve Account Requirement*”), which initially shall be in an amount equal to \$6,810,675. The Debt Service Reserve Account Requirement may be satisfied by depositing to the credit of the Debt Service Reserve Account any combination from time to time of cash, Authorized Investments and/or one or more surety policies.

In lieu of depositing cash in the Debt Service Reserve Account equal to the Debt Service Reserve Account Requirement at the time of issuance of the Series 2005 Bonds, the Authority will acquire the Reserve Policy with a portion of the Series 2005 Bond proceeds for delivery to the Trustee. See “Reserve Policy” below.

If, two Business Days before any Interest Payment Date or Principal Payment Date, the amount in the Principal Account or the Interest Account (taking into account amounts scheduled to be received from Authorized Investments at any time before such Interest Payment Date) shall be less than the amount required for the payment of all principal (including Accreted Value) of and interest on the Series 2005 Bonds due on such Interest Payment Date, the Trustee shall immediately notify the Bond Insurer, the Authority, the Commissioner, each Operator, and the SPE of such event and shall apply amounts from the following funds and accounts and in the following order to the extent necessary to make good the deficiency: first, from the Coverage Fund; second, from the Redemption Account; third, from the Debt Service Reserve Account; fourth, from the Administrative Expense Fund, and; fifth, from the Renewal and Replacement Fund.

At any time that there are insufficient funds available in the Interest Account or the Principal Account to make any required payment of interest on or principal of the Series 2005 Bonds, or to reimburse the Bond Insurer for amounts advanced for such purpose under the Bond Insurer’s Policy or the Debt Service Reserve Account Reserve Policy, there shall be transferred from the Debt Service Reserve Account to the Interest Account or the Principal Account of the Bond Fund such amounts as may be necessary for such purpose. In the event the Debt Service Reserve Account contains one or more Debt Service Reserve Account Surety Policies, the Trustee shall not draw on a Debt Service Reserve Account Reserve Policy unless no other cash or investments are otherwise available in the Debt Service Reserve Account. If more than one Debt Service Reserve Account Reserve Policy is held in the Debt Service Reserve Account, the Trustee shall draw on such policies on a proportionate basis. Whenever amounts have been drawn on one or more Debt Service Reserve Account Surety Policies, amounts subsequently transferred to the Debt Service Reserve Account shall be used to reimburse the provider (or if more than one, to the providers on a proportionate basis) of such Debt Service Reserve Account Surety Policies in accordance with the terms thereof, for the amounts advanced, interest thereon

and any associated fees. The reimbursement obligations under the Debt Service Reserve Account Reserve Policy shall be secured by a lien on the Revenues, subject and subordinate to the lien securing the Series 2005 Bonds and the required deposits to the Bond Fund, and shall further be secured by a lien on amounts from time to time on deposit in and required to be deposited to the Debt Service Reserve Account.

In the event that the balance in the Debt Service Reserve Account shall be less than the Debt Service Reserve Account Requirement on any Valuation Date, then the Trustee is required to immediately notify the Authority, the Commissioner, each Operator and the SPE of such event and request the Commissioner to increase the amount of the daily Customer Facility Charge so that proceeds of the Customer Facility Charge will be sufficient to provide equal monthly payments which over the following twelve month period will cause the amount in the Debt Service Reserve Account to equal the Debt Service Revenue Account Requirement, unless the Trustee determines that proceeds from the Customer Facility Charge at the then existing level without an increase will be adequate to replenish the Debt Service Reserve Account. See APPENDIX E – SELECTED PROVISIONS OF THE INDENTURE AND THE USE OF PROCEEDS AGREEMENT.

Reserve Policy

Concurrently with the issuance of the Series 2005 Bonds, the Bond Insurer will issue its Reserve Policy. The Reserve Policy unconditionally guarantees the payment of that portion of the principal or Accreted Value of and interest on the Series 2005 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment, provided that the aggregate amount paid under the Reserve Policy may not exceed the maximum amount set forth in the Reserve Policy, \$6,810,675. The Bond Insurer will make such payments to the Trustee on the later of the date on which such principal or Accreted Value and interest is due or on the business day next following the day on which the Bond Insurer shall have received telephonic or telegraphic notice subsequently confirmed in writing or written notice by registered or certified mail from the Trustee of the nonpayment of such amount. The term “nonpayment” in respect of a Series 2005 Bond includes any payment of principal, Accreted Value or interest made to an owner of a Series 2005 Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final non-appealable order of a court having competent jurisdiction.

The Reserve Policy is non-cancelable and the premium will be fully paid at the time of delivery of the Series 2005 Bonds. The Reserve Policy covers failure to pay principal or Accreted Value of the Series 2005 Bonds on their respective stated maturity dates, or dates on which the same shall have been called for mandatory sinking fund redemption, and not on any other date on which the Series 2005 Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment. The Reserve Policy shall terminate on the earlier of the scheduled final maturity date of the Series 2005 Bonds or the date on which no Series 2005 Bonds are outstanding under the Indenture.

Generally, in connection with its issuance of a Reserve Policy, the Bond Insurer requires, among other things (i) that, so long as it has not failed to comply with its payment obligations under the Reserve Policy, it be granted the power to exercise any remedies available at law or

under the authorizing document other than (A) acceleration of the Series 2005 Bonds or (B) remedies which would adversely affect holders in the event that there is a failure to reimburse the Bond Insurer for any draws on the Reserve Policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to the Bond Insurer's consent. The specific rights, if any, granted to the Bond Insurer in connection with its issuance of the Reserve Policy are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which additional or substitute credit enhancement is required to be provided, and related matters.

Coverage Fund

The Indenture establishes a Coverage Fund, which will be initially funded from Series 2005 Bond proceeds. Pursuant to the Indenture, Series 2005 Bond proceeds will be deposited in the Coverage Fund in an amount equal to 25% of the Maximum Annual Debt Service Requirement for the Series 2005 Bonds (the "***Coverage Fund Requirement***") which shall initially be in an amount equal to \$1,702,668.75. Thereafter the amount in the Coverage Fund is required to be maintained in an amount not less than the Coverage Fund Requirement. The Indenture requires that the Trustee withdraw moneys from the Coverage Fund to pay principal of and interest on the Series 2005 Bonds to the extent adequate funds are not available therefor in the Bond Fund. If at any time the amount in the Coverage Fund is less than the Coverage Fund Requirement because of any withdrawal from the Coverage Fund, the Trustee shall immediately notify the Bond Insurer, the Authority, the Commissioner, each Operator and the SPE of such event and request the Commissioner to increase the amount of the daily Customer Facility Charge so that proceeds of the Customer Facility Charge will be sufficient to provide equal monthly payments which over the following twelve-month period will cause the amount in the Coverage Fund to equal the Coverage Fund Requirement, unless the Trustee determines that proceeds from the Customer Facility Charge at the then existing level without an increase will be adequate to replenish the Coverage Fund. See "Flow of Funds" below.

Rate Covenant

Under the terms of the Lease, the SPE is required to cause the level of the Customer Facility Charge to be calculated and to use diligence to cause the Operators to collect the Customer Facility Charge and remit such collections directly to the Trustee for deposit into the appropriate funds and accounts under the Indenture. The Customer Facility Charge is to be established initially and reviewed and adjusted (if necessary) annually (or otherwise as described below) by the Commissioner at rates estimated in written rate reports and recommendations from the Independent Rate Consultant ("***Rate Reports***") to generate Revenues in each Bond Year at least equal to the debt service requirements on the Series 2005 Bonds for such Bond Year, plus the amounts necessary to fund in such Bond Year all amounts required by the Indenture, including, but not limited to the Coverage Fund which is required to be maintained in an amount at least equal to 25% of Maximum Annual Debt Service (the "***Rate Covenant***").

Under the Lease, the SPE is required to cause the Rate Reports and recommendations to be prepared and to be filed with the Bond Insurer, the Trustee, the SPE, the Commissioner and each Operator no less frequently than once every Bond Year, and to be prepared based upon the

Transaction Day and other rental information required to be provided by the Operators pursuant to the Subleases. Such Rate Reports are required to include proforma Customer Facility Charge collection data for the ensuing Bond Year based upon the imposition of the Customer Facility Charge at the recommended rate. If at any time during such ensuing calendar year (i) the aggregate collections of Customer Facility Charges are less than 90% of the proforma aggregate collections for the corresponding period as shown in the Rate Report filed with the Trustee, the SPE, the Commissioner and each Operator, the Commissioner, or his delegee, following consultation with the SPE and the Operators, may promptly increase the Customer Facility Charge without waiting for the next annual review, or (ii) for four consecutive months the monthly collections of the Customer Facility Charge are less than 80% of the proforma monthly collections for each corresponding month as shown in the report filed with the Trustee, then the SPE, the Commissioner, or his delegee shall promptly direct the Independent Rate Consultant to review the Transaction Day and Customer Facility Charge collection history and, after consultation with the Operators, the SPE and the Commissioner, or his delegee, to issue a new Rate Report to be filed with the Trustee, the SPE, the Commissioner and each Operator recommending appropriate action with respect to the Customer Facility Charge rate, which recommendation shall be implemented as promptly as practicable; provided, that if such report filed with the Trustee, the SPE, the Commissioner and each Operator is to be issued within the final four months of a Bond Year, it may also include recommendations for the ensuing Bond Year, in which case no additional Rate Report for such ensuing Bond Year will be required, except as may be required by this clause (ii).

So long as the SPE engages an Independent Rate Consultant to recommend a Customer Facility Charge rate projected by the Independent Rate Consultant to enable the terms of the Rate Covenant to be satisfied and the Commissioner or his delegee causes the prompt imposition of such recommended rate, any failure of the Rate Covenant to be satisfied in any Bond Year shall not constitute an event of default under the Indenture.

Flow of Funds

Under the Indenture, the Trustee is required to deposit immediately all CFC proceeds it receives in the Revenue Fund and to deposit at least once each month all other Revenues it receives (except as otherwise provided in the Indenture), and then not earlier than the twentieth (20th) day of each month, apply amounts therein to the other funds and accounts under the Indenture in the following order:

(1) first, to the Interest Account an amount equal to the Deficiency Amount applicable to the Interest Account, if any, plus one-sixth of the amount of interest that will be due on the Bonds on the next Interest Payment Date;

(2) second, to the Principal Account an amount equal to the Deficiency Amount applicable to the Principal Account, if any, plus one-twelfth of the amount of principal (including Accreted Value in the case of Capital Appreciation Bonds) due on the Bonds on the next Principal Payment Date;

(3) third, to the Coverage Fund, but only if the amount on deposit in the Coverage Fund at such time is less than the Coverage Fund Requirement, an amount equal to the

Deficiency Amount applicable to the Coverage Fund, if any, plus one-twelfth of the Coverage Fund Requirement or such lesser amount as is necessary to cause the amount on deposit in the Coverage Fund to equal the Coverage Fund Requirement;

(4) fourth, to the Debt Service Reserve Account, amounts necessary to reimburse the Bond Insurer for any amounts advanced under the Reserve Policy sufficient to cause the amount on deposit in the Debt Service Reserve Account to equal the Deficiency Amount, applicable to the Debt Service Reserve Account, if any, plus the Debt Service Reserve Account Requirement within a period of no more than twelve months;

(5) fifth, to the Administrative Expense Fund, but only if the amount on deposit in the Administrative Expense Fund at such time is less than the Administrative Expense Fund Maximum Level, an amount equal to the Deficiency Amount applicable to the Administrative Expense Fund, if any, plus one-twelfth of the Administrative Expense Fund Maximum Level or such lesser amount as is necessary to cause the amount on deposit in the Administrative Expense Fund to equal the Administrative Expense Fund Maximum Level; provided, however, that if the Trustee has requested an adjustment to the CFC level under the Indenture, then, from and after the date of any adjustment to the CFC level made in response to such request and until the amount in the Administrative Expense Fund is equal to the Administrative Expense Fund Required Level, the Trustee shall transfer from the Revenue Fund to the Administrative Expense Fund an amount equal to any Deficiency Amount applicable to the Administrative Expense Fund plus either one-sixth or one-twelfth (depending on the CFC adjustment made under the Indenture) of the Administrative Expense Fund Required Level and thereafter shall make transfers to the Administrative Expense Fund as described above;

(6) sixth, to the Renewal and Replacement Fund, but only if the amount on deposit in the Renewal and Replacement Fund at such time is less than the Renewal and Replacement Fund Required Level, an amount equal to the Deficiency Amount applicable to the Renewal and Replacement Fund, if any, plus one-twelfth of the Renewal and Replacement Fund Required Level or such lesser amount as is necessary to cause the amount on deposit in the Renewal and Replacement Fund to equal the Renewal and Replacement Fund Required Level; provided, however, that if the Trustee has requested an adjustment to the CFC level under the Indenture, then, from and after the date of any adjustment to the CFC level made in response to such request and until the amount in the Renewal and Replacement Fund is equal to the Renewal and Replacement Fund Required Level, the Trustee shall transfer from the Revenue Fund to the Renewal and Replacement Fund an amount equal to any Deficiency Amount applicable to the Renewal and Replacement Fund plus either one-twelfth or one-eighteenth (depending on the CFC adjustment made under the Indenture) of the Renewal and Replacement Fund Required Level and thereafter shall make transfers to the Renewal and Replacement Fund as described above; and

(7) seventh, if an Optional Redemption Date will occur during that month or during the following month and if the amount in the Redemption Account on the date that is three Business Days before such Optional Redemption Date is not at least equal to the Redemption Payment that will be due on such Optional Redemption Date, to the Redemption Account the amount necessary to cause the amount on deposit therein to equal such Redemption Payment.

Such funds and accounts are pledged as security for the Series 2005 Bonds under the Indenture. For a more detailed description of the flow of funds and the application of the monies in the funds and accounts in the Indenture, see APPENDIX E, attached hereto and made a part hereof, and for a diagram of the flow of funds, see Figure VI-I in the Feasibility Report attached hereto as APPENDIX A.

Administrative Expense Fund and Renewal and Replacement Fund

The Indenture establishes the Administrative Expense Fund which is required to be maintained in an amount no less than \$40,000 (the Administrative Expense Fund Required Level), however, the initial deposit from Series 2005 Bond proceeds will be \$50,000. The Trustee is to use amounts in the Administrative Expense Fund to pay for expenses and fees incurred in connection with the administration of the Indenture, including fees and expenses of the Trustee, the Independent Rate Consultant, the Authority and Moody's. If amounts in the Administrative Expense Fund are insufficient when needed by the Trustee, an amount not exceeding \$50,000 can be transferred thereto in any Bond Year from the Operations and Maintenance Fund. The Administrative Expense Fund is pledged as security for the Series 2005 Bonds.

The Indenture also establishes the Renewal and Replacement Fund which is to be funded over time in an amount equal to the Renewal and Replacement Fund Required Level. The Trustee is to use amounts in the Renewal and Replacement Fund to pay for costs of capital repairs, replacements, and additions to the Consolidated Facility upon written request and requisition from the SPE together with an MII Consent Certificate authorizing the SPE to make such request and requisition, and written approval of such request and requisition by the Airport. The Renewal and Replacement Fund is pledged as security for the Series 2005 Bonds.

For a more detailed description of the Administrative Expense Fund and the Renewal and Replacement Fund, see APPENDIX E, attached hereto and made a part hereof.

Other Funds and Accounts

In addition to the funds described above, the Indenture also establishes the Issuance Costs Fund, the Project Fund and the Operations and Maintenance Fund. The Issuance Costs Fund and the Project Fund are pledged as security for the Series 2005 Bonds. The Operations and Maintenance Fund is funded with proceeds of the Facility Maintenance Charge collected by the Operators and remitted to the Trustee for payment of operating and maintenance costs with respect to the Consolidated Facility, and it is not pledged as security for the Series 2005 Bonds. For a more detailed description of the application of the monies in these funds and accounts, see APPENDIX E, attached hereto and made a part hereof.

Additional Bonds, Completion Bonds and Refunding Bonds

The Authority may issue, upon written direction of the SPE (with the consent of the Airport and the Operators) one or more series of Completion Bonds or Additional Bonds with respect to the Project secured on a parity with the Series 2005 Bonds, provided, however, that no such bonds may be issued unless certain requirements are satisfied.

Additional Bonds secured on a parity lien basis with the Series 2005 Bonds may be issued in accordance with the Indenture for the purpose of refunding Outstanding Bonds or expanding or making repairs to the Consolidated Facility if the following conditions are satisfied:

- 1) The Authority's Board of Directors has approved such action by resolution;
- 2) The Bond Insurer has provided its written consent to the issuance of such Additional Bonds;
- 3) The maturity date of the Additional Bonds does not exceed the remaining useful life of the Consolidated Facility as improved or expanded;
- 4) The Commissioner and the SPE, upon the delivery of an MII Consent Certificate, have consented to the issuance of the Additional Bonds in writing provided to the Authority and have agreed to the collection of the Customer Facility Charge (in addition to the Customer Facility Charge being collected for all Bonds Outstanding after the issuance of the Additional Bonds) in an amount and for a period of time at least sufficient to provide for payment of debt service on the Additional Bonds for so long as such Additional Bonds will be outstanding and sufficient to fund any additional reserve accounts or other special accounts created in connection with the Additional Bonds;
- 5) A report of an Independent Rate Consultant is delivered to the Trustee by the SPE (together with an MII Consent Certificate) which projects that Customer Facility Charge proceeds are set at a level projected to enable the Rate Covenant to be met taking into consideration the debt service requirements of the Series 2005 Bonds and the Additional Bonds; and
- 6) The Authority receives all other information, fees, indemnities and assurances that it considers desirable in connection with the issuance of the Additional Bonds.

Completion Bonds secured on a parity lien basis with the Series 2005 Bonds may be issued by the Authority, upon the request of the SPE (with the consent of the Airport and the Operators as provided in the Lease and Subleases), in accordance with the Indenture for the purpose of completing the design, construction and equipping of the Consolidated Facility, provided that the aggregate principal amount of Completion Bonds does not exceed \$10,000,000 in aggregate principal amount (or original principal amount if the Completion Bonds are capital appreciation bonds). Prior to the issuance of any series of Completion Bonds, all of the conditions set forth above for the issuance of Additional Bonds (other than the delivery of a resolution of the Authority's Board of Directors) must be satisfied and the SPE must provide a written certificate:

- 1) Stating that all amounts allocated to pay for the costs of the Consolidated Facility were used or are not available to pay for such costs;
- 2) Containing a calculation of the amount by which the aggregate costs of the Consolidated Facility exceeds the sum of the costs of the Consolidated Facility paid to such date plus the monies available at such date within the Renewal and Replacement Fund; and

3) Stating that the issuance of the Completion Bonds is necessary to provide funds for the completion of the Consolidated Facility.

The resolution of the Board of Directors of the Authority approving the issuance of the Series 2005 Bonds, which was adopted on August 8, 2005 and amended on August 31, 2005, includes the approval of the issuance of Completion Bonds.

For a further description of other requirements under the Indenture for the issuance of Additional Bonds and Completion Bonds, see APPENDIX E.

BOND INSURANCE POLICY AND INSURER

The following information has been furnished by the Bond Insurer for use in this Official Statement. Reference is made to APPENDIX B for a specimen of the Bond Insurer's Policy. No representation is made by the Authority, the SPE, the Underwriter or the Operators as to (i) the accuracy or adequacy of the information about the Bond Insurer that is included herein directly or by reference or (ii) the absence of material adverse changes affecting the Bond Insurer subsequent to the date hereof.

Payments Under the Policy

Concurrently with the issuance of the Series 2005 Bonds, Financial Guaranty will issue the Policy. The Policy unconditionally guarantees the payment of that portion of the principal or Accreted Value of and interest on the Series 2005 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment. Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the "*Fiscal Agent*"), on the later of the date on which such principal, Accreted Value or interest (as applicable) is due or on the business day next following the day on which Financial Guaranty shall have received notice (in accordance with the terms of the Policy) from an owner of Series 2005 Bonds or the Trustee of the nonpayment of such amount. The Fiscal Agent will disburse such amount due on any Series 2005 Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal, Accreted Value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal, Accreted Value or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Series 2005 Bond includes any payment of principal, Accreted Value or interest (as applicable) made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

Once issued, the Policy is non-cancelable by Financial Guaranty. The Policy covers failure to pay principal (or Accreted Value) of the Series 2005 Bonds on their stated maturity dates and their mandatory sinking fund redemption dates, and not on any other date on which the Series 2005 Bonds may have been otherwise called for redemption, accelerated or advanced in maturity. The Policy also covers the failure to pay interest on the stated date for its payment. In the event that payment of the Series 2005 Bonds is accelerated, Financial Guaranty will only be obligated to pay principal (or Accreted Value) and interest in the originally scheduled amounts

on the originally scheduled payment dates. Upon such payment, Financial Guaranty will become the owner of the Series 2005 Bond, appurtenant coupon or right to payment of principal or interest on such Series 2005 Bond and will be fully subrogated to all of the Bondholder's rights thereunder.

The Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Policy does not cover: (i) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity; (ii) payment of any redemption, prepayment or acceleration premium; or (iii) nonpayment of principal (or Accreted Value) or interest caused by the insolvency or negligence or any other act or omission of the Trustee or separate paying agent, if any.

As a condition of its commitment to insure the Series 2005 Bonds, Financial Guaranty may be granted certain rights under the Series 2005 Bond documentation. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Series 2005 Bonds may be set forth in the description of the principal legal documents appearing elsewhere in this Official Statement, and reference should be made thereto.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The Bond Insurer

Financial Guaranty, a New York stock insurance corporation, is a direct, wholly-owned subsidiary of FGIC Corporation, a Delaware corporation, and provides financial guaranty insurance for public finance and structured finance obligations. Financial Guaranty is licensed to engage in financial guaranty insurance in all 50 states, the District of Columbia, the U.S. Virgin Islands, the Commonwealth of Puerto Rico and, through a branch, in the United Kingdom.

On December 18, 2003, an investor group consisting of The PMI Group, Inc. ("PMI"), affiliates of The Blackstone Group L.P. ("Blackstone"), affiliates of The Cypress Group L.L.C. ("Cypress") and affiliates of CIVC Partners L.P. ("CIVC") acquired FGIC Corporation (the "FGIC Acquisition") from a subsidiary of General Electric Capital Corporation ("GE Capital"). PMI, Blackstone, Cypress and CIVC acquired approximately 42%, 23%, 23% and 7%, respectively, of FGIC Corporation's common stock. FGIC Corporation paid GE Capital approximately \$284.3 million in pre-closing dividends from the proceeds of dividends it, in turn, had received from Financial Guaranty, and GE Capital retained approximately \$234.6 million in liquidation preference of FGIC Corporation's convertible participating preferred stock and approximately 5% of FGIC Corporation's common stock. Neither FGIC Corporation nor any of its shareholders is obligated to pay any debts of Financial Guaranty or any claims under any insurance policy, including the Policy, issued by Financial Guaranty.

Financial Guaranty is subject to the insurance laws and regulations of the State of New York, where it is domiciled, including Article 69 of the New York Insurance Law ("Article 69"), a comprehensive financial guaranty insurance statute. Financial Guaranty is also subject to the insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory

authority that may be exercised by the various insurance regulators, vary by jurisdiction, but generally require insurance companies to maintain minimum standards of business conduct and solvency, to meet certain financial tests, to comply with requirements concerning permitted investments and the use of policy forms and premium rates and to file quarterly and annual financial statements on the basis of statutory accounting principles (“SAP”) and other reports. In addition, Article 69, among other things, limits the business of each financial guaranty insurer, including Financial Guaranty, to financial guaranty insurance and certain related lines.

For the six months ended June 30, 2005, and the years ended December 31, 2004, and December 31, 2003, Financial Guaranty had written directly or assumed through reinsurance, guaranties of approximately \$35.3 billion, \$59.5 billion and \$42.4 billion par value of securities, respectively (of which approximately 61%, 56% and 79%, respectively, constituted guaranties of municipal bonds), for which it had collected gross premiums of approximately \$131.3 million, \$323.6 million and \$260.3 million, respectively. For the six months ended June 30, 2005, Financial Guaranty had reinsured, through facultative and excess of loss arrangements, approximately 4.2% of the risks it had written.

As of June 30, 2005, Financial Guaranty had net admitted assets of approximately \$3.327 billion, total liabilities of approximately \$2.152 billion, and total capital and policyholders’ surplus of approximately \$1.175 billion, determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

The unaudited financial statements of Financial Guaranty as of June 30, 2005, the audited financial statements of Financial Guaranty as of December 31, 2004, and the audited financial statements of Financial Guaranty as of December 31, 2003, which have been filed with the Nationally Recognized Municipal Securities Information Repositories (“NRMSIRs”), are hereby included by specific reference in this Official Statement. Any statement contained herein under the heading “BOND INSURANCE,” or in any documents included by specific reference herein, shall be modified or superseded to the extent required by any statement in any document subsequently filed by Financial Guaranty with such NRMSIRs, and shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. All financial statements of Financial Guaranty (if any) included in documents filed by Financial Guaranty with the NRMSIRs subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be included by specific reference into this Official Statement and to be a part hereof from the respective dates of filing of such documents.

Financial Guaranty also prepares quarterly and annual financial statements on the basis of generally accepted accounting principles. Copies of Financial Guaranty’s most recent GAAP and SAP financial statements are available upon request to: Financial Guaranty Insurance Company, 125 Park Avenue, New York, NY 10017, Attention: Corporate Communications Department. Financial Guaranty’s telephone number is (212) 312-3000.

The Bond Insurer’s Credit Ratings

The financial strength of Financial Guaranty is rated “AAA” by Standard & Poor’s, a Division of The McGraw-Hill Companies, Inc., “Aaa” by Moody’s Investors Service, and “AAA” by Fitch Ratings. Each rating of Financial Guaranty should be evaluated independently.

The ratings reflect the respective ratings agencies' current assessments of the insurance financial strength of Financial Guaranty. Any further explanation of any rating may be obtained only from the applicable rating agency. These ratings are not recommendations to buy, sell or hold the Series 2005 Bonds, and are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2005 Bonds. Financial Guaranty does not guarantee the market price or investment value of the Series 2005 Bonds nor does it guarantee that the ratings on the Series 2005 Bonds will not be revised or withdrawn.

Neither Financial Guaranty nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Official Statement or any information or disclosure that is provided to potential purchasers of the Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to Financial Guaranty or the Policy under the heading "BOND INSURANCE POLICY AND BOND INSURER." In addition, Financial Guaranty makes no representation regarding the Series 2005 Bonds or the advisability of investing in the Series 2005 Bonds.

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DEBT SERVICE SCHEDULE

The following table sets forth for each Bond Year ending March 1, the debt service amounts for the Series 2005 Bonds.

<u>Bond Year Ending</u> <u>(March 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Gross</u> <u>Debt Service</u> <u>Requirements⁽¹⁾</u>
2006	\$740,000.00	\$1,148,318.98	\$1,888,318.98
2007	200,000.00	2,569,405.50	2,769,405.50
2008	210,000.00	2,560,705.50	2,770,705.50
2009	215,000.00	2,551,402.50	2,766,402.50
2010	225,000.00	2,541,727.50	2,766,727.50
2011	661,181.00	2,720,286.50	3,381,467.50
2012	626,203.50	2,755,264.00	3,381,467.50
2013	592,875.00	2,788,592.50	3,381,467.50
2014	561,612.00	2,819,855.50	3,381,467.50
2015	531,267.00	2,850,200.50	3,381,467.50
2016	1,033,799.00	3,266,443.26	4,300,242.26
2017	980,453.50	3,317,053.90	4,297,507.40
2018	932,626.50	3,367,395.10	4,300,021.60
2019	884,799.50	3,413,082.23	4,297,881.73
2020	831,454.00	3,447,536.90	4,278,990.90
2021	1,250,860.00	4,048,381.13	5,299,241.13
2022	1,188,317.00	4,111,310.95	5,299,627.95
2023	1,127,613.50	4,169,243.46	5,296,856.96
2024	1,072,428.50	4,227,902.02	5,300,330.52
2025	1,019,083.00	4,282,384.50	5,301,467.50
2026	3,370,000.00	2,531,467.50	5,901,467.50
2027	3,545,000.00	2,354,542.50	5,899,542.50
2028	3,730,000.00	2,168,430.00	5,898,430.00
2029	3,925,000.00	1,972,605.00	5,897,605.00
2030	4,135,000.00	1,766,542.50	5,901,542.50
2031	5,260,000.00	1,549,455.00	6,809,455.00
2032	5,540,000.00	1,270,675.00	6,810,675.00
2033	5,830,000.00	977,055.00	6,807,055.00
2034	6,140,000.00	668,065.00	6,808,065.00
2035	<u>6,465,000.00</u>	<u>342,645.00</u>	<u>6,807,645.00</u>
TOTAL	\$62,824,573.00	\$78,557,974.93	\$141,382,547.93

⁽¹⁾ Maturity Value with respect to the Series 2005B Bonds.

Source: The Underwriter

THE AIRPORT

Introduction

The Airport is part of the System which is owned and operated as an enterprise fund of the State and is managed by the Department. The System currently comprises two major international air carrier airports, the Airport and Fairbanks International Airport. The Airport also includes the Lake Hood/Lake Spenard Seaplane Base. The United States Congress authorized construction of the Airport in 1948. The initial facilities were completed in 1951, and commercial operations began in that year. Passenger terminal facilities were not available until 1954; and upon opening, the facility was operating at a level very close to its design capacity. The Alaska Statehood Act of 1959 provided, among other matters, that the Airport be transferred from the federal government to the State at no cost to the State. During the transition from territorial status, however, the State requested that the Federal Aviation Administration (“FAA”) continue to operate the Airport which it did. The FAA continued to operate the Airport until 1960, at which time the State assumed the responsibility for the Airport.

The Airport serves as both the primary passenger airport in the State and as an important cargo airport globally. The Airport is classified by the FAA as a medium-hub airport on the basis of passenger enplanement levels. According to statistics compiled by Airports Council International (“ACI”), for CY 2004, the Airport ranked second in the nation in terms of total cargo tonnage and 60th in total passenger traffic. The FAA reported that the Airport ranked first in the nation in CY 2003 in terms of total all-cargo landed weight.

The Airport, including both domestic and international terminals and a general aviation and air taxi base around Lake Hood, covers approximately 4,800 acres of land. The Airport is located approximately three miles southwest of the principal business district of the Municipality of Anchorage (the “*Municipality*”).

Facilities

The Airport’s airfield facilities include three major air carrier runways, two of which are oriented East-West, and one of which is oriented North-South; a gravel runway for general aviation; and seaplane facilities with two waterlanes. Two of the major runways are equipped with instrument landing systems and are capable of serving all types of commercial aircraft currently in service in the air transportation industry. Additional facilities include eight taxiways, aircraft parking space with pit refueling for 40 wide-body cargo aircraft on either public or leasehold apron, about 10 narrow-body cargo spaces without pit refueling, in addition to the passenger terminal gate parking described below, and various runway lighting and air navigational systems.

Currently the Airport’s passenger terminal facilities include an approximately 834,000 square-foot domestic South Terminal and an approximately 312,000 square-foot North Terminal used primarily for international flights. Additional facilities include a control tower owned by the FAA, privately-owned maintenance hangars, fueling facilities and catering facilities, state-owned parking facilities for approximately 4,200 vehicles (including a 1,200 space parking garage, a 450 space rental car ready/return lot, a 1,250 space lot devoted to employee parking

and 1,300 long and short-term surface parking spaces), a passenger rail terminal owned by the Alaska Rail Road Corporation and land leased to the U.S. Post Office and the Alaska National Guard. The South Terminal consists of three concourses. Concourse A has been partially reconfigured to provide six regional carrier ground load gates with 20 aircraft parking positions and four jet gates, one of which is an airline-owned jetway and one of which is a Department owned jetway. Concourse B has ten jet gates, nine of which are currently equipped with airline-owned jetways. Concourse C provides nine jet gates, increasing the total number of jet gates to 23, of which 17 are equipped with airline-owned jetways and two Department owned jetways. The South Terminal core and Concourse C were opened as new facilities in June, 2004. The Alaska Legislature approved, and the Governor signed, legislation in the spring of 2005 authorizing significant refurbishment of Concourses A and B to be funded by general airport revenue bonds of the System. The international terminal facility has eight gates, all of which are equipped with jetways owned by the Department.

The Airport Air Trade Area

General. The air trade area for the Airport includes not only the areas immediately surrounding Anchorage, but effectively also the entire balance of the State, except for the far southeast area (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 Airport's air trade area expands to most of the State because the vast majority of flights to and from Alaska use the Airport. With the exception of some seasonal flights to Fairbanks, the few outlying passenger markets that can accommodate jet service are generally too small and too distant to support non-stop interstate jet service. The primary region within the Airport's air trade area consists of the Municipality and the Matanuska-Susitna Borough. The large secondary area, including the Kenai Peninsula Borough and the Valdez-Cordova areas, is defined by the limited range and character of airline service provided by other air carrier airports located in surrounding cities. Because most of the region's population resides in Anchorage and the Matanuska-Susitna Borough, and because the Airport is the only airport in that area with scheduled air carrier service, data for those two areas are used to represent the entire airport service area (primary and secondary).

For information regarding the population of and employment in Anchorage and the surrounding region, see the Feasibility Report attached hereto as APPENDIX A, and made a part hereof.

Anchorage Passenger Activity. Passenger activity at the Airport has increased from 4,764,000 in FY 1996 to 5,139,000 in FY 2004. Total passengers include passenger enplanements, passenger deplanements and in-transit passengers. The average annual growth rate over this period is 0.6% as reported by the System.

Set forth below are tables showing passenger activity levels for the fiscal years ended June 30, 1997 through 2004 for the Airport.

Table 1
Airport Annual Passenger Activity
(thousands)

<u>Fiscal Year</u>	<u>Passenger Enplanements</u>	<u>Passenger Deplanements</u>	<u>In-Transit</u>	<u>Total</u>
1997	2,137	2,135	782	5,054
1998	2,126	2,124	767	5,017
1999	2,136	2,116	694	4,946
2000	2,191	2,183	656	5,031
2001	2,243	2,238	626	5,107
2002	2,233	2,217	464	4,914
2003	2,197	2,195	399	4,791
2004	2,251	2,503	385	5,139

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

Table 2
Airport Annual Passenger Enplanements
(thousands)

<u>Fiscal Year</u>	<u>Domestic Enplanements</u>	<u>International Enplanements</u>	<u>Total</u>
1997	2,099	38	2,137
1998	2,093	33	2,126
1999	2,094	42	2,136
2000	2,154	37	2,191
2001	2,209	34	2,243
2002	2,198	35	2,233
2003	2,164	33	2,197
2004	2,224	27	2,251

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

Passenger Enplanements and Origin and Destination Traffic. A large percentage of domestic passengers using the Airport are either beginning or ending their trips at the Airport. This type of passenger activity is commonly referred to as origin and destination (“*O&D*”) passenger traffic. Scheduled domestic O&D enplanements at the Airport were most recently estimated to be approximately 81% of total scheduled domestic enplanements at the Airport. Connecting traffic in the System should be viewed differently from the connecting traffic at a typical hub airport in the lower 48 states. Connecting traffic at a typical hub airport, in theory could be transferred to another airport by rerouting traffic. In the case of the System, because the

Airport serves as Alaska's primary commercial service airport providing flights to the lower 48 states and international destinations, connecting traffic is unlikely to be routed to another airport. The Airport's large domestic O&D passenger base can be attributed to the lack of any significant airport competition within the region and the lack of alternative modes of transportation to other domestic and international destinations. For domestic passengers in particular, Alaska is primarily a destination rather than a route to anywhere else. The Airport serves as the primary instate air center.

Passenger enplanements, both O&D and connecting, at the Airport increased from 1.6 million in FY 1990 to approximately 2.25 million in FY 2004, an average of 2.6% per year.

The majority of passenger enplanements are domestic, accounting for 99% of total enplanements in FY 2004. This traffic segment has grown at 2.9% annually since FY 1990. However, international enplanements decreased from 34,232 in FY 2001 to 26,702 in FY 2004 as reported by the System.

THE PROJECT

General Description

The Project, which is to be located on an approximately six acre site on Airport property directly across from and attached to the Airport's newly renovated and expanded South Terminal, is being developed by the Developer and not the Airport, as further described below. The Project will consolidate all rental car customer operations at the Airport into the single Consolidated Facility, and is to consist generally of a new parking garage for the Operators, an underground passenger tunnel connecting the garage with the South Terminal and certain infrastructure improvements. Specifically, the Project includes the design, acquisition, construction, equipping and financing of the Consolidated Facility containing (i) rental car customer counter and service areas, common areas and office areas for the Operators, (ii) approximately 1,080 ready/return parking and storage spaces for rental cars, (iii) individual service areas for each of the Operators containing car washes, cleaning facilities, fuel dispenser facilities, fuel storage facilities, and overflow parking areas, and (iv) certain infrastructure improvements, including the tunnel, landscaping, roadways, utilities, fencing, signage, drainage and the relocation of certain existing utilities (collectively, the "*Infrastructure*"). See the map and further description of the Project in the Feasibility Report attached hereto as APPENDIX A.

As of the date of this Official Statement, each of the eight Operators has individually executed a Concession Agreement giving it the right to conduct rental car operations at the Consolidated Facility. In addition, each of the Operators has executed a Sublease with the SPE giving that Operator the right to occupy a portion of the Consolidated Facility. The Project is being constructed in order to improve service to Airport rental car customers, to relieve shuttle bus traffic congestion in front of the Airport terminals, and roadways, to improve air quality and to provide certain other benefits to the Operators and the Airport. Upon completion and occupancy of the Project, the current and interim on-Airport rental car facilities will be closed and used by the Airport for public parking and other purposes not related to the rental of motor vehicles. Because the Consolidated Facility is currently designed and is to be constructed for only eight rental car companies, existing space would be reallocated in accordance with the

provisions of the Lease and Subleases in order to accommodate other rental car Operators not currently serving the Airport which may desire to locate on the Airport in the future.

Under the Lease and Subleases, upon completion of the construction of the Consolidated Facility and occupancy thereof by the Operators, ownership of the Consolidated Facility will be vested in the State, with provision for continued occupancy by the SPE and subleasing to the Operators.

Various documents relating to the Project authorize the State, the Department and the Airport to take such actions as review of SPE requisitions for Bond proceeds, for Renewal and Replacement Fund monies and for Operations and Maintenance Fund monies, as well as for the State, the Department or the Airport to approve Project design plans and Operations and Maintenance budgets. The State, the Department or the Airport, as applicable, will perform such activities as part of their governmental and airport operational functions in furtherance of the general public purposes of the State, the Department or the Airport, as applicable. Neither the State, the Department nor the Airport, have undertaken to perform any of the same activities specifically for the benefit of the Holders.

Project Budget

It is currently estimated that the total Project cost will be approximately \$56,924,506. The following is an estimated budget for various components of the Project:

<u>Description</u>	<u>Cost</u>
Design/ Construction Costs	\$52,736,489
Development Costs	3,142,867
Soft Costs	<u>1,045,150</u>
Total Estimated Costs	<u>\$56,924,506</u>

For a further description of the Project, see Section II of the Feasibility Study attached hereto as APPENDIX A.

Developer and the Development Agreement

Developer. Venture Development Group, LLC, the Developer, is responsible for the design, construction and delivery of the Consolidated Facility. It was formed in April, 2001 for the purpose of providing development services to public and private entities, with an emphasis on design build turnkey projects. Projects are undertaken by the Developer on a build to suit, lease-back, or co-ownership basis. Services provided by the Developer include site acquisition, including parcel assemblage, financing consulting or structuring, resolution of zoning and the platting issues, soils investigations, environmental due diligence, surveying, design, construction, relocation management, and leasing. The Managers of the Developer are Mark E. Pfeffer and Gerald E. Neeser.

The Developer is the successor to Alaska Facility Developers, an Alaska general partnership of Mark E. Pfeffer, Gerald E. Neeser, and Jeffrey Koonce, which has been

developing projects in Alaska since 1985. Mr. Koonce is not involved with Venture Development Group, LLC, since its re-organization into a limited liability company.

The Developer, including its predecessor, has undertaken several significant projects on a design build basis. These include two medical offices buildings (started in 1996 and 1999, respectively) at Alaska Regional Hospital (a subsidiary of HCA, Inc.) totaling approximately 134,000 rentable square feet. In 2000, it undertook the parcel assemblage and design build construction of the downtown fire station to the Municipality of Anchorage. It also undertook several years ago, the land-swap of an outmoded elementary school, the design build construction of its replacement, Williwaw Elementary School, and the ultimate sale of the old school after it was renovated for use as a private school. More recently, in 2005, it is completing a design build lease-back of a medical office facility for Renal Care Group Alaska, Inc. as well as turnkey development of a headquarters office building for Bristol Bay Native Corporation.

Most of the Developer's projects are undertaken with Neeser Construction, Inc. as the design builder general contractor and Koonce Pfeffer Bettis, Inc. as the architect. The team has considerable project history in working together on a design build basis. Examples of these design build projects completed as a team include a commissary at Fort Richardson (approximately \$36,000,000 in value), the Alaska Psychiatric Hospital (approximately \$36,000,000 in value), and the Anchorage City Hall (approximately \$13,000,000 in value).

Since formation, the Developer, its predecessors and the design build team have successfully undertaken and completed approximately \$244,000,000 in public and privately funded projects. Current projects include co-development of the Anchorage Civic and Convention Center and affiliated mixed use parking facility (\$98,000,000 in value), a headquarters office building for Afognak Native Corporation which is also commencing this year with a scheduled completion in 2006 (value of approximately \$27,000,000), and a medical office building (approximately \$16,000,000 in value).

Mark Pfeffer, AIA is a registered architect in the State of Alaska. He is a principal of the architectural firm of Koonce Pfeffer Bettis, Inc. and from 1983 until 2004 served as its President. In 2004, Mr. Pfeffer resigned as President to focus more on development activities. He still serves as chairman of the board of directors. He has been a principal of the Developer and its predecessor since its inception, and has extensive experience in identifying, coordinating, and implementing complex development projects.

Gerald E. Neeser started in the construction industry as a carpenter during the 1960's. In 1969, he moved to California as part of a family partnership to build concrete high rise structures and subterranean parking garage structures. In 1974, he moved to Alaska where he formed Neeser Construction, Inc., which has successfully operated in Alaska both during the building booms of the early 1980's and today, and the significant correction of the economy in the late 1980's. Gerald Neeser continues to serve as President of Neeser Construction, Inc. and actively manages the company. He has been a principal of the Developer and its predecessor since its inception, and has extensive experience in identifying, coordinating and implementing development projects.

Development Agreement. Certain of the Operators, the SPE acting in its capacity as the interim owner of the Consolidated Facility until completion, the Developer and Neeser Construction, Inc. the General Contractor, entered into a Development Agreement dated July 13, 2005 (the “*Development Agreement*”), pursuant to which the Developer agreed to design, develop, and construct the Consolidated Facility for a stipulated sum and within a firm completion date. Currently, beneficial occupancy (“*Beneficial Occupancy*”) by the Operators of the Consolidated Facility is anticipated for the spring or early summer of 2007. Under the Development Agreement, payment and performance bonds in the amount of 100% of the stipulated sum will be provided naming both the SPE and the State of Alaska as beneficiaries. The Bridge Loan provided funds to allow the design process to progress sufficiently in order for the Design Builder to propose a price on a stipulated sum basis.

THE DEVELOPER HAS NOT GUARANTEED PAYMENT OF DEBT SERVICE ON THE SERIES 2005 BONDS, AND NO DEVELOPER REVENUES OR PROPERTY ARE PLEDGED AS SECURITY FOR THE SERIES 2005 BONDS. IN ADDITION, THE DEVELOPER HAS NOT GUARANTEED THE COLLECTION OR REMITTANCE OF THE CUSTOMER FACILITY CHARGE FROM PERSONS TO WHOM IT IS CHARGED.

General Contractor and Construction Contract

The Developer and the SPE are to enter into a two-part Construction Contract (the “*Construction Contract*”) with the General Contractor on or prior to the issuance of the Series 2005 Bonds. The form of contract is based upon the AIA Document A191 Part 1 and Part 2, “Standard Form of Agreements between Owner and Design/Builder” (1996 ed.). Both the General Contractor and the Developer are financially at risk under the Construction Contract and the Development Agreement to deliver the Project for the stipulated sum and on schedule.

Neeser Construction, Inc. has been actively building in the Alaska market since 1974 and is also licensed and operating in the States of Washington and Nevada. Projects have ranged from rural “bush” school sites to the Anchorage Jail. It also built under traditional procurement the approximately 330,000 square foot Army and Air Force Exchange Shopping Center, the Eagle River Wal-Mart store, and is currently building, again on an assemblage turnkey basis, a Home Depot store in south Anchorage. Neeser Construction, Inc. has a total bonding capacity in excess of \$200,000,000.

Operation and Maintenance

Under the Lease, the Subleases and the Concession Agreements, responsibility for maintenance and operation of the Consolidated Facility is allocated among the Airport, the SPE and the Operators as follows. The Airport is solely responsible for maintenance of the underground tunnel leading to the Consolidated Facility and will not have any maintenance responsibility for the Consolidated Facility. Each Operator is responsible for day-to-day maintenance of the area to which it has exclusive use rights and for repairing damage to common areas caused by such Operator or its agents. The SPE is responsible for operation and maintenance of the Consolidated Facility, including repair and maintenance, as well as janitorial and snow removal. The SPE may engage third parties to perform its maintenance duties. The costs incurred by the SPE in general maintenance of the Consolidated Facility pursuant to the

Lease and Subleases are payable from proceeds of the Facility Maintenance Charge and the Operators. Costs of capital repairs, replacements and additions to the Consolidated Facility are payable from amounts on deposit in the Renewal and Replacement Fund. To the extent the Facility Maintenance Charge is insufficient to pay for the operation and maintenance costs with respect to the Consolidated Facility in whole or in part, each Operator is responsible for paying its pro rata share of such costs (or excess of costs over available Facility Maintenance Charge proceeds) based on the percentage of space allocated to an Operator in the Consolidated Facility under the Sublease. If, however, it is subsequently determined that the Facility Maintenance Charge cannot be disbursed to the SPE for maintenance and operations free of claims by holders of general airport revenue bonds issued for the benefit of the Airport, then the obligations otherwise intended to be funded with Facility Maintenance Charges will shift from the SPE to the Airport. The SPE is also obligated under the Lease to maintain liability and property casualty insurance with respect to the Consolidated Facility. For a more detailed description of the insurance provisions of the Lease, see APPENDIX D, attached hereto and made a part hereof.

Lease

The Lease is to be entered into between the State and the SPE on or prior to the issuance of the Series 2005 Bonds, and terminates on the later of (i) August 31, 2035, or (ii) ninety (90) days following payment in full of the Bonds and any outstanding obligations under the Indenture. Under the Lease, in the event the Lessee is in breach thereof, the Lessor is required to terminate the Lease, and in certain circumstances, take action to complete or repair the Project, and consult with the Operators. See APPENDIX D for a more complete description of such Lease termination. The Lease provides that the Airport will require each Operator and any other holder of an on-airport rental car concession to operate in the Consolidated Facility and will require the SPE to include in each Sublease a provision requiring the Operator to collect the Customer Facility Charge from its customers and to remit the proceeds to the Trustee. The amount of the annual rent for the Consolidated Facility after Beneficial Occupancy is approximately \$208,000 per year, which amount will increase by twelve percent (12%) in 2007, and with an additional increase of twelve percent (12%) applied to the new rent amount every five years thereafter. After application of a one-time credit of \$200,000, prior to Beneficial Occupancy, rent will be a capital cost of the Project payable from proceeds of the Series 2005 Bonds. After Beneficial Occupancy, rent will be allocated among the Operators to be covered by payments under their Subleases according to proportionate occupancy of the Consolidated Facility.

Under the Lease, upon completion of the construction of the Consolidated Facility and occupancy thereof by the Operators, ownership of the Consolidated Facility will be vested in the State. The Consolidated Facility will then become part of the leased premises under the long-term Lease to the SPE, coupled with an obligation on the part of the SPE to sublease it to the Operators under terms stipulated in the Subleases approved by the Airport. The Concession Agreements require each Operator to collect from customers renting a motor vehicle at the Consolidated Facility the Customer Facility Charge and remit Customer Facility Charge proceeds to the Trustee no later than the 20th day of the month following the month of collection. The Lease provides that subsequent Concession Agreements will include a like requirement so long as Customer Facility Charges are pledged to secure repayment of

indebtedness incurred to acquire, construct or equip the Consolidated Facility, and for Subleases under the Lease likewise to require future Operators to carry out that collection and remittance obligation. The Operators began collecting the Customer Facility Charge in June, 2005 in order to pay the Bridge Loan incurred by the Developer. Under the terms of the Lease, beginning in 2017, the Airport has the right to lease back the top floor of the Consolidated Facility for a period of up to three years if needed for public parking. The Consolidated Facility is being designed to adapt to this use. Rent for such lease-back will be the lesser of fair market value or the total of the Lease rent then in effect. See APPENDIX D attached hereto for a more detailed description of the Lease.

Subleases

Pursuant to the individual Subleases expected to be entered into on or prior to the issuance of the Series 2005 Bonds, the SPE has agreed to lease a portion of the Consolidated Facility to each Operator upon its completion. The Subleases are substantially identical, and the SPE has covenanted under the Lease to enter into substantially identical subleases with any new operator over the term of the Lease. Each current Sublease terminates upon the earlier of (a) March 30, 2018, (b) the termination of the corresponding Operator's Concession Agreement, or (c) termination of the Lease. Under the provisions of each Sublease, each Operator is required to collect and remit to the Trustee the proceeds of the Customer Facility Charge and the Facility Maintenance Charges, along with a certified activity report, in compliance with the Order and each Concession Agreement. Pursuant to the Subleases, individual counter space, car washes, ready/return space, fueling stations and overflow parking will generally be allocated among the Operators based upon their relative market shares, with reallocations of such space occurring periodically over the term of the Subleases. Other areas in the Consolidated Facility will be made available to each Operator on a common use basis. Under the Subleases, each Operator will be responsible for maintaining its own exclusive use areas, and the SPE will be responsible for maintaining all common areas, subject, however, to the direction, and at the cost, of the Operators. Further, each Operator has agreed to pay its pro-rata share of the annual rent under the Lease, real property taxes and ordinary maintenance and operation expenses (to the extent not paid with proceeds of the Facilities Maintenance Charge). For the benefit of the SPE, the Operators have also agreed in the Subleases to collect the Customer Facility Charges and Facility Maintenance Charges and to remit the proceeds thereof to the Trustee in accordance with their respective Concession Agreements. The Subleases also provides for the ability of the Operators, with the consent of the State, to require the SPE to assign its interest under the Subleases and the Lease to another entity who will undertake the property management duties and other responsibilities of the SPE under the Lease and the Subleases. See APPENDIX D for a more detailed description of the Subleases.

THE SPE

The SPE is a limited liability company formed in April 2005 under the laws of the State, with its sole member being Venture Development Holding, LLC. Venture Development Holding, LLC is a wholly owned Alaska subsidiary of Venture Development Group, LLC ("*VDG*"). The SPE is a special purpose entity created in order to enter into the Use of Proceeds Agreement, the Lease, the Subleases, the Development Agreement and the Construction Contract and such other documents necessary to operate and maintain the Consolidated Facility.

Accordingly, the SPE itself has no prior experience in developing, leasing, operating or maintaining consolidated rental car, or other facilities of the type and nature of the Consolidated Facility. The SPE, however, is under the effective control of Mark E. Pfeffer and Gerald E. Neeser in their capacities as Managers of VDG, which has property management experience. VDG controls Venture Development Holdings, LLC which, as stated above, is the sole member of the SPE.

One obligation of the SPE under the Lease will be to hire an Independent Rate Consultant on an annual basis to analyze whether the level of the CFC is sufficient to meet the Rate Covenant, as well as whether the FMC is sufficient to meet the operating costs of the Consolidated Facility. The results of such reports will be made available to the Commissioner for his or her decision on whether an adjustment to the CFC or the FMC is warranted for further order.

THE SPE HAS NOT GUARANTEED PAYMENT OF DEBT SERVICE ON THE SERIES 2005 BONDS, AND NO SPE REVENUES OR PROPERTY ARE PLEDGED AS SECURITY FOR THE SERIES 2005 BONDS. IN ADDITION, THE SPE HAS NOT GUARANTEED THE COLLECTION OR PAYMENT OF THE CUSTOMER FACILITY CHARGE FROM PERSONS TO WHOM IT IS CHARGED; THEY ARE ONLY OBLIGATED TO ENFORCE THE REQUIREMENT IMPOSED UPON THE OPERATORS UNDER THE SUBLEASES TO COLLECT AND REMIT THE CFCs TO THE TRUSTEE ON A TIMELY BASIS.

THE RENTAL CAR COMPANIES

General

The eight Operators are currently parties to separate Concession Agreements and separate Subleases and intend to use and occupy the Consolidated Facility and collect and remit Customer Facility Charges. Such Operators are Alaska Sales & Services, Inc. d/b/a National/Alamo Car Rental ("*National/Alamo*"), Alaska Rent A Car, Inc. d/b/a Avis Rent A Car ("*Avis*"), Floyd & Sons Inc. d/b/a Thrifty Car Rental ("*Thrifty*"), PVC, Inc. d/b/a Dollar Rent A Car Alaska ("*Dollar*"), The Hertz Corporation d/b/a Hertz Rent A Car ("*Hertz*"), Enterprise Leasing Company ("*Enterprise*"), Corporate Sales & Leasing, Inc. d/b/a Budget Rent-A-Car ("*Budget*") and Alaska Dial-a-Car, Inc. d/b/a Payless Car Rental ("*Payless*").

For a further description of each of the Operators, as well as a discussion generally of the rental car industry and market, both nationally and at the Airport, see Section III of the Feasibility Study attached hereto as APPENDIX A. The Airport may in the future grant to additional rental car companies the right to operate on the Airport and use and occupy the Project on terms substantially identical to the Concession Agreements and Lease, requiring such companies to collect and remit Customer Facility Charge from their rental car customers.

THE OPERATORS HAVE NOT GUARANTEED PAYMENT OF DEBT SERVICE ON THE SERIES 2005 BONDS, NO OPERATOR REVENUES OR PROPERTY ARE PLEDGED AS SECURITY FOR THE SERIES 2005 BONDS AND NO OPERATOR HAS GUARANTEED COMPLETION OF CONSTRUCTION OF THE

PROJECT. IN ADDITION, THE OPERATORS HAVE NOT GUARANTEED THE PAYMENT BY THEIR CUSTOMERS OF THE CUSTOMER FACILITY CHARGE; THEY ARE ONLY OBLIGATED TO REMIT THE CUSTOMER FACILITY CHARGE PROCEEDS ACTUALLY COLLECTED.

Concession Agreements

Under each Concession Agreement, each Operator has been granted the right, among other things, to operate a concession for the rental of motor vehicles to the public at the Airport and is required to pay to the Airport concession privilege fees. No part of such concession fees or any other payments due from the Operators to the State under the Concession Agreements (other than CFC remittances) will be pledged as security for the Series 2005 Bonds. In addition, each Operator is required to collect Customer Facility Charges and Facility Maintenance Charges on each Transaction and remit the proceeds thereof to the Trustee on or before the 20th day of each month. The Concession Agreements expire by their terms on April 30, 2018, and may, by the provisions thereof, be terminated on April 30, 2008 and April 30, 2013, which dates are prior to the maturity date of the Series 2005 Bonds. See APPENDIX D attached hereto for a more complete description of the Concession Agreements.

FEASIBILITY REPORT

General Description

The Feasibility Consultant prepared the Feasibility Report dated September 1, 2005, included herein as APPENDIX A. The Feasibility Report describes the Project, discusses the rental car market, describes the economic base supporting the rental car market at the Airport, uses an econometric model to set forth trends and forecasts in the rental car demand at the Airport, describes various factors which could have an impact on the rental car demand at the Airport and discusses the financial framework for the Series 2005 Bonds, including preliminary projections of annual debt service requirements with respect to the Series 2005 Bonds, Customer Facility Charge calculations, Facility Maintenance Charge calculations, projections of revenues pursuant to the Indenture, cash flow projections and Rate Covenant calculations. The Feasibility Report should be read in its entirety for an understanding of the econometric model, transaction day forecast assumptions and the basis for the financial analysis. It should be noted that the Feasibility Report was not updated following inclusion in the Preliminary Official Statement and certain estimated amounts therein have changed since September 1, 2005, such as the amount of annual debt service with respect to the Series 2005 Bonds, which decreased, and the amount of the estimated operating budget for the Project, which increased.

The Feasibility Report has been included herein in reliance upon the knowledge and experience of the Feasibility Consultant.

As noted in the Feasibility Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. See "INVESTMENT CONSIDERATIONS."

Forecasted Coverage

As set forth in the Feasibility Report and as summarized in the following table, proceeds from the Customer Facility Charge are forecast to be sufficient to meet the Rate Covenant through Bond Year 2016, as described herein under “SECURITY FOR THE SERIES 2005 BONDS – Rate Covenant.” The forecasted Customer Facility Charge, Facility Maintenance Charge, projection of revenues and forecasted debt service coverage for Bond Years ending March 1, 2006 through 2016 calculated by the Feasibility Consultant and set forth in the following table are based on preliminary estimated amounts for the Series 2005 Bonds. See Tables VI-3 and VI-4 in the Feasibility Report included herein as APPENDIX A. No such projections have been made by the Feasibility Consultant for Bond Year 2017 through the maturity date of the Series 2005 Bonds.

Debt Service Coverage Bond Years Ending March 1

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Pledged Revenues ^{(1) (2)}	\$1,933	\$3,231	\$2,913	\$2,969	\$3,007	\$3,531	\$3,567	\$3,603	\$3,641	\$3,671	\$4,485
Annual Debt Service ^{(1) (3)}	\$1,888	\$2,868	\$2,870	\$2,865	\$2,866	\$3,471	\$3,471	\$3,471	\$3,471	\$3,471	\$4,370
Debt Service Coverage Ratio ⁽⁴⁾	1.93x	1.73x	1.61x	1.64x	1.65x	1.51x	1.52x	1.53x	1.54x	1.55x	1.42x
Required CFC Rate ⁽⁵⁾	\$3.99	\$3.63	\$3.59	\$3.54	\$3.52	\$4.29	\$4.26	\$4.24	\$4.21	\$4.18	\$5.30

(1) Amounts are reflected in thousands and rounded to the nearest whole number. See Table VI-4 in the Feasibility Study included herein in Appendix A.

(2) Includes Customer Facility Charge proceeds, and investment revenue.

(3) Preliminary estimated amounts which changed upon pricing of the Series 2005 Bonds. See the section herein entitled “DEBT SERVICE SCHEDULE.”

(4) This ratio is obtained by dividing debt service on the Series 2005 Bonds by the pledged revenues (including the Coverage Fund) available to pay such debt service. Because the actual annual debt service in the Series 2005 Bonds is less than the preliminary estimated amounts, the projected coverage ratio for each year is higher than shown in this table.

(5) The projected Customer Facility Charge amount necessary to pay the preliminary estimated annual debt service on the Series 2005 Bonds through Bond Year 2016 and to meet other obligations with respect thereto.

Feasibility Consultant

The Feasibility Consultant, Unison-Maximus, Inc., is a full-service aviation planning and consulting firm headquartered in Chicago, Illinois with satellite offices in Los Angeles, California, St. Louis, Missouri and Newark, New Jersey. The Feasibility Consultant is a wholly owned subsidiary of Maximus, Inc., the largest provider of consulting services to the non-defense public sector. Maximus, Inc. has more than 5,500 employees in more than 300 offices worldwide. The Feasibility Consultant has significant experience in the area of airport finance

and business management, and serves as on-call financial and business management consultants to airports throughout the nation. The Feasibility Consultant staff has provided a full range of financial consulting services to more than 60 airports of all sizes – from some of the world’s busiest airports, to medium and small hub airports. Consulting services provided by the Feasibility Consultant to airports encompass a wide range of services related to airport rental car operations and the financing of new rental car facilities, including the preparation of financial feasibility studies to support airport rental car facility bond financings, rental car demand modeling and forecasting, financial modeling, rental car concession negotiations, survey research, and special studies.

INVESTMENT CONSIDERATIONS

General

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 certain investment considerations associated with the Series 2005 Bonds. There follows a discussion in no particular order of importance or priority of some, but not necessarily all, of the possible investment considerations which should be carefully evaluated by prospective purchasers of the Series 2005 Bonds prior to purchasing any Series 2005 Bonds. The Series 2005 Bonds may not be suitable investments for all persons, and prospective purchasers should be able to evaluate the investment considerations and merits of an investment in the Series 2005 Bonds, and confer with their own legal and financial advisors before considering a purchase of the Series 2005 Bonds.

Bond Insurer

The ability of the Bond Insurer to provide funds to make principal and interest payments on the Series 2005 Bonds in accordance with the Bond Insurance Policy and the Reserve Policy is based solely upon the Bond Insurer’s general credit, and is not secured or otherwise guaranteed by any other entity or amounts. The Authority and the SPE are under no obligation to supply, or cause to be supplied, an alternate insurance policy or Reserve Policy if the Bond Insurer fails to pay as required under the Bond Insurance Policy or the Reserve Policy, as the case may be, or becomes insolvent or bankrupt, or if the ratings on the Series 2005 Bonds are reduced or withdrawn. If the Bond Insurer becomes insolvent or bankrupt while the Bond Insurance Policy and Reserve Policy are outstanding, the owners of the Series 2005 Bonds may become general unsecured creditors of the Bond Insurer. Prospective purchasers of the Series 2005 Bonds should analyze the financial condition of the Bond Insurer carefully to determine whether it has the ability to make payments required under the Bond Insurance Policy and the Reserve Policy. For a description of the Bond Insurer, see “BOND INSURANCE POLICY AND INSURER” herein.

Limited Security

As described under “SECURITY FOR THE SERIES 2005 BONDS,” the principal of, premium, if any, and interest on the Series 2005 Bonds are payable solely from proceeds of the Customer Facility Charge, and other amounts available under the Indenture. No representation

or assurance is given or can be made that proceeds generated by the Customer Facility Charge will be sufficient to pay debt service on the Series 2005 Bonds when due. These revenues are affected by and subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. In the event of a default in payment, there can be no assurance that the Bond Insurer will have sufficient revenues to enable it to make timely payments on the Series 2005 Bonds.

Achievement of Projections

In analyzing whether Customer Facility Charge proceeds will be collected and remitted in amounts sufficient to pay debt service on the Series 2005 Bonds when due, it should be noted that such debt service is not level and increases in approximate five-year intervals from the date of issuance through maturity, requiring the level of the Customer Facility Charge to increase in such intervals as well.

The collection and remittance of Customer Facility Charge proceeds in amounts sufficient to pay debt service on the Series 2005 Bonds when due is affected by and subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. No absolute representation or assurance is given or can be made that Customer Facility Charge proceeds will be realized in amounts sufficient to pay debt service when due on the Series 2005 Bonds.

The receipt of Customer Facility Charge proceeds is subject to, among other factors, the origin and destination passenger activity levels at the Airport in the future, the level of rental car activity at the Airport in the future, future economic conditions, possible military reductions and base closures in the State, slower than expected population growth, shifts in population centers in the Anchorage Metropolitan area, a reduction in the oil industry, a reduction in the State budget, which is particularly subject to fluctuation based on the price of crude oil, given the high proportion of State revenue derived from oil royalties and taxes, higher than expected local taxes, the cost of fuel, and other conditions which are impossible to predict. The future collection and remittance of Customer Facility Charge proceeds will have a direct impact upon the payment of principal of and interest on the Series 2005 Bonds.

As noted in the Feasibility Report, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period will vary, and the variations may be material. See "FEASIBILITY REPORT" and APPENDIX A.

Airline Industry and Airport Factors

The factors affecting aviation activity with respect to the Airport and the resulting impact on the rental of motor vehicles at the Consolidated Facility include airlines service and route networks; the financial health and viability of the airline industry, and specifically Alaska Airlines, the predominant carrier serving the Airport; levels of disposable income; national and international economic and political conditions; the availability and price of aviation fuel; levels

of air fares; the capacity of the national air traffic control system; and the capacity at the Airport and the Consolidated Facility.

The financial results of the airline industry have been subject to substantial volatility since deregulation of the airline industry in 1978. If an airline executing a lease and use agreement with the Airport were to file for protection in the future under the bankruptcy law, it (or a trustee on its behalf) would have the right to seek rejection of its lease and use agreement, which could reduce passenger activity at the Airport, the number of persons renting motor vehicles at the Consolidated Facility and the collection of the Customer Facility Charge.

The financial strength and stability of airlines using the Airport are key determinants of future passenger traffic and the number of available rental car customers. Airline mix and strength affects both seat availability and ticket price competition, which in turn affects passenger traffic volume. See "THE AIRPORT." No assurance can be given that all airlines will continue their operations at the Airport during the term of the Series 2005 Bonds. In the event any airline discontinues or reduces its operations at the Airport its level of activity might not be replaced by other carriers. Accordingly, although rental car activity at the Airport is not strictly a function of any one airline's passenger activity, in particular, connecting passenger activity, no assurance can be given as to the levels of passenger activity and the rental car activity as a result thereof. For a further description of other factors affecting air travel, including economic conditions and airline strikes, see Section V of the Feasibility Report attached hereto as APPENDIX A.

Construction of Project

The ability of the General Contractor to complete the construction of the Project within budget and on schedule may be adversely affected by various factors including: (1) design and engineering errors, (2) unforeseen site conditions, (3) availability of labor, labor cost increases or other labor difficulties, (4) adverse weather conditions, (5) unavailability or increased costs of building materials, (6) subcontractor defaults, (7) governmental regulatory changes between the date of proposal of the stipulated sum price and permitting of construction, and (8) litigation. Even though the Development Agreement and the Construction Contracts allocate the risks of design, labor and material pricing as well as the risk of unknown subsurface conditions for the utility relocation and soil conditions, the risk remains that the Developer and the General Contractor will fail to discharge their contractual obligations and the payment and performance bonds of the General Contractor will not sufficiently allow completion of the Project. Further, the risk of encountering pre-existing environmental conditions and new governmental regulations may affect the stipulated sum price as well as the completion date of the Project. Even though pursuant to the Lease and Subleases, each Operator is required to collect and remit the Customer Facility Charge, an incomplete Project could adversely affect the ability of the Operators to supply a sufficient number of rental cars to accommodate the corresponding demand and, thus could reduce the projected amount of Customer Facility Charge proceeds.

Competition and Alternate Modes of Transportation

There are alternative forms of ground transportation available at and near the Airport, which could reduce the demand for renting motor vehicles at the Consolidated Facility. These

alternate forms that compete with on-Airport rental cars include off-Airport rental cars, taxis, buses, shuttle services, limousines and trains. For a further description of these alternate modes, competition and airports and their impact on rental car demand, see Section V of the Feasibility Report, attached hereto as APPENDIX A. Although less visible and less convenient, off-Airport rental car providers may benefit competitively from, among other things, not having to collect the Customer Facility Charge or the Facility Maintenance Charge. It is not possible to predict with certainty what effect the price differential created by the Customer Facility Charge and the Facility Maintenance Charge will actually have on the car rental market at the Airport.

Certain Events Affecting the Air Transportation Industry and the Airport

The September 11, 2001 events significantly adversely affected the North American air transportation system. Specifically, since September 11, 2001, enplanements have been adversely affected and, while the impact may be less severe than at other airports in the United States, the Airport may continue to be negatively affected by restrictions on the Airport and the financial condition of the air travel industry. It is not possible to predict the likelihood of future incidents similar to the September 11, 2001 events, the likelihood of future air transportation disruptions, or the impact on the Airport, the airlines, and the Operators from such incidents or disruptions.

Geopolitical Risks

The war in Iraq and concern about potential disruption in oil shipments from the Persian Gulf, as well as the high demand for oil and other geopolitical factors have caused oil prices to increase substantially. These factors have had, and may continue to have, significant adverse affects on the cost of air travel, on airline industry profitability and service patterns, and on the cost of operating a rental car. The latter consideration may deter customers who choose instead to use shared or mass transit, or limit the duration of rental transactions. The full extent of these possibilities cannot be predicted by the parties involved with the Project and the issuance of the Series 2005 Bonds.

Considerations under the Bankruptcy Code

In the event a bankruptcy case is filed with respect to an Operator, a bankruptcy trustee or the Operator as debtor-in-possession could reject its Concession Agreement or Sublease, in which event such agreement would be terminated and such Operator would be required to vacate the Consolidated Facility. Further, although any collected Customer Facility Charges should not be deemed to be assets of the Operator's bankruptcy estate, commingling or conversion of the proceeds by the Operator could render them uncollectible by the Trustee.

In the event of a bankruptcy of the General Contractor, the Construction Contract could be terminated and the payment and performance bonds provided by it could be negatively impacted. If such an event were to happen, neither the SPE nor the Developer has any funds available to it, aside from the amounts available under the payment and performance bonds and unspent proceeds of the Series 2005 Bonds in the Project Fund, to complete the Project.

Length of Term of Concession Agreements

Under the terms and provisions of the Concession Agreements, each of the Operators is granted the right to operate as a concessionaire in the Consolidated Facility until April 30, 2018. In addition, each Operator has the right, exercisable by written notice no later than November 1, 2007, to terminate its Concession Agreement on April 30, 2008, with a similar right five years later. In the event one or more Operators no longer rents vehicles at the Consolidated Facility and consequently no longer collects the Customer Facility Charge during the period the Series 2005 Bonds are outstanding, there may not be revenues sufficient to pay the principal of and interest on the Series 2005 Bonds. Such Operator may also choose to move to an off-Airport location and to continue to serve the Airport market from an off-Airport location under a motor vehicle rental business permit. It is impossible to predict whether an Operator will choose to cease operation in the Consolidated Facility in years 2008, 2013, or 2018, whether a replacement Operator will choose to commence operations in the Consolidated Facility (and thus begin collecting and remitting Customer Facility Charges) if that happens, and what effect additional off-Airport competition may have on the car rental market at the Airport.

Limitation of Remedies

Under the terms of the Indenture, the Use of Proceeds Agreement, the Lease, the Subleases and the Concession Agreements, Events of Default are limited to such actions which may be taken at law or in equity. See APPENDIX D – SELECTED PROVISIONS OF THE LEASE, CONCESSION AGREEMENTS AND SUBLEASES, and – APPENDIX E – SELECTED PROVISIONS OF THE INDENTURE AND THE USE OF PROCEEDS AGREEMENT. No mortgage or security interest, however, has been granted or lien created to secure the remittance by the Operators of Customer Facility Charge proceeds.

Various State laws, constitutional provisions, and federal laws and regulations apply to the obligations created by the issuance of the Series 2005 Bonds. There can be no assurance that there will not be any change in, interpretation of, or addition to the applicable laws and regulations and that such laws, regulations and provisions will not be changed, interpreted, or supplemented in a manner that would have a material adverse effect, directly or indirectly, on the affairs of the Authority, the Developer, the SPE, the Airport, or the Operators.

In the event of a default in the payment of principal of or interest on the Series 2005 Bonds, the remedies available to the owners of the bonds upon a default are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional law, statutory law, and judicial decisions, including the federal Bankruptcy Code. Bond Counsel's opinion to be delivered concurrently with delivery of the Series 2005 Bonds will be qualified as to enforceability of the various legal instruments by certain limitations, including limitations imposed by bankruptcy, reorganization, insolvency, and equity principles. See APPENDIX F attached hereto.

Secondary Market

No assurance can be given concerning the existence of any secondary market in the Series 2005 Bonds or its creation or maintenance by the Underwriter. Thus, purchasers of Series

2005 Bonds should be prepared, if necessary, to hold their Series 2005 Bonds until their respective maturity dates.

Municipal Property Tax

In 2005, the Municipality of Anchorage began levying a property tax on the leasehold or possessory interest of private entities under leases and other agreements for occupancy of public facilities. Although a portion of this tax liability with respect to the Consolidated Facility, the Lease and the Subleases is contemplated to be paid from proceeds of the Facility Maintenance Charge through the year 2018, such tax adds to the Operators' cost of renting vehicles at the Airport and such additional costs may be passed on to customers as a supplemental charge or as an increase in the base rental rate. Accordingly, it is not possible to calculate the impact of such obligation on the demand for car rentals at the Airport, and hence on the amount of CFC collections from such car rentals.

RATINGS

Moody's Investors Service, Inc. ("**Moody's**") and Standard and Poors Ratings Services, a division of the McGraw-Hill Companies ("**S&P**") are expected to assign the Series 2005 Bonds ratings of "Aaa" and "AAA", respectively, based upon the issuance of the Bond Insurance Policy by the Bond Insurer. See "BOND INSURANCE POLICY AND INSURER." Moody's has also assigned the Series 2005 Bonds an underlying rating of A3 based on analyses independent of the issuance of the Bond Insurance Policy.

A rating reflects only the views of the rating agency assigning such rating, and an explanation of the significance of such rating may be obtained from such rating agency. The Developer, the SPE, the Airport, the Operators and the Underwriter have furnished to Moody's in connection with the underlying rating application certain information and materials relating to the Series 2005 Bonds and the Project, including certain information and materials which have not been included in this Official Statement. There is no assurance that any of the ratings will continue for any given period of time or that any of the ratings will not be revised downward or withdrawn entirely by any such rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Series 2005 Bonds.

CONTINUING DISCLOSURE UNDERTAKING

In the Indenture, the Trustee, for the benefit of the holders and beneficial owners of the Series 2005 Bonds, is obligated to provide certain updated financial information annually, and timely notice of specified material events, to certain information vendors. The Trustee is required to comply with such requirements for so long as the Series 2005 Bonds remain outstanding. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

Annual Reports

The information to be updated on an annual basis includes (i) the number of Transaction Days at the Airport during the prior calendar year as reported to the Trustee, (ii) the amount of

the Customer Facility Charge and the Facility Maintenance Charge in effect during the prior calendar year as reported to the Trustee, (iii) the total revenues generated by the Customer Facility Charge and the Facility Maintenance Charge for the prior calendar year, (iv) the Independent Rate Consultant's report for such Bond Year and any supplemental report, and (v) the balances contained in and investment earnings with respect to each fund under the Indenture as of the end of the prior calendar year. The Trustee will update and provide the information listed above within six months after the end of each calendar year ending on December 31. The Trustee will provide such updated information to each nationally recognized municipal securities information repository ("**NRMSIR**") and to any state information depository ("**SID**") that is designated by the State and is approved by the United States Securities and Exchange Commission (the "**SEC**").

Updated information may be provided in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12.

Material Event Notices

The Trustee will also provide timely notices of certain events to certain information vendors. The Trustee will provide notice of any of the following events with respect to the Series 2005 Bonds, if such event is material under the federal securities laws: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax status of the Series 2005 Bonds; (7) modifications to rights of holders of the Series 2005 Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing the repayment of the Series 2005 Bonds; (11) rating changes. The Trustee will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("**MSRB**").

Availability of Information from NRMSIRS and SID

The Trustee has agreed to provide the foregoing information to NRMSIRs and any SID only. The information will be available to holders of the Series 2005 Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

Limited Remedy

The sole and exclusive remedy for breach or default under the continuing disclosure undertaking is an action to compel specific performance of the undertakings of the Trustee, and no person, including any owner of the Series 2005 Bonds, may recover monetary damages thereunder under any circumstances. The Trustee may be compelled to comply with its obligations under the continuing disclosure undertaking (i) in the case of enforcement of its obligations to provide information required thereunder, by any owner of outstanding Series 2005 Bonds or by the Trustee on behalf of the owners of Series 2005 Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the owners of the Series 2005 Bonds; provided, however, that the Trustee is not required to take any

enforcement action except at the direction of the Bond Insurer or the owners of not less than 50% in aggregate principal amount of Series 2005 Bonds at the time Outstanding. A breach or default under the continuing disclosure undertaking does not constitute an Event of Default under the Indenture or the Use of Proceeds Agreement. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the continuing disclosure undertaking, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, will no longer be required to be provided.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Birch, Horton, Bittner and Cherot, Bond Counsel, as of the date of issuance of the Series 2005 Bonds, interest on the Series 2005 Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other federal tax consequences of receipt of interest on the Series 2005 Bonds.

Interest on the Series 2005 Bonds is exempt from taxation by the State of Alaska except for transfer, estate and inheritance taxes.

Tax Status of the Series 2005 Bonds

The Series 2005 Bonds will be treated, for federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the holder as it is paid (or, if the holder is an accrual method taxpayer, as it is accrued) as interest.

Series 2005 Bonds with Original Issue Discount

A portion of the Series 2005 Bonds may be issued with original issue discount ("OID"). Accordingly, a holder of a Series 2005 Bond will be required to include OID in gross income as it accrues under a constant yield method, based on the original yield to maturity of the Series 2005 Bond. Thus, the holders of such Series 2005 Bonds will be required to include OID in income as it accrues, prior to the receipt of cash attributable to such income. U.S. holders, however, would be entitled to claim a loss upon maturity or other disposition of such notes with respect to interest amounts accrued and included in gross income for which cash is not received. Such a loss generally would be a capital loss. A holder of a Series 2005 Bond that purchases a Series 2005 Bond for less than its adjusted issue price will have purchased such Series 2005 Bond with market discount. If such difference is not considered to be de minimis, then such discount ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a Series 2005 Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year will be deferred. A holder of a Series 2005 Bond that has an allocated basis in the Series 2005 Bond that is greater than its adjusted issue price, but that is less than or equal to its stated redemption price at maturity, will be considered to have purchased the Series 2005 Bond with acquisition premium. The amount of OID that such holder of a Series 2005 Bond must include in

gross income with respect to such Series 2005 Bonds will be reduced in the proportion that such excess bears to the OID remaining to be accrued as of the acquisition of the Series 2005 Bond. A holder of a Series 2005 Bond may have a basis in its pro rata share of the Series 2005 Bonds that is greater than the stated redemption price at maturity of such Series 2005 Bonds. Holders of Series 2005 Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium, if any, with respect to such Series 2005 Bonds under section 171 of the Code.

Sale and Exchange of Series 2005 Bonds

Upon a sale or exchange of a Series 2005 Bond, a holder generally will recognize gain or loss on the Series 2005 Bonds equal to the difference between the amount realized on the sale and its adjusted tax basis in such Series 2005 Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the Series 2005 Bond not yet taken into income will be ordinary). The adjusted basis of the holder in a Series 2005 Bond will (in general) equal its original purchase price increased by any OID (other than OID reduced due to acquisition premium) and decreased by any principal payments received on the Series 2005 Bond. In general, if the Series 2005 Bond is held for longer than one year, any gain or loss would be long term capital gain or loss, and capital losses are subject to certain limitations.

Foreign Investors

Distributions on the Series 2005 Bonds to a non-U.S. holder that has no connection with the United States other than holding its Series 2005 Bond generally will be made free of withholding tax, as long as that the holder has complied with certain tax identification and certification requirements.

Circular 230

Under Code of Federal Regulations, Title 31, part 10, the regulations governing practice before the Internal Revenue Service (Circular 230), the Authority and its tax advisors including, without limitation, Bond Counsel are (or may be) required to inform you that:

- Any advice contained herein, including any opinions of counsel referred to herein, is not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer;
- Any such advice is written to support the promotion or marketing of the Series 2005 Bonds and the transactions described herein (or in such opinion or other advice); and

Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Defeasance

Defeasance of any Series 2005 Bond may result in a reissuance thereof, in which event a holder will recognize taxable gain or loss equal to the difference between the amount realized

from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the Series 2005 Bonds.

LITIGATION

Authority

To the best knowledge of the Authority, there is not now pending or threatened any litigation, inquiry, proceeding or investigation against the Authority restraining or enjoining the issuance or delivery of the Series 2005 Bonds or questioning or affecting the validity of such Series 2005 Bonds or the proceedings or authority under which they are to be issued. Neither the creation, organization or existence of the Authority nor the title of any of the present members or other officers of the Authority to their respective offices is being contested. To the best knowledge of the Authority, there is not now pending or threatened any litigation against the Authority which in any manner questions the right of the Authority to enter into the Indenture or Use of Proceeds Agreement or to cause the Series 2005 Bonds to be secured in the manner provided in the Indenture.

Developer and SPE

To the best knowledge of the SPE and the Developer, there is not now pending or threatened any litigation, inquiry, proceeding or investigation against the SPE or the Developer that will materially and adversely affect the financial condition or operations of the SPE or the Developer, or the SPE's or Developer's respective ability to execute and perform its obligations under the Use of Proceeds Agreement, the Lease, the Subleases, the Development Agreement and the Construction Contract.

Operators

To the best knowledge of each Operator, there is not now pending or threatened any litigation against such Operator that will adversely affect such Operator's ability to collect the Customer Facility Charge and remit the proceeds thereof, as described in this Official Statement, or such Operator's ability to execute and perform its other obligations under its Sublease or its Concession Agreement.

Airport and State

To the best knowledge of the Airport and State, there is not now pending nor any threatened litigation against the Airport or the State that will materially and adversely affect the ability of the State and the Airport to execute and perform their respective obligations under the Order, the Concession Agreements and the Lease.

UNDERWRITING

The Series 2005 Bonds are being purchased for reoffering by RBC Dain Rauscher Inc. (the "*Underwriter*"), at an aggregate purchase price of \$60,395,158.94, representing the

aggregate principal amount and Original Principal Amount of the Series 2005 Bonds, less an original issue discount of \$1,172,922.60 and, less an underwriting discount of \$1,256,491.46. The Bond Purchase Agreement by and among the Authority, the SPE, the Developer and the Underwriter sets forth the provisions for the purchase of the Series 2005 Bonds by the Underwriter, and the conditions to such purchase, including the requirement that the Underwriter will purchase all of the Series 2005 Bonds if any are purchased.

The Underwriter intends to offer the Series 2005 Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may allow concessions from the public offering price to certain dealers, banks and others. After the initial public offering, the public offering prices may be varied from time to time by the Underwriter.

LEGAL MATTERS

Legal matters incident to the validity of the Series 2005 Bonds are subject to the receipt of the written legal opinion of Birch, Horton, Bittner and Cherot, Anchorage, Alaska, as Bond Counsel. The Department of Law of the State will also deliver a written legal opinion with respect to certain matters. The form of the opinion of Bond Counsel is included as APPENDIX F hereto. Certain legal matters will be passed upon for the Underwriter by its counsel, Brownstein Hyatt & Farber, P.C., Denver, Colorado, and for the Operators by O'Melveny & Myers, LLP, Los Angeles, California and by their individual counsel. Ashburn & Mason, P.C. Anchorage, Alaska will deliver a written legal opinion on certain matters with respect to the Developer and the SPE. A portion of the legal fees to be paid Bond Counsel and counsel to the Underwriter for services rendered in connection with the issuance of the Series 2005 Bonds are contingent upon the sale and issuance of the Series 2005 Bonds.

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MISCELLANEOUS

The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement. The descriptions of the Indenture, the Use of Proceeds Agreement, the Lease, the Subleases, the Concession Agreements and other agreements and documents referred to herein, do not purport to be comprehensive or definitive, and prospective purchasers of the Series 2005 Bonds are referred to the Indenture, the Use of Proceeds Agreement, the Lease, the Subleases, the Concession Agreements and to other agreements and documents referred to herein for the complete terms thereof. During the offering period of the Series 2005 Bonds, copies of the above-referenced agreements and documents may be obtained from the Underwriter. So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

The execution, delivery and use of this Official Statement have been approved by the Authority and the SPE.

Approved:

ANCHORAGE RAC CENTER, LLC

By: /s/ Mark Pfeffer
Its: Authorized Agent

By: /s/ Howard Levine
Its: Authorized Agent

ALASKA INDUSTRIAL DEVELOPMENT AND
EXPORT AUTHORITY

By: /s/ Valorie Walker
Title: Deputy Director - Finance

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APPENDIX A
FINANCIAL FEASIBILITY REPORT

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September 1, 2005

Anchorage RAC Center, LLC
425 G Street, Suite 210
Anchorage, Alaska 99501

Office of the Commissioner, Department of Transportation and Public Facilities
State of Alaska
3132 Channel Drive
Juneau, Alaska 99801

Alaska Industrial Development and Export Authority
813 W. Northern Lights Blvd.
Anchorage, Alaska 99503

Re: Financial Feasibility Report
Alaska Industrial Development and Export Authority Taxable Revenue Bonds
(Rental Car Facility Project at Ted Stevens Anchorage International Airport),
Series 2005A (Current Interest Bonds) and Series 2005B (Capital Appreciation
Bonds)

UNISON-MAXIMUS, INC. ("Unison") is pleased to submit the attached Financial Feasibility Report, which addresses the financial aspects of the proposed issuance of the *Alaska Industrial Development and Export Authority Taxable Revenue Bonds, (Rental Car Facility Project at Ted Stevens Anchorage International Airport)*, Series 2005A and Series 2005B (the "Bonds") by the Alaska Industrial Development and Export Authority (the "Authority"). Venture Development Group, LLC (the "Developer"), pursuant to a Memorandum of Understanding ("MOU") entered into with the rental car companies operating from on-airport premises ("Operators") at Ted Stevens Anchorage International Airport (the "Airport") and the State of Alaska (the "State"), and with the Authority as facilitator, has contracted to develop a consolidated rental car facility (the "Consolidated Facility") at the Airport. The Consolidated Facility and the associated infrastructure improvements are referred to in the attached Report as the "Project." The Bonds are payable solely from and secured by a pledge of the revenues derived from a uniform daily usage fee (the "Customer Facility Charge" or "CFC") to be collected by the Operators from their rental car customers, and certain funds and accounts held by the Trustee under the Bond Trust Indenture, as described in the Report.

The Consolidated Facility will replace the existing rental car customer facilities at the Airport, and will be located directly across from and attached to the Airport's newly renovated and expanded south passenger terminal complex. Under the terms of the MOU,

the Developer is responsible for the design, construction, and delivery of the Project. However, the Developer is obligated to obtain approval from the State and the Operators at certain milestones during the design and construction process. The land upon which the Consolidated Facility will be located is governed by a land/building lease dated as of September 1, 2005 (the "Lease") between the State and the Anchorage RAC Center, LLC, an Alaska limited liability company and special purpose entity (the "SPE"), which is also a party to the Development Agreement. Effective at the Date of Beneficial Occupancy of the Consolidated Facility ("DBO"), ownership of the Consolidated Facility will be vested in the State, with a reservation of lease occupancy rights by the SPE, which will manage, operate, and maintain the Consolidated Facility for use by the Operators under subleases.

Proposed Financing Structure

The Bonds will be issued pursuant to the Bond Trust Indenture dated as of September 1, 2005 (the "Indenture") by and between the Authority and the Bank of New York Trust Company, N.A. (the "Trustee"). The proceeds of the Bonds are to be used in accordance with the terms of the Use of Proceeds Agreement between the Authority and the SPE, dated as of September 1, 2005 (the "Use of Proceeds Agreement"). Under the provisions of the Use of Proceeds Agreement, the Authority has agreed to make the proceeds of the Bonds available to the SPE, and the SPE has agreed to apply the proceeds of the Bonds in accordance with the provisions of the Indenture. Under the Indenture, all proceeds of the Bonds, net of the Underwriter's discount, will be applied as follows: (1) for the funding of the Issuance Costs Fund to pay the costs of issuing the Bonds (the "Issuance Costs"), (2) for the payment of the cost of a debt service reserve surety, (3) for the funding of a debt service Coverage Fund, (4) for the initial funding of the Administrative Expenses Fund; and (5) for the initial funding of the Renewal and Replacement ("R&R") Fund. All remaining proceeds of the Bonds will be deposited into the Project Fund, to be used to pay for, or reimburse the SPE for the payment of, the costs incurred to design, develop, construct, and equip the Project (the "Project Costs"). The SPE has obtained a loan (the "Bridge Loan"), the proceeds of which are being used by the SPE to pay for Project Costs incurred prior to the issuance of the Bonds. The amount of the Bond proceeds to be deposited into the Project Fund will include an amount necessary to pay off the Bridge Loan.

On May 24, 2005, under the provisions of Alaska Statute 02.15.090, as amended (the "CFC Statute"), the Commissioner of the Alaska Department of Transportation and Public Facilities issued an Order Imposing Obligation to Collect and Remit Customer Facility Charges (the "Order"). The Order imposed the CFC at a rate of \$4.00 per transaction day, effective June 24, 2005, and will be adjusted periodically to the level that is expected to generate proceeds that will be at least sufficient to pay the debt service requirements on the Bonds, and to meet the other funding requirements of the Bond Trust Indenture. The CFC Statute also authorized the Commissioner to impose a uniform Customer Facility

Maintenance Charge (the “FMC”) in order to pay for the costs, fees and expenses, including insurance costs and maintenance reserves, required to maintain and operate the Consolidated Facility. However, the FMC collections are not available to pay the debt service requirements on the Bonds.

Report Organization

The attached Report is organized into the following sections:

- **Section I – Introduction:** An overview of the Airport, rental car operations at the Airport, and the Project.
- **Section II – Description of the Project:** A detailed description of the Project, and the estimated budget.
- **Section III – The Rental Car Industry:** An overview of the U.S. rental car industry and the Operators serving the Airport.
- **Section IV – Local Economic Base:** A profile of the Airport’s air service area economy, and relevant economic and demographic trends.
- **Section V – Rental Car Demand Analysis and Forecasts:** A review of the recent trends in rental car activity at the Airport and forecasts of annual rental car demand (in transaction days) for calendar years 2005 through 2015.
- **Section VI – Financial Analysis:** A description of the legal framework for the financing of the Project and operation of the Consolidated Facility, a discussion of the proposed funding, and projections of important financial indicators, such as the projected CFC rate, CFC collections, and debt service coverage – for Bond Year (“BY”) 2006 through BY 2016.¹

Assumptions

The Report is based on the following major assumptions:

1. The Bonds will be issued in the aggregate par amount of approximately \$61,990,611, with a true interest cost of 5.65%.² The principal will be amortized over 30 years, commencing on March 1, 2006. The debt service schedule has been structured such that the annual debt service requirements will increase every five years. Based on these assumptions, the Underwriter has estimated that annual debt service will equal approximately \$1.9 million in BY 2006, \$2.9 million in BY 2007 through BY 2010, \$3.5 million in BY 2011 through BY 2015, \$4.4 million in BY 2016 through BY

¹ A Bond Year begins on March 2nd and ends on March 1st of the following calendar year.

² The par amount and true interest cost are estimates as of the date of this Report, and are subject to change.

2020, \$5.4 million in BY 2021 through BY 2025, \$6.0 million in BY 2026 through BY 2030, and \$6.9 million in BY 2031 through BY 2035.

2. The capital costs of the Project will total approximately \$56.75 million, based on the stipulated sum for the Project Budget approved by the Operators and consented to by the State.
3. To forecast rental car transaction days, Unison developed a multivariate regression model that links key explanatory variables to rental car demand. The following explanatory variables and growth trends were used in the model: (a) the average daily rental rate is assumed to increase at the 2.3% inflation rate through 2008, and then increase at the 3.3% historical average annual rate during the remainder of the forecast period; (b) customers' income as measured by the real U.S. per capita Gross Domestic Product ("GDP") is assumed to increase at an average annual rate of 2.3%; and (c) origin and destination ("O&D") enplanements at the Airport are assumed to increase at a compound annual rate of 1.65%. Detailed descriptions of the explanatory variables and the associated assumed growth rates are contained in Section V of the attached Report.
4. For the purposes of developing the forecast, the following combined CFC and FMC levels were assumed during the forecast period (2005 through 2015): \$4.00 from June 24, 2005 (the date of implementation of the CFC) through January 2006; \$4.30 from February 2006 through January 2010; \$4.95 from February 2010 through January 2015; and \$5.95 from February 2015 through the end of 2015. The assumed combined CFC and FMC levels were based on the estimated levels described in Section VI of the attached Report.
5. Annual rental car transaction days are forecast to decrease to approximately 779,900 in Calendar Year ("CY") 2005, and then increase to 802,200 in CY 2009. Transaction days are projected to decrease slightly in CY 2010, to approximately 801,200, due to the assumed increase in the CFC level in that year. Transaction days are then projected to increase to 820,000 in CY 2014, before decreasing to 817,600 in CY 2015 due to the assumed increase in the CFC level in that year. A rental car demand sensitivity analysis was also prepared, which assumed that the average daily rental rate would increase at the 2.3% inflation rate throughout the forecast period. Under the sensitivity demand scenario, annual transaction days are forecast to increase to approximately 856,700 in CY 2015.
6. The average annual inflation rate is assumed to be 2.3% during the forecast period, based on annual inflation rate forecasted by the U.S. Office of Management and Budget.
7. Interest earnings on the Coverage Fund were estimated based on a 4.55% annual interest rate.

8. Approximately \$315,000 of CFC collections in BY 2007 are assumed to be deposited into the R&R Fund, to supplement the \$1.0 million initial balance assumed to be funded from Bond proceeds.

Other important assumptions underlying the rental car demand activity and financial forecasts are set forth in Sections V and VI of the attached Report.

The analysis and forecasts contained in the attached Report are based upon certain data, estimates and assumptions that were provided by the rental car companies; Anchorage RAC, LLC; Venture Development, LLC; the Underwriter; the State; and other sources. The Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions. In our opinion, the data, estimates, and assumptions used in the attached Report are reliable and provide a reasonable basis for our forecast given the information available and circumstances existing as of the date of the Report. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved may vary from the forecasts and the variations could be material.

Findings

Under the *base case* forecast of rental car transaction days, the combined minimum required CFC and FMC level is projected to decrease during BY 2007 through BY 2010, to \$4.18 in BY 2010, before increasing to \$4.92 in BY 2011 due to the estimated increase in the annual debt service requirements in that year. The combined minimum required CFC and FMC level is then projected to decrease in BY 2012 through BY 2015 before increasing to \$5.86 in BY 2016.

Under the *sensitivity analysis* of rental car demand, the combined minimum required CFC and FMC level is projected to decrease during BY 2007 through BY 2010, to \$4.15 in BY 2010, before increasing to \$4.85 in BY 2011, decrease in BY 2012 through BY 2015, and increase to \$5.60 in BY 2016.

The projected combined CFC and FMC levels described above reflect the projected minimum required levels during the forecast period. It is likely that the actual combined CFC and FMC levels will be higher than the minimum required level in some years, to avoid minor year-to-year fluctuations in the level, and to provide excess CFC collections that could be deposited into the R&R Fund for future repair and replacement expenditures. As described in the attached Report, for the purposes of the financial feasibility analysis, the following combined CFC and FMC levels were assumed during the forecast period (BY 2006 through BY 2016): \$4.00 from June 24, 2005 (the date of implementation of the CFC) through January 2006; \$4.30 from February 2006 through January 2010; \$4.95 from February 2010

through January 2015; and \$5.95 from February 2015 through January 2016. The projections result in estimated annual deposits to the R&R Fund totaling approximately \$1.0 million under the base case demand scenario, and approximately \$1.1 million under the sensitivity demand scenario.

The projected increases in the combined CFC and FMC level during the forecast period are mainly due to the increases in the estimated annual debt service requirements in BY 2011 and BY 2016. It should be noted that the Bonds have been structured such that there will be further increases in the annual debt service requirements in years subsequent to the end of the forecast period – in BY 2021, BY 2026, and BY 2031. The projected increases in the annual debt service requirements after the end of the forecast period will likely result in further increases in the CFC level, which are not reflected in the attached Report.

Under both the base case demand scenario and the sensitivity analysis of rental car demand, Revenues, plus the projected moneys in the Coverage Fund, are projected to equal 1.93 times debt service in BY 2007 and decrease each year thereafter during the forecast period, to 1.42 times annual debt service in BY 2016.

We appreciate the opportunity to assist in the bond financing for the Consolidated Rental Car Facility.

Sincerely,

Unison-Maximus, Inc.

UNISON-MAXIMUS, INC.

Financial Feasibility Report

Consolidated Rental Car Facility at Ted Stevens Anchorage International Airport

September 1, 2005



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FINANCIAL FEASIBILITY REPORT
FOR THE
CONSOLIDATED RENTAL CAR FACILITY
AT
TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT

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SECTION I INTRODUCTION

This report addresses the financial aspects of the proposed issuance of the *Alaska Industrial Development and Export Authority Taxable Revenue Bonds (Rental Car Facility Project at Ted Stevens Anchorage International Airport), Series 2005A (Current Interest Bonds) and Series 2005B (Capital Appreciation Bonds) (the "Bonds")* by the Alaska Industrial Development and Export Authority (the "Authority"). Venture Development Group, LLC (the "Developer"), pursuant to a Memorandum of Understanding ("MOU") entered into with the rental car companies operating from on-airport premises ("Operators") at Ted Stevens Anchorage International Airport (the "Airport") and the State of Alaska (the "State"), and with the Authority as facilitator, has contracted to develop a consolidated rental car facility (the "Consolidated Facility") at the Airport. The Consolidated Facility, together with the associated site development and infrastructure improvements, as described in **Section II**, are referred to in this report as the "Project." The Bonds are payable solely from and secured by a pledge of the revenues derived from a uniform daily usage fee (the "Customer Facility Charge" or "CFC") to be collected by the Operators from their rental car customers, and certain funds and accounts held by the Trustee under the Bond Trust Indenture, as described in **Section VI**.

Under the terms of the MOU, the Developer is responsible for the design, construction, and delivery of the Project. However, the Developer is obligated to obtain approval from the State and the Operators at certain milestones during the design and construction process. The Developer has agreed in the MOU to enter into a construction contract (the "Construction Contract") with a reputable general contractor to provide for the construction and delivery of the Project. Pursuant to the terms of a development agreement dated July 12, 2005 (the "Development Agreement"), the Developer is required to develop the Consolidated Facility for a stipulated sum and within a guaranteed maximum time period. The land upon which the Consolidated Facility will be located is governed by a land/building lease dated as of September 1, 2005 (the "Lease") between the State and the Anchorage RAC Center, LLC, an Alaska limited liability company and special purpose entity (the "SPE"), which is also a party to the Development Agreement. Effective at the Date of Beneficial Occupancy of the Consolidated Facility ("DBO"), ownership of the Consolidated Facility will be vested in the State, with a reservation of occupancy rights by the SPE, which will manage, operate, and maintain the Consolidated Facility.

The Consolidated Facility will replace the existing rental car customer facilities at the Airport, and will be located directly across from and attached to the Airport's newly renovated and expanded south passenger terminal complex (the "South Terminal"). A more detailed description of the Project is contained in **Section II**. This report presents projections of CFC collections and the adequacy of such CFC collections to

pay the debt service requirements on the Bonds and to meet the funding requirements of the Bond Trust Indenture.

This report is organized into the following sections:

- **Section I – Introduction:** An overview of the Airport, rental car operations at the Airport, and the Project.
- **Section II – Description of the Project:** A detailed description of the Project, and the estimated budget.
- **Section III – The Rental Car Industry:** An overview of the U.S. rental car industry and the Operators serving the Airport.
- **Section IV – Local Economic Base:** A profile of the Airport's air service area economy, and relevant economic and demographic trends.
- **Section V – Rental Car Demand Analysis and Forecasts:** A review of the recent trends in rental car activity at the Airport and forecasts of annual rental car demand (in transaction days) for the 2005 – 2015 period.
- **Section VI – Financial Analysis:** A description of the legal framework for the financing of the Project and operation of the Consolidated Facility, a discussion of the proposed funding, and projections of important financial indicators, such as the projected CFC rate, CFC collections, and debt service coverage – for the forecast period of Bond Years ending March 1, 2006 through BY 2016.¹

A. OVERVIEW OF THE AIRPORT²

According to the Federal Aviation Administration (the "FAA"), the Airport is classified as a medium-hub airport.³ The Airport served approximately 4.9 million total passengers in the Airport's Fiscal Year ("FY") 2004, which comprised the 12 months ended June 30, 2004. According to statistics compiled by the Airports Council International ("ACI") for calendar year ("CY") 2004, the Airport ranked second in the nation in terms of total cargo tonnage and 60th in total passenger traffic. The FAA reported that the Airport ranked first in the nation in CY 2004 in terms of total all-cargo landed weight.

The Airport is located on approximately 4,800 acres of land, approximately three miles southwest of the principal business district of the Municipality of Anchorage.

¹ A Bond Year begins on March 2nd and ends on March 1st of the following calendar year.

² This section describes the context for the Project. However, the Project is not an Airport project, but is to be carried out by the Developer.

³ Airports that enplane from 0.25% to 0.99% of total U.S. enplanements are classified by the FAA as medium hub airports.

The Airport's airfield facilities consist of three major air carrier runways; a gravel runway for general aviation; and seaplane facilities with two waterlanes. Two of the major runways are equipped with instrumental landing systems and are capable of accommodating all types of commercial aircraft currently in service in the air transportation industry. The Airport's airfield facilities also include eight taxiways, aircraft parking space, passenger terminal gate parking, and various runway lighting and air navigational systems. The Airport's passenger terminal facilities consist of the 834,000 square-foot domestic South Terminal, which includes the new Concourse C and terminal core, and the 312,000 square-foot North Terminal, which is used primarily for international flights. Other facilities at the Airport include public parking facilities consisting of a four-story parking structure, a rental car ready/return surface lot adjacent to the South Terminal, short and long-term surface parking spaces, and employee parking spaces; cargo facilities consisting of four cargo air parks that contain over 14 million square feet; a train depot owned by the Alaska Railroad Corporation; general aviation facilities; privately-owned aircraft fueling facilities and aircraft maintenance hangars; airport maintenance facilities; an airport rescue and fire fighting ("ARFF") station; and a control tower owned by the FAA.

B. RENTAL CAR OPERATIONS AT THE AIRPORT

Currently, there are eight on-Airport rental car companies serving the market at the Airport: Alamo/National, Avis, Budget, Dollar, Enterprise⁴, Hertz, Payless, and Thrifty. The operations of Enterprise and Hertz at the Airport are corporate-owned locations, while the other six on-Airport rental car operations are locally-owned franchisees/licensees, as described in more detail in **Section III**. In addition to the eight on-Airport rental car companies, the following rental car companies serve the Airport market from off-Airport locations: High Country Car Rental (Kiska Corporation), U-Save, and Value Car.

The on-Airport rental car companies currently operate in the first level of the parking structure and in the surface ready/return lot, both of which are adjacent to the South Terminal. The rental car counters are in the lower level of the South Terminal. An underground pedestrian tunnel connects the South Terminal and the train depot, which also provides pedestrian access to the surface rental car ready/return lot and the first level of the parking structure. For the privilege of operating at the Airport, the rental car companies pay to the Airport the greater of an Annual Guarantee or a concession fee, which is a percentage of each company's gross revenues. The on-Airport rental car companies also pay parking space rent and return row rent. Each company also pays land rent under a separate land lease for its individual storage and maintenance facilities at the Airport.

The Bonds are being issued to fund the costs of the Project. A more detailed discussion of the Project and Project Budget is presented in **Section II**.

⁴ Enterprise began serving the Airport from off-Airport facilities in May 2004, and became an on-Airport concessionaire effective May 2005.

C. PROPOSED FINANCING STRUCTURE

The Bonds will be issued pursuant to the Bond Trust Indenture dated as of September 1, 2005 (the "Indenture") by and between the Authority and the Bank of New York Trust Company, N.A. (the "Trustee"). The proceeds of the Bonds are to be used in accordance with the terms of the Use of Proceeds Agreement between the Authority and the SPE, dated as of September 1, 2005 (the "Use of Proceeds Agreement"). Under the provisions of the Use of Proceeds Agreement, the Authority has agreed to make the proceeds of the Bonds available to the SPE, and the SPE has agreed to apply the proceeds of the Bonds in accordance with the provisions of the Indenture. Under the Indenture, all proceeds of the Series 2005B Bonds will be used to pay the costs of issuing the Bonds (the "Issuance Costs"). The proceeds of the Series 2005A Bonds, net of the underwriter's discount, will be applied as follows: (1) for the payment of the cost of a debt service reserve surety, (2) for the funding of a debt service Coverage Fund, (3) for the initial funding of the Administrative Expenses Fund; and (4) for the initial funding of the Renewal and Replacement ("R&R") Fund. All remaining proceeds of the Series 2005A Bonds will be deposited into the Project Fund, to be used to pay for, or reimburse the SPE for the payment of, the costs incurred to design, develop, construct, and equip the Project (the "Project Costs"). The SPE has obtained a loan (the "Bridge Loan"), the proceeds of which are being used by the SPE to pay for Project Costs incurred prior to the issuance of the Bonds. The amount of the Bond proceeds to be deposited into the Project Fund will include an amount necessary to pay off the Bridge Loan. The funds and accounts established under the Indenture, and the application of Bond proceeds, are described in more detail in **Section VI**.

The Bonds will be issued in the approximate amount of approximately \$62.0 million⁵, with a true interest cost of 5.65%.⁵ The principal is being amortized over 30 years, commencing on March 1, 2006. Interest payments will be due every six months, on March 1st and September 1st of each year, and principal payments will be due once a year, on March 1st.

On May 24, 2005, under the provisions of Alaska Statute 02.15.090, as amended (the "CFC Statute"), the Commissioner of the Alaska Department of Transportation and Public Facilities (the "Commissioner") issued an Order Imposing Obligation to Collect and Remit Customer Facility Charges (the "Order"). The Order imposed the CFC at a rate of \$4.00 per transaction day, effective June 24, 2005, and will be adjusted periodically to the level that is expected to generate proceeds that will be at least sufficient to pay the Bridge Loan payments (prior to issuance of the Bonds), and then the debt service requirements on the Bonds, and to meet the other funding requirements of the Indenture. It is anticipated that the CFC will be increased to \$4.30 effective February 1, 2006, as described in Section VI of this Report. The CFC Statute also authorized the Commissioner to impose a uniform Customer

⁵ The estimated amount of the Bonds and the true interest cost are estimates, and are subject to change.

Facility Maintenance Charge (the “FMC”) in order to pay for costs, fees and expenses, including insurance costs and maintenance reserves, required to maintain and operate the Consolidated Facility.⁶ The FMC collections are not available to pay the debt service requirements on the Bonds.

The financial aspects of the Project and the issuance of the Bonds are discussed in more detail in **Section VI**.

⁶ The costs to maintain and operate the Consolidated Facility will include a portion of the Municipality of Anchorage real property taxes that will be imposed on the Consolidated Facility for tax years 2008 through 2018.

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SECTION II

DESCRIPTION OF THE PROJECT

The Project, which will consist of the Consolidated Facility and certain infrastructure improvements, is to be located on Airport property directly across from and attached to the Airport's newly renovated and expanded South Terminal. The property is currently used by the rental car companies as the ready/return lot. This section describes the Project and the Project Budget.

A. PROJECT ELEMENTS

The Consolidated Facility will contain the following elements:

- A customer service lobby, which will include customer counter and service areas; office areas for the Operators; public circulation space; and public restrooms. Provisions are being made to include in the customer service lobby certain systems and equipment, including remote electronic airline ticketing kiosks, flight arrival and departure screens, and luggage cart vending machines. Although the Project contemplates including these elements in the customer service lobby, the details of implementing these systems and equipment items have not yet been determined. It is also anticipated that the customer service lobby will be connected to the public address system for the air terminal complex.
- A four-level parking structure, which will contain approximately 1,080 rental car ready/return and storage parking spaces; and individual quick-turn-around ("QTA") areas for each of the Operators to perform car washing, vacuuming, and cleaning activities. Approximately 80% of the first three levels of the Consolidated Facility will be used for rental car ready/return spaces. The remaining 20% of the first three floors will be occupied by the Operators' QTA facilities. The fourth level of the Consolidated Facility, which will be uncovered, will be used for peak season rental car vehicle storage, with no customer access.

The Project will also include certain infrastructure improvements (the "infrastructure"):

- An underground pedestrian tunnel connecting the Consolidated Facility and the South Terminal. The tunnel will be an extension of the existing tunnel system, which accesses the public parking garage and the train depot.
- A vehicle fueling area adjacent to the Consolidated Facility, which will be accessible from the back of the Consolidated Facility via two vehicle ramps, with no public access.
- Other incidental infrastructure improvements, including landscaping, roadway improvements, utilities, fencing, signage, and drainage.

B. PROJECT BUDGET

As mentioned in **Section I**, the Developer is responsible for the design, construction, and delivery of the Project, subject to approvals from the State and the Operators at certain milestones during the design and construction process. Under the terms of the Development Agreement, the Developer is required to develop the Consolidated Facility for a stipulated sum and within a guaranteed maximum time period. The stipulated sum approved by the Operators, with the consent of the State, for the Project Budget is \$56.75 million, as summarized in the following table:

**TABLE II-1
PROJECT BUDGET**

Project Element	Cost
Design and Construction	\$52,736,489
Development Costs	3,142,868
Soft Costs ¹	870,643
Total Estimated Costs	\$56,750,000

Source: Venture Development Group, LLC

¹ Soft costs include legal, environmental, inspection, third party estimator, and pre-development design and planning costs; professional fees; and property taxes.

The capital costs of the Project will be funded with the proceeds of the Bonds. The SPE has obtained a loan (the "Bridge Loan"), the proceeds of which are being used by the SPE to pay for Project Costs incurred prior to the issuance of the Bonds. The amount of the Bond proceeds to be deposited into the Project Fund will include an amount necessary to pay off the Bridge Loan. As described in **Section I**, the Bonds are secured by a pledge of CFC collections. The financial analysis presented in **Section VI** assumes that a portion of CFC collections during BY 2007 will be deposited into the R&R Fund to establish the initial balance of that Fund.

It is anticipated that the FMC collections will be used to fund the following operating costs and operating and maintenance reserve fund requirements of the Project, which are described in more detail in **Section VI**:

- Operating and maintenance ("O&M") expenses, including a portion of the Municipality of Anchorage real property taxes that will be imposed on the Consolidated Facility.
- Initial funding of the Operation and Maintenance ("O&M") Fund.

SECTION III RENTAL CAR INDUSTRY

This section describes the U.S. rental car industry, recent market and industry developments, and the rental car companies that serve the Airport's market. It sets the context for the detailed examination of the rental car market at the Airport in **Section V**.

A. U.S. RENTAL CAR INDUSTRY

1. Background

The U.S. rental car industry has two distinct market segments: (1) the airport market and (2) the local retail and insurance replacement market ("local market"). The airport market, which is the focus of this Report, consists of business and leisure air travelers who rent cars at airports for ground transportation at their destinations.

The early rental car companies in the United States operated in downtown areas, usually at hotels and train stations. The Hertz Corporation, the oldest rental car company, traces its history to 1918 with the opening of the first rental car operation, in Chicago. In 1932, Hertz expanded into the airport market when it opened a location at Chicago Midway Airport. The post-World War II economic prosperity led to enormous growth in consumer demand for a variety of goods and services, including air travel. Warren Avis opened rental car locations at Detroit's Willow Run Airport and Miami International Airport in 1947, and at airports in Chicago, Dallas, Houston, Los Angeles, New York, and Washington, D.C. in 1948. Recognizing air travelers' need for a convenient mode of ground transportation at their destinations, the rental car industry subsequently expanded to provide rental car service at all commercial airports in the United States.

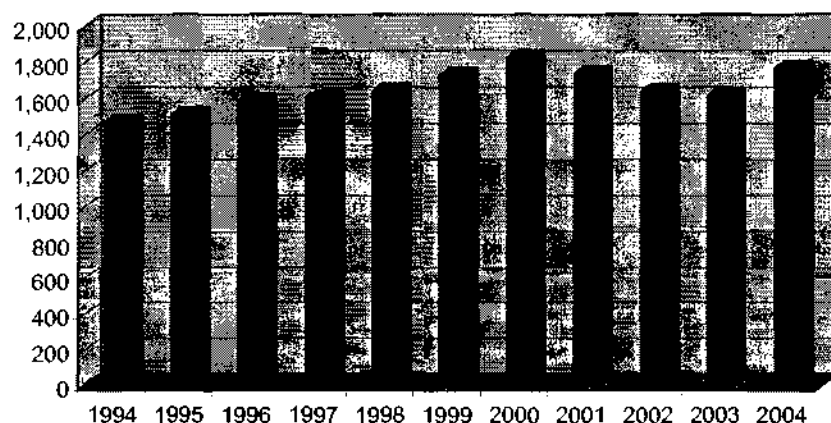
To serve rental car customers at airports, rental car companies typically pay a "concession fee" or an "airport privilege fee." The concession fee is typically set as the greater of a minimum annual guarantee or a percentage of gross revenues earned from the airport location. The on-Airport rental car operators at the Airport pay a concession fee of 10% of their gross revenues. The off-Airport operators at the Airport pay an 8% concession fee, with no minimum annual guarantee.

2. U.S. Rental Car Market Trends

As of 2004, the U.S. rental car industry operated a fleet of approximately 1.77 million cars (**Figure III-1**). The size of the fleet grew 20.4% from 1994, or 1.9% per year on average. The size of the fleet peaked at 1.83 million in 2000, and was streamlined in 2001, 2002, and 2003 – to approximately 1.62 million in 2003 – as part of the industry's efforts to manage the fleet more efficiently and to match supply with the reduction in demand following the terrorist attacks of September 11, 2001 (the "September 11, 2001 Events"). In 2004, the total fleet size increased 9.6%, which

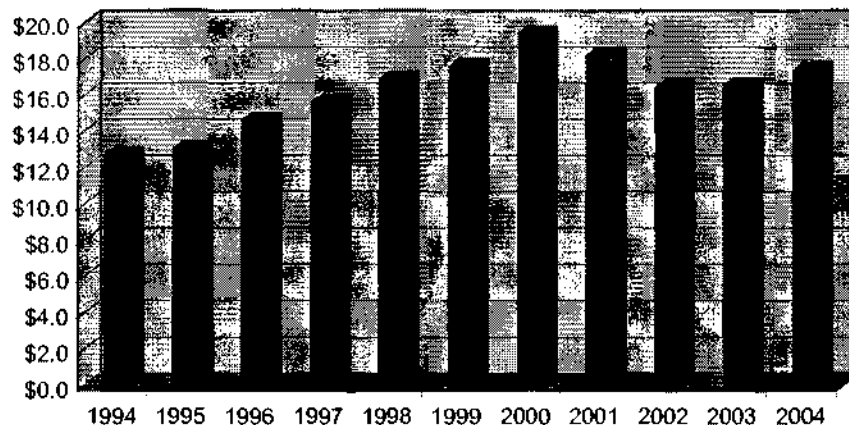
brought it back almost to the pre-September 11, 2001 peak observed in 2000. A similar trend is seen in the U.S. rental car market revenue (**Figure III-2**) – an expansion from approximately \$12.7 billion in 1994 to \$19.4 billion in 2000, followed by reductions in 2001 (to \$18.4 billion) and 2002 (to \$16.4 billion), and then a slight increase to \$16.5 billion in 2003, and a 5.5% increase in 2004, to \$17.4 billion.

FIGURE III-1
U.S. RENTAL CAR FLEET
(In Thousands)
1994-2004



Source: Auto Rental News.

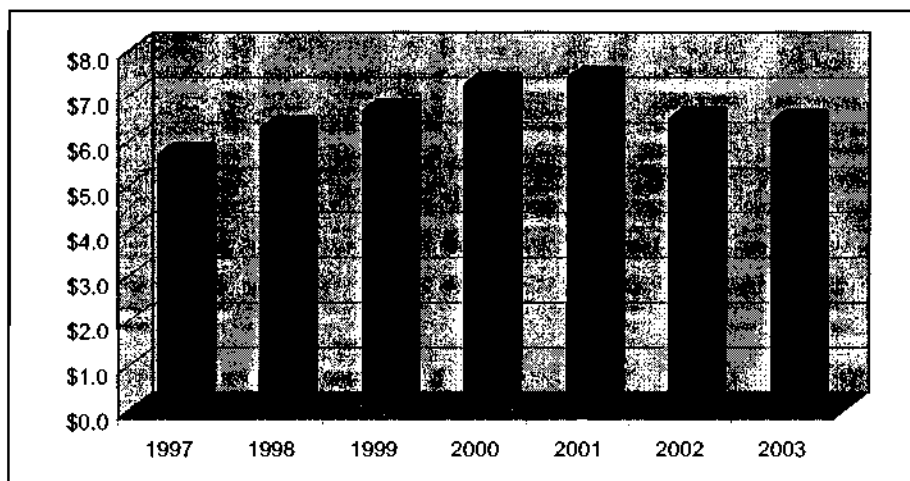
FIGURE III-2
U.S. RENTAL CAR MARKET REVENUE
(In Billion Dollars)
1994-2004



Source: Auto Rental News.

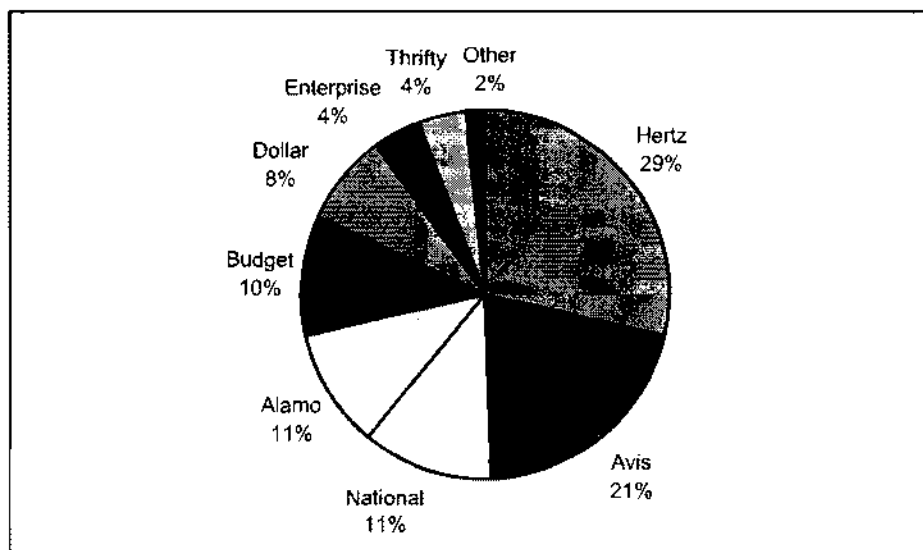
Figure III-3 shows the U.S. rental car market revenue at the top 50 airports from 1997 through 2003, the most recent year for which such statistics are available. Rental car revenue at the top 50 airport markets increased from \$5.7 billion in 1997 to \$7.4 billion in 2001, and then decreased to \$6.4 billion in 2003. The rental car market enjoyed 8-10% increase in annual revenue at the top 50 airports from 1997 to 2000, and a 1.9% increase in 2001. Annual revenue decreased 12.2% in 2002 and remained essentially flat in 2003. On average, annual revenue at the top 50 airports grew 2.1% per year from 1997 through 2003. The Hertz and Avis brands lead in the U.S. airport market. In 2003, Hertz accounted for 29% of the gross rental revenue at the top 50 airports, and Avis accounted for 21% (**Figure III-4**).

FIGURE III-3
U.S. RENTAL CAR MARKET REVENUE AT THE TOP 50 AIRPORTS
(In Billion Dollars)
1997-2003



Source: Auto Rental News.

FIGURE III-4
U.S. RENTAL CAR MARKET REVENUE AT THE TOP 50 AIRPORTS
SHARES BY BRAND
2003



Source: Auto Rental News.

3. Recent Changes in the U.S. Rental Car Industry⁷

A number of structural changes have been underway in the U.S. rental car industry. These changes include the following:

- *Ownership changes and consolidation.* In the 1980s, the three large U.S. car manufacturers acquired several rental car companies as outlets for excess new car inventory. In the mid-1990s, the car manufacturers began selling their interests in the rental car companies. In the subsequent years, the following major ownership changes and mergers have occurred:
 - Vanguard Car Rental USA Inc. ("Vanguard"). Vanguard, which was previously ANC Rental Car Corporation ("ANC"), is the owner of the Alamo and National brands. ANC had consolidated the operations of the two brands, and implemented dual branding. In November 2001, ANC filed for Chapter 11 bankruptcy protection, and, in October 2003, ANC sold nearly all of its assets – including the Alamo and National brands to Cerberus Capital Management, a New York investment firm. After the sale, ANC was renamed Vanguard Car Rental USA Inc.
 - Cendant Corporation ("Cendant"). Since purchasing interests in Avis Rent-A-Car System, Inc. ("Avis"), HFS Incorporated ("HFS") merged

⁷ The discussion in this sub-section is based mostly on articles published in Auto Rental News.

with CUC International to form Cendant. In November 2002, Cendant acquired Budget Rent A Car Systems, Inc. (Budget), which had been under Chapter 11 bankruptcy protection since July 2002. Cendant consolidated the administrative functions of Budget and Avis.

- Pentastar Transportation Group, Inc. ("PTG"). PTG, a subsidiary of Chrysler Corporation, acquired Dollar Rent-A-Car Systems, Inc. ("Dollar") in 1990, and then merged Dollar with Thrifty to form the Dollar-Thrifty Automotive Group, Inc. ("DTG") in 1997. Effective January 1, 2003, DTG transformed the brand-based corporate structure to a functional corporate structure, combining the management of operations and administrative functions for both the Dollar and Thrifty Brands.
- In July 2004, Enterprise Rent A Car Company ("Enterprise") acquired Merchants Automotive Group rental division ("Merchants"), which includes a 1,500-vehicle fleet and 17 rental locations. Merchants was one of the largest independent car rental operations in the country.
- *Increased focus on profitability.* The changes in the ownership of rental car companies and the decline in revenue following the September 11, 2001 Events caused rental car companies to renew focus on profitability. Rental car companies adopted market-based pricing and implemented more efficient fleet management. As shown on **Figure III-1**, the total U.S. rental car fleet has decreased since 2001, reflecting the rental car companies' efforts to cut costs and better match supply with demand.
- *Increased role of the Internet and technology.* The Internet has become a very important business tool. Rental car companies have adopted e-commerce and set up websites for reservations and customer service. According to one industry source, auto rental bookings totaled approximately \$6.5 billion in 2004, and are projected to increase to over \$12.0 billion by 2009.⁸ The use of the Internet has not only helped reduce operating costs, but has also promoted price transparency. Because customers can easily compare prices and service offerings on the Internet, rental car companies have become very competitive. To improve service offerings, rental car companies have introduced advances in vehicle tracking, information databases, and various high-tech products. They have installed mobile communication devices in their fleet, sophisticated technology for anti-carjacking, automated emergency response, among others.
- *Market expansion.* Rental car companies are expanding beyond their traditional markets. For example, Hertz and Avis are expanding off-airport retail and insurance replacement business. Enterprise is expanding into the

⁸ JupiterResearch, "Total U.S. Online Auto Rental Booking Revenue," *Auto Rental News 2005 Fact Book*.

airport rental car market. Advantage announced plans to expand its local retail market program. Within the airport market, the growth of regional airports has presented another area for the expansion of rental car operations.

While structural changes have taken place within the rental car industry, changes have also taken place in the travel market. Passengers have come back to the air after a sharp decline in travel following the 2001 U.S. economic recession and the September 11, 2001 Events. However, travel patterns and preferences have changed. The Air Transport Association observed a disproportionate decline in short-haul air travel in favor of automobile travel. Heightened security at airports resulted in new taxes and fees, and longer passenger processing and wait times at airports. These added to the costs of air travel and made air travel less attractive relative to ground transportation, especially to short-haul destinations. While this trend hurt airline traffic and consequently airport car renting, it probably benefited the local market. A survey commissioned by Enterprise found that 65% of business travelers surveyed had taken a short-haul driving trip (300 miles or less) in the past year, and 44% of those who drove stated that they were taking more driving trips than in the past.⁹

B. RENTAL CAR COMPANIES SERVING THE AIRPORT¹⁰

Currently, there are eight on-Airport rental car companies serving the market at the Airport: Alamo/National, Avis, Budget, Dollar, Enterprise¹¹, Hertz, Payless, and Thrifty. The operations of Enterprise and Hertz at the Airport are corporate-owned locations, while the other six on-Airport rental car operations are locally-owned franchisees/licensees, as described in more detail later in this section. In addition to the eight on-Airport rental car companies, the following rental car companies serve the Airport market from off-Airport locations: High Country Car Rental (Kiska Corporation), U-Save, and Value Car. One other off-Airport rental car company, Affordable Rent A Car (Anch Nissan), was acquired by the Budget licensee and ceased operating effective October 2004.

The rental car market at the Airport exhibits wide seasonal fluctuations, with the highest demand occurring in the summer months. This seasonality in rental car demand mirrors the seasonality in air traffic at the Airport, providing evidence of the importance of tourism to the local economy, including the rental car market. During each of the last five calendar years (2000 – 2004), total transaction days for the

⁹ "Study Says More Business Travelers Opting to Drive," *Auto Rental News*, December 2003, page 12. The survey, "Short-Haul Business Travel Survey", was conducted by Greenfield Online on behalf of Enterprise Rent-A-Car. A total of 520 business travelers, all of whom have taken at least four business trips in the past year, participated in the survey.

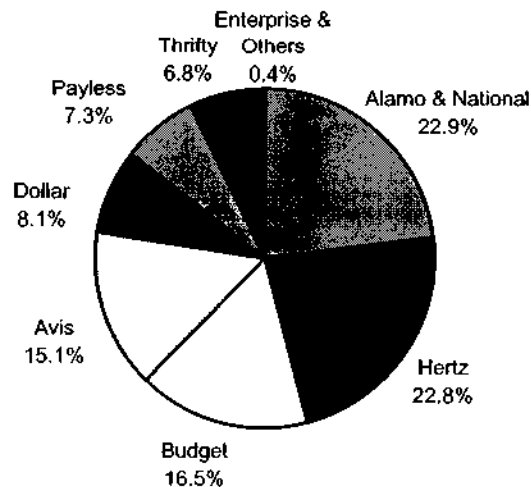
¹⁰ The discussion in this subsection is based on information published in the individual company Internet sites and the *Auto Rental News*.

¹¹ Enterprise began serving the Airport market from off-Airport facilities in May 2004, and became an on-Airport concessionaire effective May 2005.

market in the three month period of June, July, and August have represented between 43% and 46% of the total transaction days for the entire year. Similarly, total revenues for the June – August period in each of the last five years have represented between 52% and 56% of total revenues for the entire year. As mentioned in Section I, the CFC is a per-transaction day charge, which means that CFC collections will vary according to the seasonal fluctuations in transaction days. The seasonality of historical rental car demand at the Airport is depicted in **Section V**, which contains graphs summarizing transaction days, transactions, and revenues from January 2000 through March 2005. The key aspects of the local economy of the Anchorage area, including tourism, are discussed in **Section IV**.

Based on data reported by the rental car companies to the Airport, their total gross revenues subject to the concession fee at the Airport amounted to approximately \$40.2 million in calendar year ("CY") 2004, representing an increase of approximately 6.5% from 2003. **Figure III-5** shows the percentage distribution of 2004 gross revenues, based on reported CY 2004 gross revenues. Alamo/National held the largest market share (22.9%) of gross revenues, followed by Hertz (22.8%), Budget (16.5%) and Avis (15.1%). Dollar, Payless, and Thrifty, together accounted for approximately 22.2% of the Airport market in CY 2004. Enterprise, which began serving the Airport from off-Airport facilities in May 2004, and the other off-Airport rental car companies together accounted for approximately 0.4% of total reported CY 2004 gross revenues.

FIGURE III-5
TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT
GROSS REVENUE SHARES BY BRAND
2004



Source: Rental Car Companies

The eight rental car companies that are currently operating on-Airport (Alamo/National, Avis, Budget, Dollar, Enterprise, Hertz, Payless, and Thrifty) have executed Amended and Restated Concession Agreements, as described in Section V of this Report, that commit them contractually to operate from the Consolidated Facility upon its completion. Following are brief profiles of those eight rental car companies, which are collectively defined as the "Operators" in Section I of this Report.

1. Alamo/National

The Alamo and National brands are operated at the Airport by Alaska Sales and Services, d.b.a. National/Alamo Car Rental. Alaska Sales and Service, which has operated a General Motors dealership in Anchorage since 1942, began operating the National brand at the Airport when it acquired the National Car Rental franchise for Anchorage in 1967. In November 2002, Alaska Sales and Services acquired the Alamo franchise, and since that time has operated both the Alamo and National brands from the same rental car counter.

Alamo Rent-A-Car, LLC and National Car Rental Systems are wholly owned subsidiaries of Vanguard. Although National Car Rental Systems, Inc. was incorporated in 1959, the company had been established by 24 independent rental car operators in 1947. National was acquired by General Motors in 1992, and became a subsidiary of ANC in January 2000. Alamo began operations in 1974 at four Florida locations, and has since expanded its operations nationwide. In December 1996, Alamo merged with Republic Industries, Inc, which later became known as AutoNation, Inc. In January 2000, AutoNation, Inc. spun off of its rental car unit into a separate, publicly traded company, ANC Rental Corporation. ANC implemented dual branding of Alamo and National at many airports – renting both brands from the same counter space under a single concession agreement. In 2003, ANC became Vanguard Car Rental USA Inc.

2. Avis Rent-A-Car System, Inc.

The Avis brand has been operated at the Airport for approximately 50 years by Alaska Rent-A-Car, Inc., a locally-owned licensee of Avis. As mentioned previously in this Report, Avis Rent-A-Car System, Inc. ("Avis") is a wholly-owned subsidiary of Cendant. Avis began operations in 1946 at Detroit's Willow Run Airport and Miami Airport. The corporate ownership of Avis changed over the years, and in 1987, the company was purchased by its Employee Stock Ownership Plan, becoming one of the largest employee-owned companies in the United States. In 1989, General Motors Corporation acquired a 27% (later increased to 29%) ownership interest in the company. In October 1996, Avis was purchased by HFS, and then became a publicly traded company in 1997. In March 2001, Cendant, a successor in interest in HFS, acquired Avis Group Holdings, Inc., making Avis a wholly owned subsidiary of Cendant.

3. Budget Rent a Car System, Inc.

Automobiles are rented under the Budget brand at the Airport by Corporate Sales and Leasing, Inc., d.b.a. Budget Rent-A-Car, a locally-owned licensee of Budget Rent a Car System, Inc. In 2004 Corporate Sales and Leasing purchased an off-Airport rental car company, Affordable, which ceased operations in October 2004. Budget Rent a Car System, Inc., which is a wholly-owned subsidiary of Cendant Corporation, was founded in Los Angeles in 1958. Budget was a subsidiary of Ford Motor Company until April 1997 when it was acquired by Team Rental Group, later renamed Budget Group, Inc. In November 2002, Cendant acquired Budget and merged its administrative functions with those of Avis.

4. Dollar Rent A Car Systems, Inc.

PVC, Inc. has been the Alaska licensee for Dollar Rent A Car Systems, Inc. for approximately 15 years. Dollar Rent A Car Systems, Inc. began operating in Los Angeles in 1965, and in 1990 the company was acquired by Chrysler Corporation (Chrysler), along with Thrifty Rent-A-Car System, Inc. and Snappy. Chrysler created Pentastar Transportation Group, Inc. ("PTG") to operate the rental car subsidiaries. In 1997, PTG merged into the Dollar Thrifty Automotive Group, Inc. ("DTG") and completed an initial public offering of its common stock. DTG operated the Dollar and Thrifty brands under a brand-based corporate structure until January 1, 2003 when it adopted a functional corporate structure, combining the management of operations and administrative functions for both the Dollar and Thrifty brands.

5. Enterprise Leasing Company

Enterprise Leasing Company began serving the market at the Airport from an off-Airport location in May 2004, and became an on-Airport concessionaire effective May 2005. The Enterprise operation at the Airport is a corporate-owned location. Jack Taylor founded Executive Leasing, a vehicle leasing company, in St. Louis in 1957. The rent-a-car operation was launched in 1962, and in 1969, Executive Leasing changed its name to Enterprise Leasing Company and began expanding its operations outside St. Louis. Enterprise and its subsidiaries have historically focused on the local replacement market. In recent years, Enterprise has been expanding into the airport market. As of 2004, Enterprise had over 300 airport locations, which accounted for 8% of its rental car transactions.

6. The Hertz Corporation

The Hertz operation at the Airport is managed by the Hertz Corporation's City Manager assigned to Anchorage. Hertz is the oldest rental car company in the industry, tracing its beginnings to 1918, when Walter L. Jacobs opened his first car rental operation in Chicago. Hertz became a subsidiary of the Ford Motor Company (Ford) in 1994 and a publicly traded company in 1997. Hertz became a wholly owned subsidiary of Ford again when Ford reacquired the outstanding shares in 2001. In April 2005, Ford announced that it might sell Hertz to generate cash for its auto manufacturing operations. In June 2005, Ford filed with the Securities and Exchange Commission a registration statement for an initial public offering ("IPO") for Hertz. However, a Ford spokesman stated that Ford may still sell Hertz to a third party.¹²

7. Payless

The Payless brand at the Airport is offered by Alaska Dial-A-Car, Inc., formed in Fairbanks, Alaska, in 1975. Payless Car Rental ("Payless"), a privately held company, was founded in 1971 in Spokane, Washington. In 1989, a Taiwanese investment group purchased Payless and expanded the brand worldwide. In 2001, Avalon Global Group, Inc., a privately held company for strategic global brands within the automotive, lodging, travel, and technology industries, was formed to serve as the parent company for Payless and other brands. In 2002, Payless formed a cooperative agreement with Sixt Rent A Car, and in 2004, Payless formed a partnership with Network Car and Truck Rentals. Payless is headquartered in St. Petersburg, Florida.

8. Thrifty Rent-A-Car System, Inc.

Floyd and Sons, Inc. has been the Alaska licensee of Thrifty Rent-A-Car System, Inc. since 1978. Thrifty Rent-A-Car System, Inc. was incorporated in 1950 and began car rental operations in Tulsa, Oklahoma. The Chrysler Corporation acquired Thrifty in 1989, which became part of the Dollar Thrifty Automotive Group, Inc. ("DTG"). DTG operated the Dollar and Thrifty brands under a brand-based corporate structure until January 1, 2003 when it adopted a functional corporate structure, combining the management of operations and administrative functions for both the Dollar and Thrifty brands.

¹² Eric Mayne, "Ford Moves to Jettison Hertz Rental Car Agency," *The Detroit News*, June 14, 2005; Bill Koenig, "Ford Lowers 2005 Profit Forecast, Will Cut More Jobs," June 21, 2005, at www.bloomberg.com.

SECTION IV

LOCAL ECONOMIC BASE

Local demographic and economic characteristics are important determinants of air travel and related demand. The origin and destination ("O&D")¹³ component of an airport's traffic is particularly sensitive to the socio-economic conditions in the local area. This section defines the air service area of the Airport, and reviews demographic and economic trends observed in the area over the 1995-2004 period.

A. THE AIRPORT'S AIR SERVICE AREA

The Airport's primary air service area ("ASA") is defined by the boundaries of the Anchorage Metropolitan Statistical Area ("MSA"). According to the latest classification by the Office of Management and Budget ("OMB"), the MSA comprises the Municipality of Anchorage and Matanuska-Susitna Borough as shown in **Figure IV-1**. The principal cities in the Airport's air service area are Anchorage, Palmer, Sutton and Wasilla. Highways feeding the Airport include West International Airport Road and Spenard Road to the north, and Raspberry Road to the south. The MSA is also served by Lake Hood, which is part of the Airport and provides general aviation service to the local area.

B. POPULATION

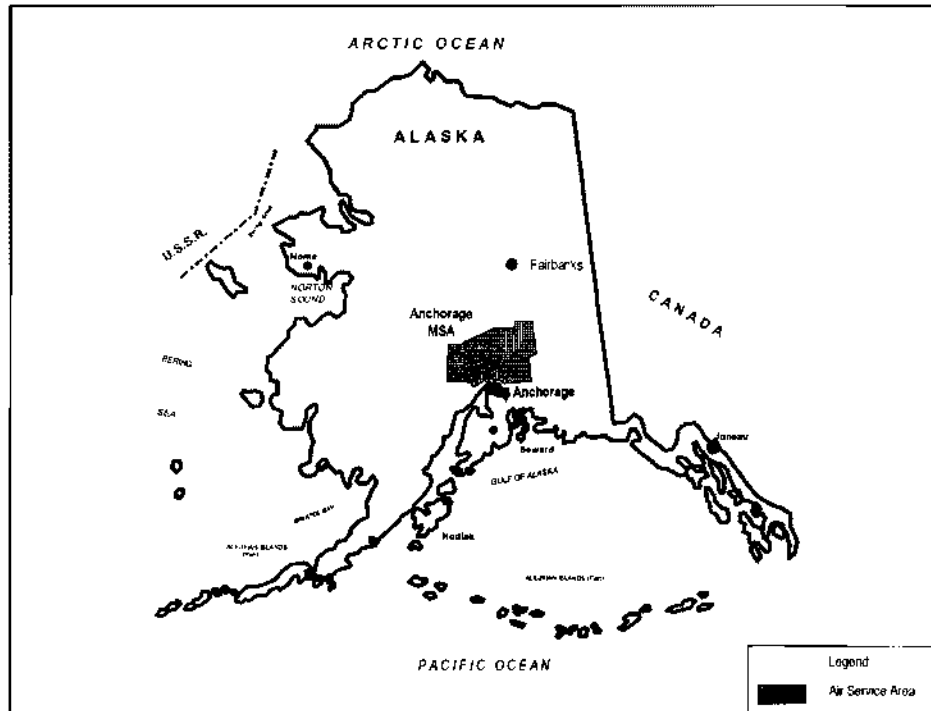
Local residents represent the primary source of air travel demand in an area. **Table IV-1** shows the population trends in the Airport's air service area, the State of Alaska, and the United States during the 1995-2004 period. The number of residents in the Municipality of Anchorage increased from 251,009 in 1995 to 277,498 in 2004, representing an average annual growth of 1.1%. Matanuska-Susitna Borough reported a 3.8% average annual increase in population, from 49,998 in 1995 to 70,148 in 2004. Overall, the population of the ASA increased at an average annual rate of 1.6%, from 301,007 in 1995 to 347,646 in 2004. During the 1995-2004 period, the Municipality of Anchorage accounted for an average share of 81.5% of the population of the air service area, while the Matanuska-Susitna Borough accounted for the remaining 18.5%.

The state population grew at an average annual rate of 1%, from 601,345 in 1995 to 655,435 in 2004. The similarity between the population trends in the Airport's ASA and the state level is due, in part, to the fact that over the 1995-2004 period, the ASA accounted for approximately 51.2% of the population of Alaska. Population growth in the ASA also compares well with the trends reported at the national level.

¹³ O&D air traffic refers to passengers who either originate or end their air travel itinerary at the Airport. Unison estimates O&D traffic to account for approximately 84% of total enplanements at the Airport, based on the estimate in the 2003 Report of the Feasibility Consultant by Landrum & Brown, Inc., that O&D accounts for approximately 81% of total scheduled domestic enplanements.

U.S. population grew at an average annual rate of 1.2% from 262.8 million in 1995 to 293.7 million in 2004. Travel demand and related transportation demand such as car rental demand, generally benefit from a growing population base.

**FIGURE IV-1
PRIMARY AIR SERVICE AREA**



**TABLE IV-1
POPULATION TRENDS IN AIR SERVICE AREA, ALASKA AND UNITED STATES
1995-2004**

Year ¹	Air Service Area			State of Alaska	United States
	Municipality of Anchorage	Matanuska-Susitna Borough	TOTAL Anchorage MSA		
1995	251,009	49,998	301,007	601,345	262,803,276
1996	249,571	52,018	301,589	604,918	265,228,572
1997	251,359	53,920	305,279	608,846	267,783,607
1998	255,618	55,793	311,411	615,205	270,248,003
1999	257,808	57,945	315,753	619,500	272,690,813
2000	260,548	59,322	319,870	627,504	282,192,162
2001	265,285	61,704	326,990	632,389	285,102,075
2002	268,347	64,291	332,638	640,841	287,941,220
2003	273,602	67,526	341,128	648,280	290,788,976
2004	277,498	70,148	347,646	655,435	293,655,404
Average Annual Growth Rate					
1995-2004	1.1%	3.8%	1.6%	1.0%	1.2%

¹ Population estimates dated July 1 each year.

Sources:

- 1) U.S. Bureau of the Census, at www.census.gov/popest/archives.
- 2) Alaska Department of Labor and Workforce Development, Research and Analysis, at www.labor.state.ak.us.

C. LABOR FORCE

Table IV-2 presents the labor market trends in the Airport's air service area and Alaska during the 1995-2004 period. The size of the civilian labor force in the ASA increased at an average annual rate of 1.7%, from 159,124 in 1995 to 185,519 in 2004. Local employment increased steadily throughout the 10-year period, a growth trend that indicates a strong job base in the metropolitan area. The number of employed persons in the Anchorage MSA increased at an average annual rate of 1.7%, from 149,802 in 1995 to 174,615 in 2004. The annual unemployment level fluctuated during the 1995-2004 period, having decreased to a low of 8,129 unemployed persons in 1998, and increasing to a high of 11,242 in 2003 before decreasing slightly to 10,904 in 2004. Overall, the number of unemployed persons increased at an average annual rate of 1.8% over the 1995-2004 period.

**TABLE IV-2
CIVILIAN LABOR FORCE TRENDS
1995-2004**

Year	Anchorage MSA			State of Alaska		
	Labor Force	Employed	Unemployed	Labor Force	Employed	Unemployed
1995	159,124	149,802	9,322	303,666	282,098	21,568
1996	161,562	151,759	9,803	308,573	285,552	23,021
1997	165,126	155,418	9,708	311,961	289,963	21,998
1998	168,314	160,185	8,129	313,079	293,939	19,140
1999	171,209	162,690	8,519	316,507	297,019	19,488
2000	173,497	164,897	8,600	318,835	299,099	19,736
2001	175,609	167,253	8,356	320,670	300,917	19,753
2002	179,555	169,461	10,094	325,842	302,622	23,220
2003	182,795	171,553	11,242	330,616	305,063	25,553
2004	185,519	174,615	10,904	332,689	307,704	24,985
Average Annual Growth Rate						
1995-2004	1.7%	1.7%	1.8%	1.0%	1.0%	1.6%

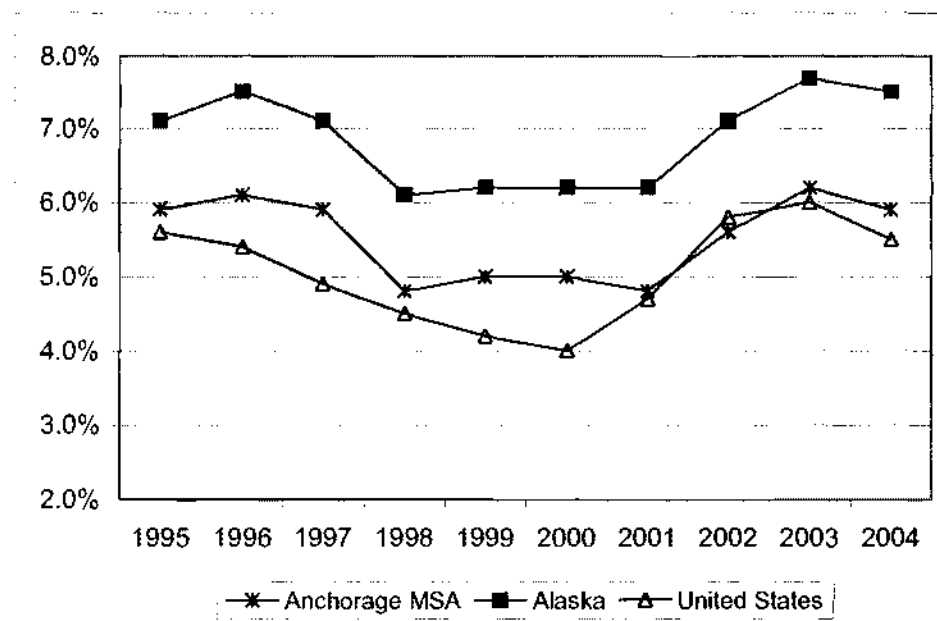
Anchorage MSA includes Anchorage Municipality and Matanuska-Susitna Borough

Source: U.S. Bureau of Labor Statistics at <http://data.bls.gov>.

There was a similarity between the labor force trends in the MSA and trends at the State level. The size of the state's labor force increased at an average annual rate of 1.0% during the 1995-2004 period. The number of employed persons statewide increased, from 282,098 in 1995 to 307,704 in 2004, representing an average annual growth of 1.0%. The number of unemployed persons statewide increased at an average annual rate of 1.6%, during the same period. The statistics show that workers in the Anchorage MSA represent a significant portion of all workers in the state. In 2004, workers in the Anchorage MSA accounted for 56.7% of the total number of workers in Alaska, while unemployed persons in the Anchorage MSA accounted for 43.6% of all unemployed persons in Alaska.

Figure IV-2 compares the unemployment rate in the Anchorage MSA with the unemployment rates in Alaska and nationwide. Throughout the 1995-2004 period, the unemployment rate in the MSA was consistently below the unemployment rate for the state. In 2004, for example, the unemployment rate in the Anchorage MSA was 5.9% compared to the state unemployment rate of 7.5%. The divergence between the state and Anchorage MSA unemployment rates reflects the fact that not all regions in Alaska were as strong in job creation as the Anchorage MSA. Over the 10-year period, the MSA's local economy was one of the regions that consistently reported robust net job growth in Alaska. However, annual unemployment rates for both the MSA and the state were relatively high compared to the annual national unemployment rate during the 1995-2004 period.

**FIGURE IV-2
COMPARISON OF UNEMPLOYMENT RATES
1995-2004**

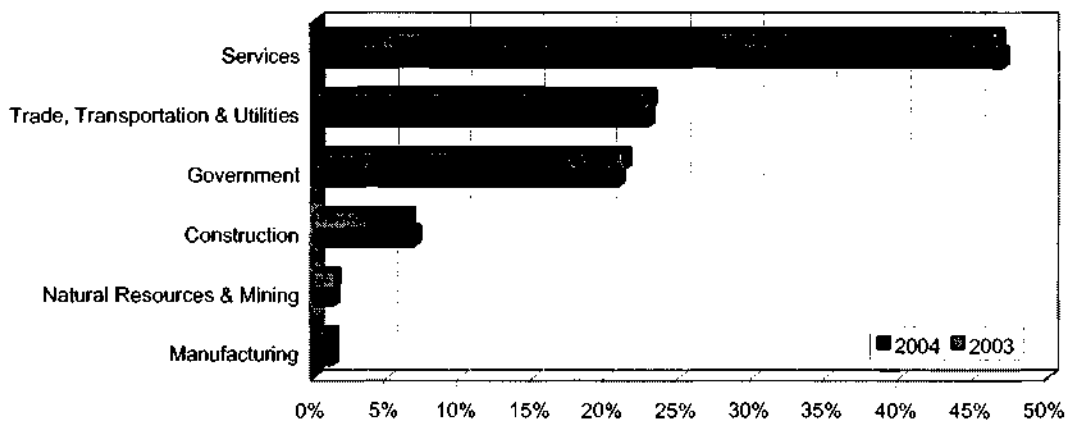


Source: U.S. Bureau of Labor Statistics at <http://data.bls.gov>.

The sources of non-agricultural jobs in the local economy are summarized in **Figure IV-3**, which shows the employment shares of the major industry sectors in 2003 and 2004. In terms of number of employees, the leading private sector employers in both years were in Services, Trade, Transportation and Utilities, and Construction. The Services sector accounted for 46.9% of non-agricultural jobs in 2004, up from 46.6% in 2003. Jobs in the Trade, Transportation and Utilities sectors accounted for a stable share of 23% in both 2003 and 2004. Given the long duration of the snow season, which typically runs from October through April, it is remarkable that the

Construction sector accounts for a significant number of jobs in the Airport's local economy. Collectively, the three sectors accounted for 76.5% of non-agricultural jobs in 2004, up from 76.1% in 2003.

FIGURE IV-3
ANCHORAGE MSA
DISTRIBUTION OF NON-AGRICULTURAL EMPLOYMENT
2003 and 2004



Source: Based on data obtained from Alaska Department of Labor and Workforce Development at www.labor.state.ak.us/research.

The public sector, which includes local, state, and federal levels of government, accounted for 20.8% of non-agricultural employment in the local economy in 2004, representing a slight decrease from the 21.3% share reported in 2003. The diverse sources of jobs suggests the ability of the local economy to generate and sustain economic growth, which is essential for all forms of consumer demand, including travel-related demand.

Table IV-3 provides additional information on the relative employment contribution of the component segments of the industry sectors. The Services sector comprises education and health, professional, business and financial services, leisure and hospitality, and information services. Within that sector, education and health represents the leading segment, accounting for 27.6% of service-related jobs in 2004. Retail trade is the leading segment within the Trade, Transportation and Utilities sector, accounting for 55% of jobs in that sector in 2004. The employment contribution of each of the three levels of government is relatively close, with the

local level having a slight lead over the state and federal government in terms of number of workers.

TABLE IV-3
ANCHORAGE MSA ¹
DISTRIBUTION OF NON-AGRICULTURAL EMPLOYMENT
2003 and 2004

	Industry Sector	Employment Estimates		
		2004	2003	% Change
I	Services			
	Education & Health	20,800	20,000	4.0%
	Professional & Business	17,000	16,700	1.8%
	Leisure & Hospitality	16,600	16,400	1.2%
	Financial	9,700	9,400	3.2%
	Information	4,900	5,000	-2.0%
	Other	6,400	6,200	3.2%
	Subtotal - Services	75,400	73,700	2.3%
II	Trade, Transportation & Utilities			
	Wholesale Trade	4,800	4,700	2.1%
	Retail Trade	20,200	20,000	1.0%
	Transportation, Warehousing & Utilities	11,700	11,600	0.9%
	Subtotal - Trade, Transportation & Utilities	36,700	36,300	1.1%
III	Government			
	Local	13,100	13,100	0.0%
	State	10,500	10,600	-0.9%
	Federal	9,900	9,900	0.0%
	Subtotal - Government	33,500	33,600	-0.3%
IV	Construction	11,000	10,200	7.8%
V	Natural Resources & Mining	2,100	2,200	-4.5%
VI	Manufacturing	2,000	2,000	0.0%
	TOTAL - NON-AGRICULTURAL EMPLOYMENT	160,700	158,000	1.7%

¹ Includes Anchorage Municipality and Matanuska-Susitna Borough

Source: Alaska Department of Labor and Workforce Development at www.labor.state.ak.us/research.

The Natural Resources and Mining sector, including the oil industry is also a source of highly paid jobs in the local economy. Statewide, the oil industry is a crucial part of the economic growth. The most recent statistics available indicate that the oil industry contributes approximately 17% to the Alaska Gross State Product ("GSP"), which is the sum of the value added within Alaska in the production of all the goods and services produced during the year.¹⁴ Although the oil industry's relative contribution to the GSP has been declining as the state economy has become more diversified, it still accounts for a higher percentage of the GSP than any other

¹⁴ Alaska Department of Labor and Workforce Development, *Alaska Economic Trends*, September 2003;

industry sector.¹⁵ Even so, the oil industry's contribution to the GSP does not reflect certain related industry sectors, such as oil and gas field services and pipeline transportation, which are classified as part of the service sector under the new North American Industrial Classification System ("NAICS"). In addition, the oil industry generates significant revenues for the State in the form of royalties, corporate income taxes, property taxes, and other taxes. In 2003, the oil industry generated approximately \$2.1 billion in revenues to the State, which represented approximately 84% of unrestricted revenues flowing to the State's general fund.¹⁶

However, the Natural Resources and Mining sector is relatively small in terms of size of workforce. Alaska Department of Labor and Workforce Development economists have identified a number of reasons for that phenomenon.¹⁷ One factor relates to the job classification system, which diverts oil industry-related jobs to other sectors, resulting in undercounting of the industry's total employment. Another factor is the fact that there is significant "job leakage" from the state's oil industry. According to the economists, few oil companies are headquartered or regionally based in Alaska, which means that a significant number of employment associated with Alaska's oil production is located outside of the state. Another factor relates to Alaska's advantage in terms of economies of scale. The state's most productive oil fields are large, which allow oil producers to utilize their equipment more efficiently without necessarily requiring more workers. The oil industry represents a vital source of skill-intensive and well-paid jobs in the Airport's local economy and statewide.

Table IV-4 is a list of Alaska's top 50 private sector employers. The list underscores the attraction of Anchorage as a business location. Of the top 50 businesses listed, 37 (74%) either had their headquarters located in Anchorage or had their largest worksite in the metro area. In addition, the list confirms the diversity of the area's employment base as well as the importance of the Services sector for local job creation. **Table IV-5** shows the primary sources for public sector jobs in Alaska and in the Airport's local economy.

¹⁵ Alaska Department of Community and Economic Development, *Alaska Economic Performance Report 2003*, April 2004.

¹⁶ Ibid.

¹⁷ Alaska Department of Labor and Workforce Development, *Alaska Economic Trends*, September 2003.

**Financial Feasibility Report for the Consolidated Rental Car Facility
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**TABLE IV-4
ALASKA'S TOP 50 PRIVATE SECTOR EMPLOYERS¹
2003**

Rank¹	Company Name	Number of Employees	Headquarters or Largest Worksite	Industry Sector
1	Providence Health System Alaska	3,556	Anchorage	Healthcare
2	Safeway Stores/Carr	3,135	Anchorage	Retail
3	Wal-Mart/Sam's Club	2,443	Anchorage	Retail
4	Fred Meyer	2,341	Anchorage	Retail
5	Alaska Airlines	1,726	Anchorage	Air Transportation
6	BP Exploration	1,417	Anchorage	Oil & Gas
7	Banner Health System	1,243	Fairbanks	Healthcare
8	NANA Management Services	1,227	Fairbanks	Hospitality
9	Yukon-Kuskokwim Health Corporation	1,217	Bethel	Healthcare
10	ASRC Energy Services	1,171	Anchorage	Oilfield services
11	Federal Express	1,094	Anchorage	Airfreight
12	VECO Operations	1,018	Anchorage	Oilfield services
13	Alaska Communications Systems (ACS)	1,012	Anchorage	Communications
14	GCI Communications	990	Anchorage	Communications
15	Southcentral Foundation	947	Anchorage	Healthcare
16	Alaska Native Tribal Health Consortium	919	Anchorage	Healthcare
17	Alyeska Pipeline Service Company	895	Anchorage	Pipeline Transportation
18	ConocoPhillips	864	Anchorage	Oil & Gas
19	Spenard Builders Supply	823	Anchorage	Manufacturing/building products
20	Alaska Regional Hospital	822	Anchorage	Healthcare
21	Alaska USA Federal Credit Union	774	Anchorage	Financial/Banking
22	First National Bank Alaska	736	Anchorage	Financial/Banking
23	Southeast Alaska Regional Health Corp.	705	Juneau	Healthcare
24	Wells Fargo	712	Anchorage	Financial/Banking
25	UniSea	689	Dutch Harbor	Seafood Processing
26	Costco	672	Anchorage	Retail
27	Tanana Chiefs Conference	671	Anchorage	Social Services/Healthcare
28	Alaska Commercial Company	667	Anchorage	Retail
29	Doyon/Universal Ogden, Joint Venture	661	Anchorage	Services
30	Job Ready	634	Anchorage	Services
31	ERA Aviation	617	Anchorage	Air Transportation
32	The Alaska Club	603	Anchorage	Services
33	Icicle Seafoods	592	Petersburg	Seafood Processing
34	Ocean Beauty Seafoods	577	Kodiak	Seafood Processing
35	Maniilaq Association	569	Kotzebue	Social Services/Healthcare
36	Chugach Development Corp.	557	Anchorage	Services
37	McDonalds Restaurants of Alaska	554	Anchorage	Retail/Food
38	Anchorage Daily News	543	Anchorage	Communications/newspaper
39	Hope Community Services	540	Anchorage	Social Services
40	Valley Hospital	538	Palmer	Healthcare
41	Peter Pan Seafoods	524	King Cove	Seafood Processing
42	North Pacific Processors	518	Kodiak	Seafood Processing
43	Northwest Airlines	511	Anchorage	Air Transportation
44	Sears Roebuck/KMART	509	Anchorage	Retail
45	Holiday Gas Stations (formerly Williams Express)	505	Anchorage	Services
46	Westward Seafood	502	Unalaska	Seafood Processing
47	Alyeska Resort	480	Girdwood/Anchorage	Hospitality
48	Nabors Alaska Drilling Company	463	Anchorage	Oilfield services
49	Alaska Hotel Properties (Princess Hotels)	451	Denali Park	Hospitality
50	Laidlaw Transit	426	Anchorage	Transportation

¹ Ranking based on average annual employment in 2003. Companies have worksites in multiple communities.

Source: Alaska Department of Labor and Workforce, Research and Analysis Section, "The Trends 100", August 2004.

TABLE IV-5
ALASKA'S TOP PUBLIC SECTOR EMPLOYERS
2003

Rank	Organization	Employment	Headquarters or Largest Work Site
1	Uniformed Military	17,657	Anchorage
2	State of Alaska	17,174	Anchorage
3	U.S. Government	17,105	Juneau
4	University of Alaska	6,982	Fairbanks
5	Anchorage School District	6,719	Anchorage
6	Municipality of Alaska	2,919	Anchorage

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, at www.labor.state.ak.us

D. INCOME

The level of disposable personal income is a key determinant of consumer demand, including demand for travel-related goods and services. Two commonly used measures of average income are the per capita personal income and the median household effective buying income ("EBI"). Per capita personal income is measured as total personal income generated in an area divided by the total resident population of the area. The EBI measures disposable income per household.

Table IV-6 compares the trend in per capita personal income in the Airport's air service area with per capita personal income at the state and national levels. During the 1995-2003 period, the average annual personal income of residents in the Municipality of Anchorage was consistently higher than the average personal income for Alaska and for the U.S. For example, in 2003, average personal income in the Municipality was \$37,750, which was 13.7% higher than the state average personal income of \$33,213, and 19.9% higher than the U.S. average personal income of \$31,472.

Residents of Matanuska-Susitna Borough reported a relatively lower average personal income. However, the annual income growth rate in the Borough has been steady and strong, and comparable to growth trend reported in the Municipality of Anchorage, and higher than the growth trend statewide. Overall, during the 1995-2003 period, per capita personal income increased at an average annual rate of 3.6% in the Airport's local economy, which compares well with the average annual income growth rate of 3.4% reported for Alaska and 4.0% reported for the U.S.

TABLE IV-6
PER CAPITA PERSONAL INCOME ¹
1995-2003

Year	Anchorage Municipality	Matanuska-Susitna Borough	State of Alaska	United States
1995	\$28,403	\$22,235	\$25,504	\$23,076
1996	\$29,072	\$22,511	\$25,805	\$24,175
1997	\$30,472	\$22,842	\$26,759	\$25,334
1998	\$31,436	\$24,053	\$27,560	\$26,883
1999	\$32,109	\$24,227	\$28,100	\$27,939
2000	\$33,697	\$25,902	\$29,867	\$29,845
2001	\$36,019	\$28,686	\$31,704	\$30,575
2002	\$37,034	\$29,536	\$32,582	\$30,804
2003	\$37,750	\$29,483	\$33,213	\$31,472
Average Annual Growth Rate				
1995-2003	3.6%	3.6%	3.4%	4.0%

¹ Per capita income is total personal income divided by total resident population. Personal income is the income received by all persons from all sources, including net earnings, rental income, dividends, interest, and current transfer receipts. The BEA used midyear population estimates in calculating the average personal income data presented in this table.

Source: U.S. Bureau of Economic Analysis, at www.bea.gov.

The pattern of income distribution reflects the spread of purchasing power within the economy. **Table IV-7** compares the level and distribution of median household EBI for the Airport's air service area with the median household EBI at the state and national levels. In 2003, the median household EBI in the Municipality of Anchorage was \$50,841, which was 8.1% higher than the state median household income of \$47,047, and 33.1% higher than the median household EBI for the U.S. In terms of distribution by income group, the Municipality of Anchorage had a proportionately higher number of households, 50.9%, reporting annual incomes of \$50,000 and above. At the state level, 46.8% of households reported incomes of \$50,000 and above, and at the national level, 35.4% of households were in that income bracket in 2003. It is noteworthy that, based on median household EBI, there is less disparity between the average income level of residents of Matanuska-Susitna and average income for residents of Anchorage Municipality and Alaska residents in general.

TABLE IV-7
COMPARISON OF HOUSEHOLD INCOME DISTRIBUTION
2003

Area	Median Household EBI	Percent of Households by EBI Group			
		Under \$20,000	\$20,000-\$34,999	\$35,000-\$49,999	\$50,000 & Over
Anchorage Municipality	\$50,841	12.4%	18.4%	18.3%	50.9%
Matanuska-Susitna Borough	\$46,339	17.4%	18.6%	17.9%	46.1%
ALASKA	\$47,047	15.5%	19.3%	18.4%	46.8%
UNITED STATES	\$38,201	22.3%	23.3%	19.0%	35.4%

EBI is Effective Buying Income, which is a measure of disposable income. The EBI shown in this table are expressed in current dollars.

Source: Sales & Marketing Management, 2004 Survey of Buying Power and Media Markets.

E. BUSINESS ENVIRONMENT

As mentioned in a preceding subsection, diversity is one characteristic of the Anchorage local economy. The broad employment base provides an essential buffer against the inevitable business cycles, and allows the economy to take advantage of emerging growth opportunities. This subsection highlights various aspects of the local economy, which constitute the positive business environment that has sustained job creation in the area over the past decade.

Currently, there are two active Foreign Trade Zones ("FTZs") in the metropolitan area: one at the Port of Anchorage and another within the City of Anchorage. The Port of Anchorage serves 80% of Alaska's populated area, including military installations. Most of the goods transported along the rail belt, from Seward to Fairbanks are handled at the Port. Through a variety of business and tax incentives, FTZs facilitate international trade in the area. For example, FTZs provide companies importing equipment and component parts space for warehousing, customs inspection, and repackaging of the goods without incurring duty costs. Although the Airport is not currently an active FTZ, the Airport handles a significant amount of international cargo annually. Global shipping companies, such as FedEx, UPS, the U.S. Postal Service, and Northwest Airlines have international cargo sorting and distribution hubs in Anchorage.

The importance of FTZs and international trade to the local and state economies is illustrated in **Table IV-8**, which presents export trends over the 2000-2004 period. During the 2000-2004 period, Alaska's exports to the world increased at an annual rate of 6.4%, from \$2.46 billion in 2000 to \$3.16 billion in 2004. The top ten export markets were Japan, South Korea, Canada, China, Germany, Mexico, Switzerland, Netherlands, Spain, and Belgium. Collectively, these markets accounted for 89.3% of the state's exports in 2004. Internationally traded commodities included zinc ores and concentrates, fish, liquefied natural gas, light oils and preparations from petroleum.

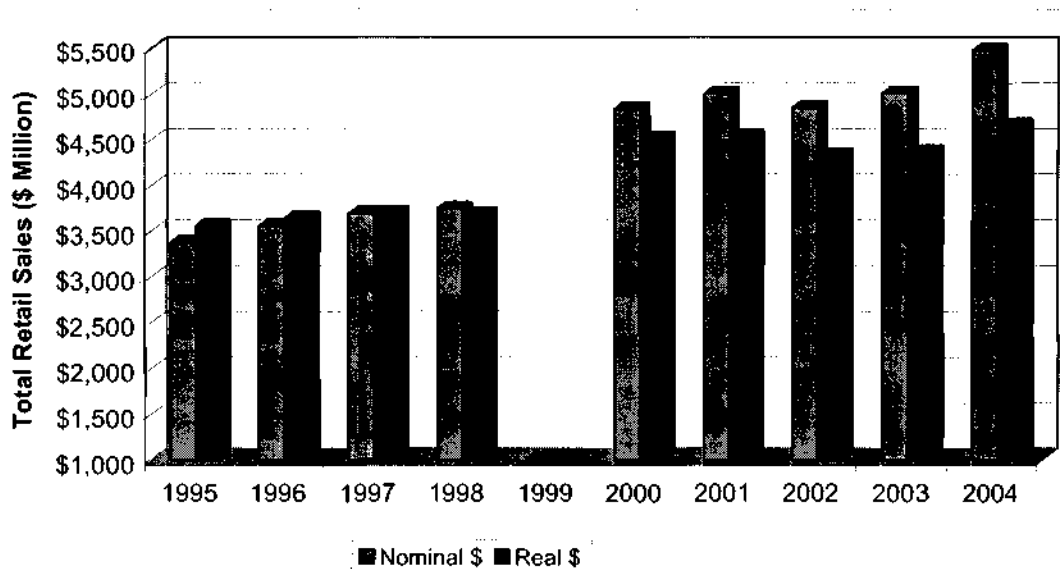
TABLE IV-8
ALASKA - TOP TEN EXPORT MARKETS (\$ 000)
2000-2004

Destination	Annual Merchandise Exports (\$000)					Avg. Annual Growth
	2000	2001	2002	2003	2004	
Japan	\$1,315,956	\$1,038,965	\$1,105,172	\$1,031,953	\$1,189,666	-2.5%
South Korea	\$448,587	\$463,091	\$416,640	\$566,810	\$579,610	6.6%
Canada	\$165,195	\$188,032	\$154,992	\$230,523	\$246,567	10.5%
China	\$103,174	\$102,447	\$147,847	\$153,860	\$241,502	23.7%
Germany	\$33,761	\$115,147	\$117,523	\$112,603	\$146,531	44.3%
Mexico	\$36,822	\$82,427	\$63,259	\$71,682	\$107,665	30.8%
Switzerland	\$3,152	\$2,093	\$47,441	\$93,624	\$92,648	132.8%
Netherlands	\$3,444	\$30,812	\$82,806	\$96,800	\$92,385	127.6%
Spain	\$2,295	\$7,072	\$67,713	\$37,953	\$69,979	135.0%
Belgium	\$104,787	\$81,457	\$50,360	\$51,462	\$52,827	-15.7%
Rest of the World	\$246,966	\$306,741	\$262,467	\$291,288	\$337,531	8.1%
WORLD TOTAL	\$2,464,139	\$2,418,284	\$2,516,220	\$2,738,558	\$3,156,911	6.4%

Source: U.S. Department of Commerce, International Trade Administration, at <http://tse.export.gov>.

As presented in **Table IV-3**, retail trade is one of the major sources of non-agricultural jobs in the Airport's air service area, accounting for over 20,000 jobs in 2004. Retail trade is also a major source of sales revenue in the local economy. **Figure IV-4** shows the positive trend in annual retail sales in Anchorage MSA during the 1995-2004 period. Effective 1999, *Sales & Marketing Management* implemented a new survey methodology, which resulted in a break in the historical series. Consequently, for the purpose of tracking growth trends, the timeframe is split into the period before, and after 1999. Between 1995 and 1998, retail sales (in nominal dollars) increased at an average annual rate of 3.5%, from \$3.37 billion to \$3.74 billion. Between 2000 and 2004, retail sales (in nominal dollars) increased at an average annual rate of 3.2%, from \$4.84 billion to \$5.48 billion. The growth trends in sales remained positive even after inflation is taken into consideration. Inflation-adjusted retail sales increased at an average annual rate of 1.2%, between 1995 and 1998, and by 0.8% between 2000 and 2004.

FIGURE IV-4
ANCHORAGE MSA - ANNUAL RETAIL SALES
1995-2004



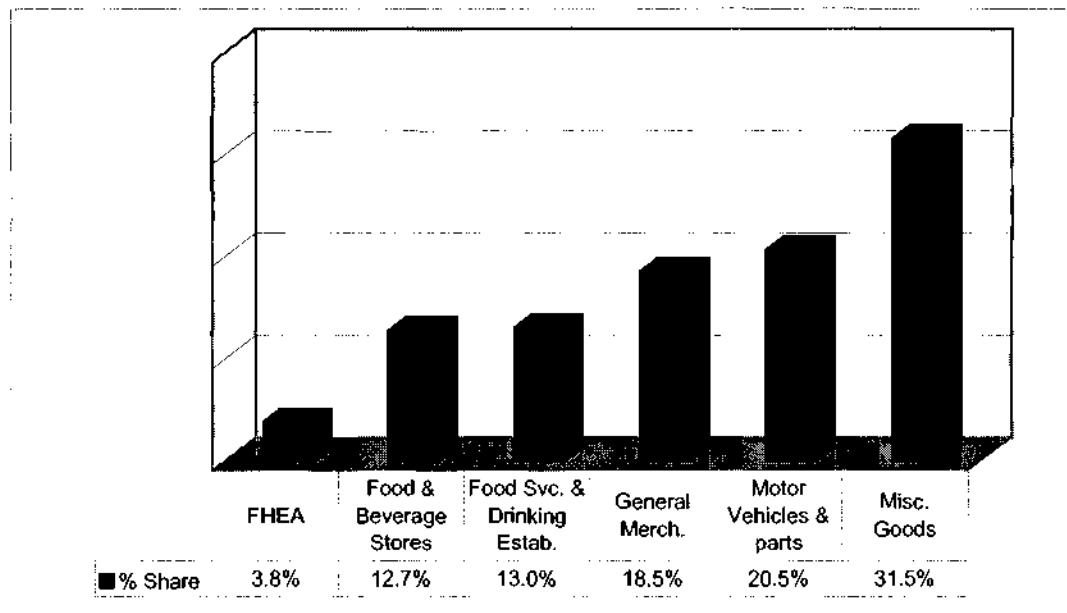
"Nominal \$" refers to current dollar values, while "Real \$" refers to constant 1997 dollars.

Effective 1999, Sales & Marketing Management implemented a new survey methodology, which resulted in a break in the historical series. A comparison of trends in retail sales over the entire 10-year period is not recommended.

Source: Sales & Marketing Management, *Survey of Buying Power*, 1995-2004.

Figure IV-5 presents a breakdown of the composition of retail sales in 2004 by store group. The data illustrates the broad base of retail business in the Airport's local economy.

FIGURE IV-5
ANCHORAGE MSA - RETAIL SALE BY STORE GROUP
2004



FHEA is Furniture & Home Furnishing and Electronics & Appliances.

Miscellaneous goods include all other categories of retail sales, including clothing, health & personal care, sporting goods, and gasoline.

Source: Sales & Marketing Management, 2004 Survey of Buying Power and Media Markets.

Recent trends in the local construction industry sector also reflect the positive business environment in the Airport's air service area. **Table IV-9** shows that while there has been the typical fluctuations from year to year, overall, the sector has actively contributed to the growth in the local economy. During the 1995-2004 period there were, on average, over 1,600 new residential housing units added to the housing stock in Anchorage MSA annually. On average, the new investments contributed over \$2.6 billion in annual spending, on average, to the economy.

TABLE IV-9
ANCHORAGE MSA
NEW RESIDENTIAL CONSTRUCTION ACTIVITY
1995-2004

Year	New Housing Units	Valuation of New Investment (\$000)
1995	1,056	\$131,925
1996	1,314	\$174,556
1997	1,401	\$215,664
1998	1,701	\$260,232
1999	1,265	\$205,250
2000	1,190	\$202,855
2001	1,965	\$314,203
2002	1,988	\$325,966
2003	2,547	\$411,704
2004	2,042	\$361,123
Average Annual Activity		
1995-2004	1,647	\$260,348

Source: U.S. Bureau of the Census, at www.sensus.gov/const/C40.

F. TOURISM ¹⁸

Anchorage attracts many tourists from all over the world. A number of major cruise lines offer vacation packages that combine a variety of entertainment and tour itineraries that allow the passengers to explore the numerous attractions that the state and the Anchorage area have to offer. The dramatic seasonal changes create opportunities for alternative tourist activities year-round. For example, summer tourists may enjoy the scenic beauty while engaging in back country trekking, kayaking, and camping. Winter tourists may enjoy world-class alpine ski facilities, glacier and wildlife flight-seeing, as well as attend the Fur Rendezvous winter carnival, the Iditarod Trail Sled Dog Race, and if they are lucky, view the *aurora borealis* (the Northern Lights).

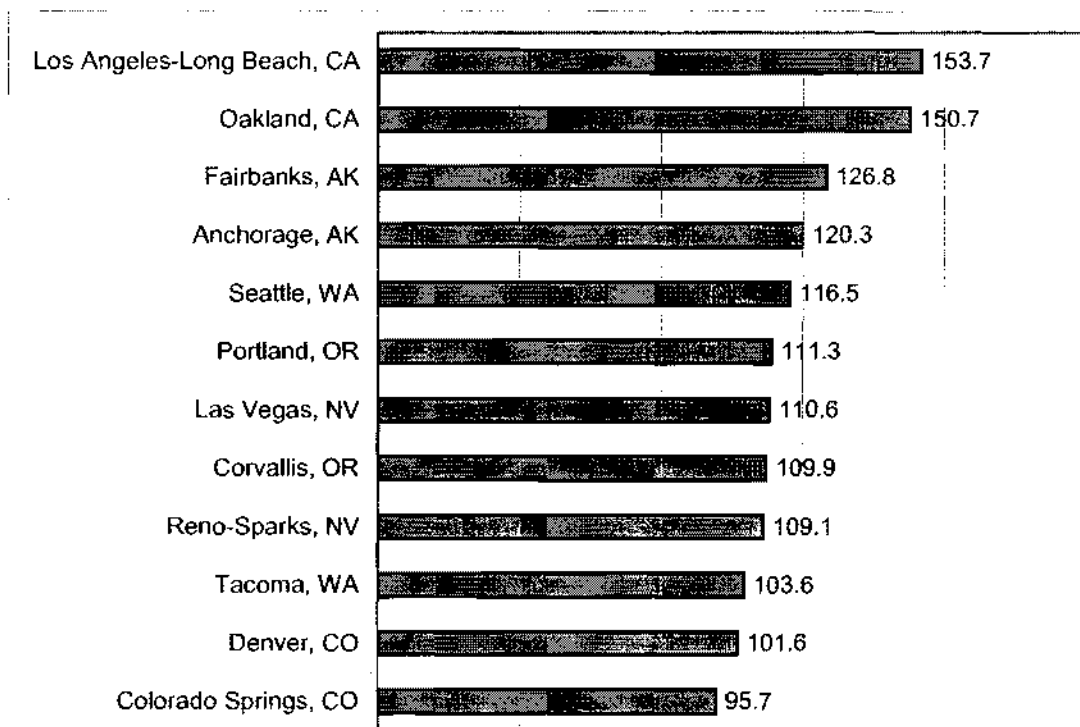
The entrance to the Denali National Park is located approximately 240 miles north of Anchorage. The Park, which covers over 6 million acres includes a sub-arctic ecosystem, features North America's tallest mountain, Mount McKinley, and is home to a wide variety of wildlife, such as grizzly bears, wolves, caribou and moose. Other tourist attractions in the Anchorage metropolitan area include the Anchorage Museum of History and Art, the Alaska Native Heritage Center, and the Alaska Zoo.

¹⁸ Most of the information presented in this subsection was obtained from Alaska Tour & Travel at www.alaskatravel.com, and the Anchorage Chamber of Commerce at www.anchoragechamber.org.

G. COST OF LIVING

A commonly used measure of the cost of living in an area is the quarterly index calculated by the American Chamber of Commerce Researchers Association (ACCRA). The index comprises six components: Grocery items, Housing, Utilities, Transportation, Health Care, and Miscellaneous goods and services. **Figure IV-6** compares the composite ACCRA index for Anchorage metropolitan area with that of selected western U.S. metropolitan areas. During the first quarter of 2005, the cost of living index for Anchorage was 120.3, which was relatively high compared to Denver and Seattle, which reported indexes of 101.6 and 116.5, respectively. On the other hand, the index for Anchorage was lower than that for Fairbanks (126.8), and the greater Los Angeles metro area (153.7). Overall, the index indicates a moderately affordable cost of living in Anchorage.

FIGURE IV-6
COST OF LIVING COMPARISON - SELECTED WEST COAST METROPOLITAN AREAS
First Quarter 2005



The cost of living index measures the relative price levels of consumer goods and services in participating areas. The national average is set at 100.

Source: American Chamber of Commerce Researchers Association (ACCRA), *Cost of Living Index - Comparative Data for 305 Urban Areas*, First Quarter 2005, May 2005.

H. SUMMARY

The demographic and economic trends in the Anchorage MSA indicate the ability of the area to continue to support air travel and rental car demand at the Airport. The forecast methodology presented in **Section V** of this report incorporates local economic characteristics of the MSA, in particular, the non-agricultural employment trends, in the projection of rental car demand at the Airport. The following is a summary of the local trends presented in this section:

- **A growing population base.** The Airport's air service area increased at an average annual rate of 1.6% during the 1995-2004 period. The area accounted for approximately 51.2% of Alaska's total population.
- **An active labor force.** The labor force in Anchorage MSA increased at an average annual rate of 1.7% during the 1995-2004 period. The number of employed persons grew at an average annual rate of 1.7%. Local unemployment remained consistently below state average throughout the 1995-2004 period.
- **Diverse employment base.** The composition of non-agricultural employment in the Airport's local economy indicates a broad base for job creation. The Services, and Trade, Transportation, and Utilities industry sectors are the major sources for private sector jobs, with the three levels of government providing significant employment opportunities in the area.
- **Nationally comparable income levels.** On average, residents in the Airport's air service area, particularly those who reside in the Municipality of Anchorage, fare better, in terms of per capita personal income and median household EBI, than other Alaska residents and residents nationwide.
- **Positive Business Environment.** The advantageous location of Anchorage combined with appropriate business and tax incentives have made the metro area an attractive business location, with a substantial representation in global freight operations.
- **Unique tourist attractions.** The state and the local area boast unmatched scenic beauty and numerous attractions that will continue to attract visitors to the area annually.
- **Comparable cost of living.** The most recent ACCRA index shows that living in Anchorage is moderately affordable compared to select western U.S. metropolitan areas.

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SECTION V

ANALYSIS AND FORECAST OF RENTAL CAR DEMAND

This section reviews the historical trends in rental car demand at the Airport from January 2000 through March 2005 and presents forecasts for calendar years 2005-2015.

A. HISTORICAL TRENDS IN THE RENTAL CAR MARKET AT THE AIRPORT

Table 1 presents estimates of selected rental car demand and revenue indicators for calendar years 2000-2004 and January-March 2005 for the market at the Airport.¹⁹ The demand indicators are the following:

- Transaction days – a transaction day is a 24-hour period (plus a grace period of up to 59 minutes) during which a car is rented.
- Rental contracts – a rental contract is drawn up every time a car is rented; it represents one rental transaction or one customer.
- Contract duration – the number of days a car is rented to one customer. The average contract duration is calculated as the number of transaction days divided by the number of rental contracts.

The revenue indicators are the following:

- Gross Revenue – the revenue received by the rental car companies from renting cars at the Airport. The data represent revenue that is included in the definition of “Gross Revenue” in the rental car Concession Agreements. The data exclude taxes, fuel charges, insurance fees, and other items excluded from the definition of “Gross Revenue” in the rental car Concession Agreements (also known as “non-concessionable revenue”).
- The daily rental rate – the price of renting a car, presented in nominal and real terms. The average nominal daily rental rate is calculated as Gross Revenue divided by transaction days; it represents the average daily price of renting a car in current dollars. The average real daily rental rate is the price of renting a car expressed in constant 2000 dollars.

Table V-1 shows the following trends:

- Transaction days decreased from 858,500 in 2000 to 835,500 in 2002, which represented an average annual decrease of 1.3%. Transaction days then increased to 840,700 in 2003 and decreased slightly, to 835,600 in 2004. Overall, transaction days decreased at an average annual growth rate of -0.7% between 2000 and 2004. The first quarter of 2005 shows a significant year-over-

¹⁹ The data represent estimates because one rental car company provided only transaction day data, and only for 2004. Unison estimated transaction days for that company for the remainder of the historical period based on the company's 2004 market share.

year decrease in transaction days of 15.4%. Five companies, which accounted for 78 % of transaction days in 2004, reported a 20.6% year-over-year decrease in April 2005 and a 0.2% year-over-year decrease in May 2005.

TABLE V-1
TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT
ANNUAL RENTAL CAR ACTIVITY
CY 2000-2005

Calendar Year	Demand Indicators			Revenue Indicators		
	Transaction Days ¹	Rental Contracts ¹	Avg. Contract Duration (Days) ²	Gross Revenue ³	Avg. Nominal Rental Rate ⁴	Avg. Real Rental Rate ⁵
2000	858,518	198,494	4.3	\$36,120,660	\$42.07	\$42.07
2001	847,909	191,903	4.4	\$35,718,677	\$42.13	\$40.96
2002	835,467	186,748	4.5	\$38,098,390	\$45.60	\$43.65
2003	840,705	184,552	4.6	\$37,594,712	\$44.72	\$41.85
2004	835,551	181,792	4.6	\$40,027,539	\$47.91	\$43.67
Jan-Mar 2004	121,672	31,594	3.9	\$4,614,633	\$37.93	\$34.57
Jan-Mar 2005	102,992	29,519	3.5	\$4,242,064	\$41.19	\$36.83
Average Annual Growth Rate						
2000-2004	-0.7%	-2.2%	1.5%	2.6%	3.3%	0.9%
2000-2002	-1.4%	-3.0%	1.7%	2.7%	4.1%	1.9%
2002-2004	0.0%	-1.3%	1.4%	2.5%	2.5%	0.0%
Jan-Mar 2005	-15.4%	-6.6%	-9.4%	-8.1%	8.6%	6.5%

¹ We received incomplete data from one company and estimated transaction days and rental contracts for this company based on its market share in 2004.

² The average contract duration is calculated by dividing transaction days by rental contracts.

³ The figures represent Gross Revenue reported to the Airport by the rental car companies pursuant to their Concession Agreements.

⁴ The average nominal rental rate is calculated by dividing gross rental revenues by transaction days. The nominal rate is expressed in current dollars.

⁵ The average real rental rate is expressed in constant 2000 dollars. It represents the price of renting a car per day, adjusted for inflation.

Sources: The rental car companies and the Airport.

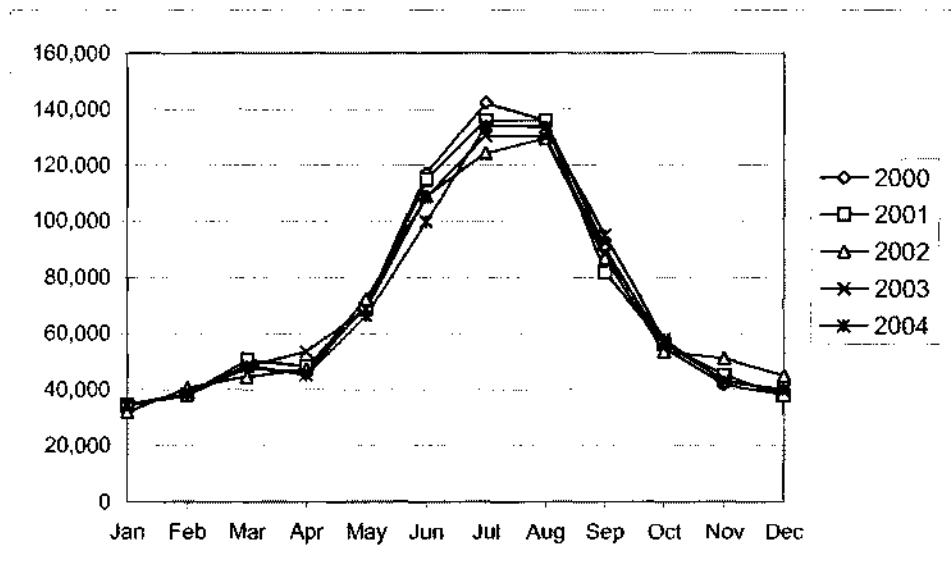
- Rental contracts decreased from 198,500 in 2000 to 181,800 in 2004, at an average annual rate of 2.2%. The annual rate of decline had decelerated from an average of 3.0% during 2001 and 2002, and 1.3% during 2003 and 2004. However, during the first quarter of 2005, rental contracts posted a 6.6% year-over-year decline.
- The average contract duration increased from 4.3 days in 2000 to 4.6 days in 2004 at an average annual rate of 1.5%. This is what prevented further decline in transaction days during 2003 and 2004. During the first quarter of 2005, however, the average contract duration decreased by 9.4% from the same period in 2004.
- Gross Revenue generally increased between 2000 and 2004, due primarily to an increase in the average daily rental rate. Gross Revenue increased from \$36.1

million in 2000 to \$40.0 million in 2004 at an average annual rate of 2.6%. During the first quarter of 2005, however, Gross Revenue fell by 8.1% from the first quarter of 2004.

- The average nominal daily rental rate increased from \$42.07 in 2000 to \$47.91 in 2004 at an average annual rate of 3.3%, or 0.9% over inflation. The data during the first quarter of 2005 show a significant increase in the average nominal daily rental rate of 8.6%, or 6.5% over inflation, from the first quarter of 2004. However the increase in the daily rental rate during the first quarter of 2005 was not enough to keep Gross Revenue from falling as a result of a proportionately larger decrease in transaction days.

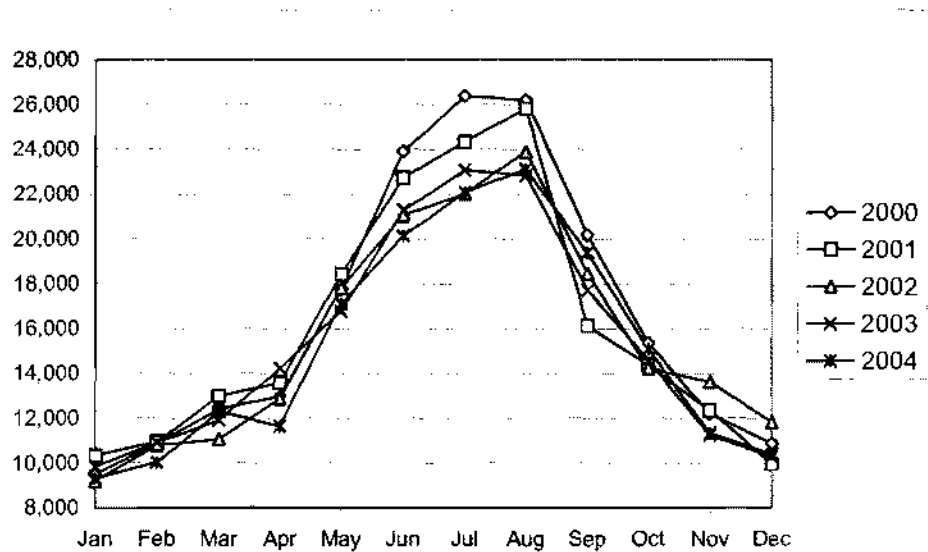
Figures V-1 through V-5 show the monthly trends in the rental car demand and revenue indicators for 2000 through 2004. The rental car market at the Airport exhibits wide seasonal fluctuations. Activity is high during the summer months and low during the remainder of the year. During 2000 through 2004, an average of 45% of annual transaction days, 37% of annual rental contracts, and 54% of annual Gross Revenue were generated during the three month period of June through August. This seasonality in rental car activity mirrors the seasonality in enplanements at the Airport, as is illustrated later in **Figure V-8**.

FIGURE V-1
TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT
MONTHLY TRANSACTION DAYS
2000 - 2004



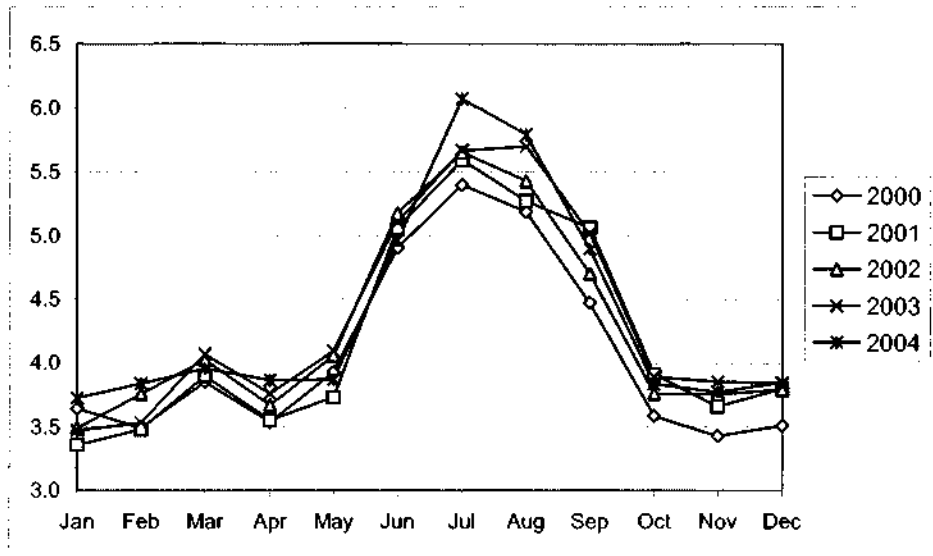
Source: Rental car companies.

FIGURE V-2
TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT
MONTHLY RENTAL CONTRACTS
2000 - 2004



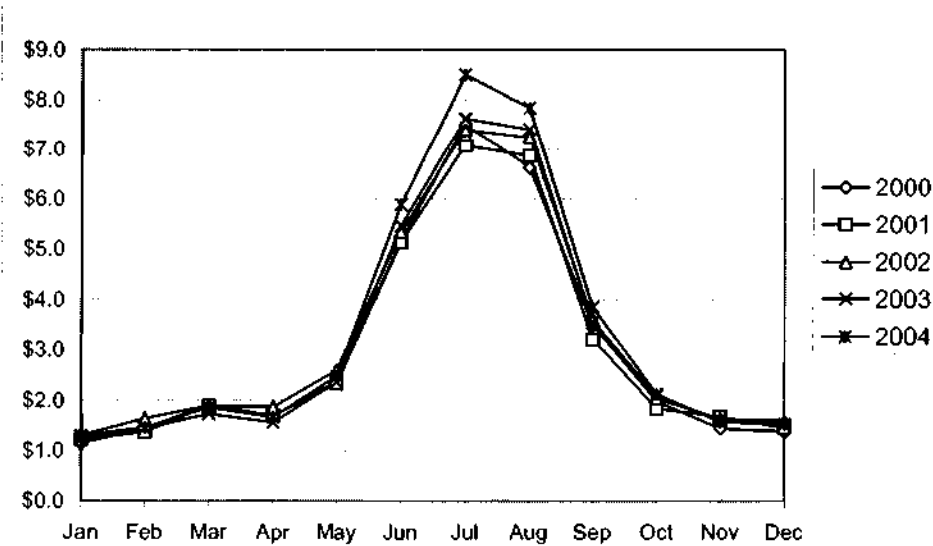
Source: Rental car companies.

FIGURE V-3
TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT
MONTHLY AVERAGE CONTRACT DURATION
2000 - 2004



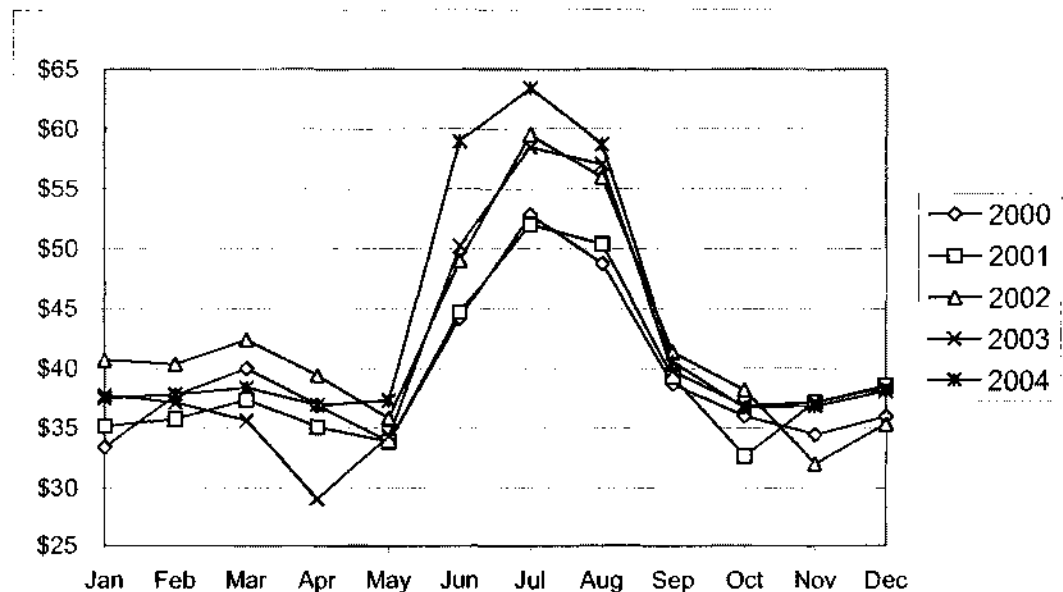
Source: Calculated from data from rental car companies.

FIGURE V-4
TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT
MONTHLY GROSS RENTAL REVENUE (\$ MILLION)
2000 - 2004



Source: Airport records.

FIGURE V-5
TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT
MONTHLY AVERAGE RENTAL RATE
2000 - 2004



Source: Calculated from data from rental car companies and the Airport.

B. FORECAST OF RENTAL CAR DEMAND AT THE AIRPORT

The Consolidated Facility will be financed from the proceeds of a CFC that the rental car companies will collect from rental car customers for each day they rent a car. Therefore, this subsection presents forecasts of rental car demand in terms of transaction days.

Forecast Methodology

There are a variety of methodologies for forecasting, ranging from the use solely of professional judgment to complex mathematical models. Unison prefers to use the econometric approach because it provides a systematic framework for incorporating explanatory variables, quantifying economic relationships, and performing sensitivity analysis. The resulting forecasts are linked to projected trends in market factors that influence airport rental car activity. In CFC-funded facilities, we are interested in examining how demand might be affected by the imposition of a CFC, which effectively raises the price of renting a car to the customer. Multivariate regression analysis allows us to measure the sensitivity of demand to a change in price – an economic concept called the price elasticity of demand. Finally, multivariate

regression analysis reduces subjective inputs and, by design, minimizes forecast errors.

To generate forecasts of transaction days, we considered two alternative modeling approaches:

1. Estimate a regression model with transaction days as the dependent variable and use the model to forecast transaction days directly.
2. Estimate regression models of the two components of transaction days – rental contracts and contract duration – and calculate transaction days from forecasts of rental contracts and contract duration.

In the case of the rental car market at the Airport, we selected the second modeling approach because the average contract duration had not been stable. The average contract duration increased from 2000 through 2003, stayed constant in 2004, and then decreased during the first quarter of 2005.

Explanatory Variables

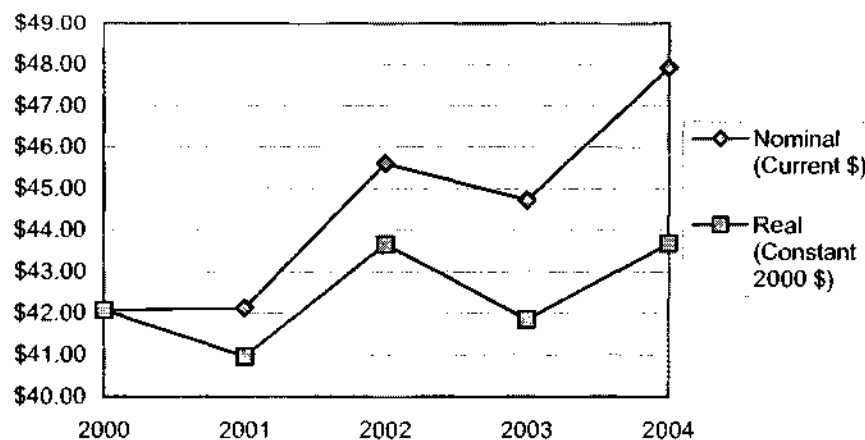
Demand is a function of price and income. In addition, the demand for rental cars at airports is a derived demand – a by-product of the demand for air transportation, which in turn is a by-product of the need or desire to go to a particular destination. In specifying the regression model system of rental car demand, we considered the following explanatory variables for rental car demand at the Airport:

- **Price of renting a car.** Demand is an inverse function of price. Travelers are more likely to rent cars and rent them for longer durations when the price of renting a car goes down. They are less likely to rent cars and, if they do, are likely to rent them for shorter durations when the price goes up. Rental rates differ between companies, markets, and different classes of vehicles; and there is no single industry price index that tracks the trend in rental rates. For this study, we calculated the average daily rental rate based on the Gross Revenue reported by the rental car companies to the Airport pursuant to their Concession Agreements, and the transaction day data collected from the rental car companies. We used the average daily rental rate to indicate the trend in the price of renting a car at the Airport.

Figure V-6 shows the trend in the average daily rental rate both in nominal and real terms. The average daily rental rate increased both in nominal (3.3% per year) and real terms (0.9% per year) between CY 2000 and 2004. Data during the first three months of 2005 show an increase in the average daily rental rate of 8.6% in nominal terms, or 6.5% above inflation). In addition to rate increases, new taxes had been imposed on rental car customers: an 8% municipal tax effective October 1, 2000 and a 10% state tax effective January 1, 2004.

Overall the Airport rental car market has seen significant increases in the nominal rate in 2004 (7.1%) and the first quarter of 2005 (8.6%). These relatively high rate increases, which occurred after a 1.9% decrease in 2003, are not likely to be repeated during the forecast period. In developing the base forecast of transaction days, we assumed that the average daily rental rate would increase at the 2.3% inflation rate²⁰ during the remainder of 2005 and through 2008, and then increase at the historical average annual rate of 3.3% (the average rate of increase from 2000 through 2004) during the remainder of the forecast period. We also incorporated into the forecast a \$4.50 increase in customer cost resulting from the implementation of the CFC.

FIGURE V-6
TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT
AVERAGE DAILY RENTAL RATE
CY 2000-2004



See Table V-1. Based on Gross Revenue reported by the rental car companies to the Airport pursuant to their Concession Agreements.

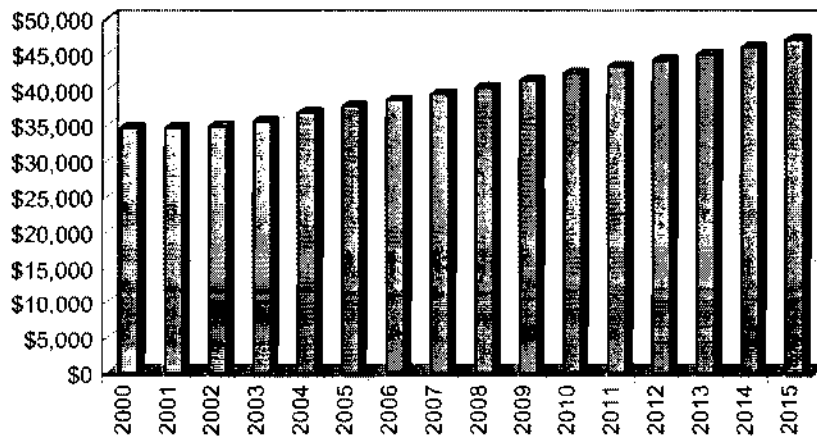
- **Customers' income.** Demand is a direct function of income. Travelers are more likely to rent cars and rent them for longer durations when their disposable income goes up. They are less likely to rent cars and, if they do, are likely to rent them for shorter durations when their disposable income goes down. And income moves up and down with the economy. This relationship between demand and income also holds for business travelers whose corporate travel budgets increase or decrease with business revenue and economic trends. For regression modeling, we use the real U.S. per capita Gross Domestic Product ("GDP") as an income indicator. We use this national measure of income, rather

²⁰ Based on the annual inflation rate forecasted by the U.S. Office of Management and Budget ("OMB").

than a local measure of personal income, because the rental car customers at the Airport typically come from outside the local area.

According to data from Global Insight, Inc., an economic forecasting firm, real U.S. per capita GDP increased by 1.5% per year, on average, between 2000 and 2004, and is projected to increase by 2.3% per year, on average, between 2004 and 2015. Compared to the forecast, the historical average annual growth rate is low because of the U.S. economic recession in 2001 and the sluggish recovery in 2002 and 2003. The sluggishness in the overall economy likely contributed to the lackluster performance of the rental car market at the Airport during these years. The economy gained momentum in 2004, during which the real U.S. per capita GDP grew by 3.5%. Global Insight, Inc. forecast steady growth at 2.6% in 2005, and between 2.0 and 2.4% annually from 2006 through 2015. One important limitation of the economic forecast is that it does not reflect business cycles; and this limitation carries over to the resulting rental car demand forecast. **Figure V-7** shows the historical and forecast data on real U.S. per capita GDP.

FIGURE V-7
REAL U.S. PER CAPITA GROSS DOMESTIC PRODUCT
Constant 2000 Dollars
CY 2000-2015



Source: Global Insight, Inc.

- **Airport passenger traffic.** The demand for rental cars at the Airport is a derived demand. Airport passengers, particularly arriving passengers whose final airport destination is ANC, provide the pool of potential rental car customers. Therefore we expect rental car activity – in particular, rental contracts and transaction days – to increase with airport passenger traffic. For modeling purposes, we use enplanements as a proxy for deplanements because historical and forecast passenger traffic is typically tracked in terms of enplanements, rather than

deplanements. Moreover we consider only the O&D²¹ component of traffic. **Table V-2** shows total enplanements, according to Airport records, and our estimates of O&D enplanements for the periods 2000-2004 and January-March 2005.

TABLE V-2
TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT
TOTAL ENPLANEMENTS, O&D ENPLANEMENTS, AND
RATIO OF RENTAL CONTRACTS TO O&D ENPLANEMENTS
CY 2000-2005

Calendar Year	Enplanements		Rental Contracts/ O&D Enplanements
	Total ¹	O&D ²	
2000	2,197,814	1,846,164	0.108
2001	2,233,338	1,876,004	0.102
2002	2,245,866	1,886,527	0.099
2003	2,181,498	1,832,458	0.101
2004	2,359,321	1,981,830	0.092
Jan-Mar 2004	424,278	356,394	0.089
Jan-Mar 2005	447,209	375,656	0.079
Average Annual Growth Rate			
2000-2004	1.8%	1.8%	-3.9%
Jan-Mar 2005	5.4%	5.4%	-11.4%

¹ Source: Airport records.

² Unison estimates O&D to account for approximately 84% of total enplanements, based on the estimate in the 2003 Report of the Feasibility Consultant by Landrum & Brown, Inc., that O&D accounts for approximately 81% of total scheduled domestic enplanements.

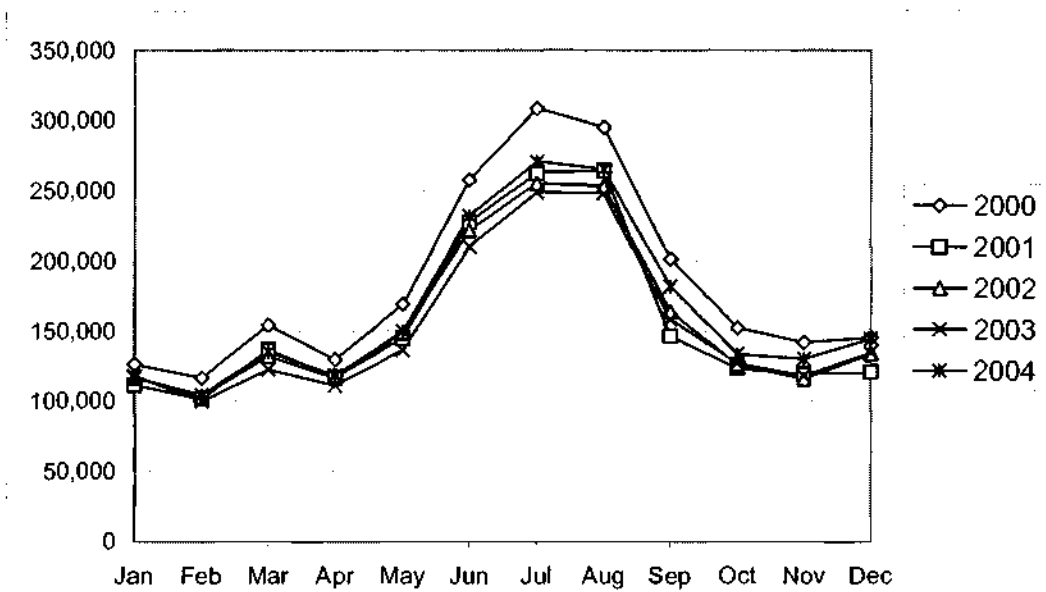
Total enplanements increased from 2.20 million in 2000 to 2.36 million in 2004 at an average annual rate of 1.8%. However total enplanements decreased 2.9%, in 2003 before increasing 8.2% in 2004. This strong recovery appears to be continuing in 2005. During the first quarter of 2005, enplanements increased by 5.4% from the same period in 2004. The Airport is currently forecasting Airport enplanements to grow from 2005 to 2015 at a compound annual rate of 1.65%.²² O&D enplanements increased from approximately 1.85 million in 2000 to 1.98 million in 2004. We assume that the growth trends in O&D enplanements follow the growth trends in total enplanements. **Table V-2** also shows the ratio of rental contracts to O&D enplanements, which has been decreasing over the past five years and significantly during the first quarter of 2005.

²¹ O&D stands for origin and destination, and is used to refer to passengers who either originate or end their air travel itinerary at the subject airport.

²² The enplanement growth rate forecast was provided by the Airport's Planning Section. This represents a lower growth rate than the 2.0% annual growth rate for fiscal years 2006-2010, as projected by Landrum & Brown, Inc. in the Financial Feasibility Report included in the Official Statement for the State of Alaska International Airports System Series 2003A and 2003B Bonds.

The correlation between rental car activity and enplanements at the Airport is evident in **Figure V-8**. Monthly O&D enplanements show the same seasonal pattern as rental car activity in **Figures V-1** through **V-5**.

FIGURE V-8
TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT
MONTHLY O&D ENPLANEMENTS
2000 - 2004



Source: Estimates based on ANC records of total enplanements.

- **Effects of the September 11, 2001 Events.** In considering the effect of passenger traffic levels on rental car demand at the Airport, we also consider the aggravating effects of the events of the September 11, 2001 Events on the weak economy and weak travel demand. In 2001 the growth in demand for air travel and related services, including rental cars, was already decelerating due to the slowdown in the U.S. economy. The September 11, 2001 Events exacerbated the weaknesses in the economy and travel demand. Business revenue and passenger traffic fell nationwide. The Airport is one of the few airports that did not experience a drop in enplanements in 2002. However, the impact of the September 11, 2001 Events and the economic weakness that followed could have affected the Airport market through consumers' behavioral changes and

structural changes in the industry.²³ To test this hypothesis we included a dummy variable in the regression model of rental contracts to indicate the behavioral impact of the September 11, 2001 Events on the demand for airport rental car services. We further hypothesized that this impact is manifested in a permanent downward shift in the relationship between rental contracts and O&D enplanements.

- **Local employment.** We consider the trends in local non-agricultural employment as an indication of the ability of the local economy to attract business travel. According to data from Global Insight, Inc., non-agricultural employment at the Anchorage MSA increased by 2.2% per year, on average, between 2000 and 2004. However the average annual growth rate masks the slowdown in non-agricultural employment growth in the Anchorage area, from 2.8% in 2001 to 1.6% in 2003 and 1.9% in 2004. Global Insight, Inc. projects non-agricultural employment to increase by 1.1% per year, on average, between 2004 and 2015. **Section IV** presented a detailed assessment of the demographic and economic trends in the Anchorage MSA.

Table V-3 summarizes the annual growth rates in selected rental car activity indicators and explanatory variables. In addition to the key explanatory variables described above, the regression models of rental contracts and contract duration also included variables to account for the seasonality of rental car demand and the serial correlation that is inherent in time series data.

TABLE V-3
TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT
ANNUAL GROWTH RATES IN RENTAL CAR ACTIVITY AND SELECTED EXPLANATORY VARIABLES
CY 2001-2004

Calendar Year	Transaction Days	Rental Contracts	Avg. Contract Duration (Days)	Avg. Nominal Rental Rate	Avg. Real Rental Rate	Real U.S. per Capita GDP	O&D Enplanements	Local Nonfarm Employment
2001	-1.2%	-3.3%	2.2%	0.1%	-2.6%	-0.1%	1.6%	2.8%
2002	-1.5%	-2.7%	1.3%	8.3%	6.6%	0.7%	0.6%	2.5%
2003	0.6%	-1.2%	1.8%	-1.9%	-4.1%	1.9%	-2.9%	1.6%
2004	-0.6%	-1.5%	0.9%	7.1%	4.3%	3.5%	8.2%	1.9%
2000-04	-0.7%	-2.2%	1.5%	3.3%	0.9%	1.5%	1.8%	2.2%

We tested several variations of the regression models, including alternative functional forms (linear and loglinear) and alternative specifications of the key explanatory variables. We evaluated the different models based on a number of statistical tests and the reasonability of the resulting relationships established by the

²³ The following illustrates the hypothesized structural and behavioral changes in the post-September 11, 2001 market: The ensuing economic difficulties after the September 11, 2001 Events reduced corporate profits and caused businesses to reduce budgets for travel services. As a result, business travelers have become more conscientious in purchasing travel services – a discipline that now continues even as the market recovers from the September 11, 2001 Events and the economic slowdown.

models. We selected the models that most accurately represent the relationships between rental car demand and the individual explanatory variables, and that best explain the historical variation in rental contracts and contract duration.

The results from the different models we tested show that the trends in rental car activity at the Airport are driven principally by the trends in enplanements, price, and income. Enplanement trends influence rental car demand through rental contracts. Price trends influence rental car demand through rental contracts and contract duration. Income trends influence rental car demand through contract duration. The regression results also corroborated the hypothesized downward shift in the relationship between rental contracts and enplanements following the September 11, 2001 Events.

The selected regression model of rental contracts includes the following key explanatory variables: O&D enplanements, average real daily rental rate, and a dummy variable that captures the effects of the September 11, 2001 events through the effect of O&D enplanements.²⁴ The model results confirm that rental contracts increase with an increase in enplanements and decrease with an increase in price. This model yields an adjusted R-squared²⁵ of 0.99, which means that the model explains 99.0% of the observed variation in rental contracts.

The selected regression model for contract duration includes the following key explanatory variables: average real daily rental rate, local non-agricultural employment, real U.S. per capita GDP, and a dummy variable to indicate the effects of the September 11, 2001 Events on contract duration. The results confirm that the contract duration decreases with an increase in price and increases with an increase in income. The results also show that contract duration decreases with an increase in non-agricultural employment. Intuitively, an increase in non-agricultural employment could indicate an increase in rental car demand by business travelers who typically rent cars for a shorter duration than leisure travelers. The results also capture the increase in the average contract duration after the September 11, 2001 Events. This model yields an adjusted R-squared of 0.97, which means that the model explains 97.0% of the observed historical variation in contract duration.

We used these two models to generate forecasts of rental contracts and contract duration. We then multiplied rental contracts by contract duration to forecast transaction days.

²⁴ In econometric terminology, this is called an *interaction variable*: the *dummy variable* representing the effects of the September 11, 2001 events is interacted with O&D enplanements.

²⁵ The *Adjusted R-squared* is the *coefficient of multiple determination*; it is the appropriate measure of the model's *goodness-of-fit* when the model has more than one explanatory variable.

Forecast Results and Sensitivity Analysis

Table V-4 shows the resulting base forecast of rental car activity, given the assumptions described above with respect to the future trends of the explanatory variables. One important factor that has significantly influenced the trends in transaction days is the average daily rental rate.²⁶ Because we do not believe that the recent significant increases in the average daily rental rate will continue in the future, the base forecast assumes that the average nominal rental rate will increase by the 2.3% forecast rate of inflation through 2008, and then 3.3% annually thereafter – consistent with the historical average annual growth rate between 2000 and 2004.

Excluding the effect of the CFC, the resulting forecast shows transaction days decreasing 4.0% from approximately 835,600 in 2004 to approximately 802,300 in 2005, and then increasing at an average annual rate of 0.8% during the remainder of the forecast period, to 865,400 in 2015. The forecast for 2005 reflects actual transaction days during January - March 2005, which were 15.4% lower than transaction days during January - March 2004. The forecast for the remainder of 2005 represents only a 2.3% year-over-decrease, anticipating a significant improvement in market performance during the remainder of 2005 compared to actual performance during the first three months of the year.

For the purposes of developing the forecast, the following combined CFC and FMC levels were assumed during the forecast period (2005 through 2015): \$4.00 from June 24, 2005 (the date of implementation of the CFC) through January 2006; \$4.30 from February 2006 through January 2010; \$4.95 from February 2010 through January 2015; and \$5.95 from February 2015 through the end of 2015. The assumed combined CFC and FMC levels were based on the estimated levels described in Section VI of this Report.

Including the effect of the CFC and FMC, transaction days are forecast to decrease to approximately 779,900 in 2005 and then increase to 802,200 in 2009. Transaction days are projected to decrease slightly in 2010, to approximately 801,200, due to the assumed increase in the CFC level in that year. Transaction days are then projected to increase to 820,000 in 2014, before decreasing to 817,600 in 2015 due to the assumed increase in the CFC level in that year. Because the CFC and FMC add to the price paid by the customer, the forecast transaction days with the CFC and FMC are lower than the forecast transaction days without the CFC and FMC. During the forecast period, the difference in annual transaction days varies depending on the assumed level of the CFC and FMC, between 2.8% in 2005 and 5.5% in 2015.

²⁶ As discussed earlier in this section, the average daily rental rate was calculated based on Gross Revenue reported by the rental car companies to the Airport pursuant to their Concession Agreements. Therefore, it excludes the effect of taxes and other non-concessionable revenue items.

The above forecasts are based on specific assumptions about the future trends of key explanatory variables as discussed on the preceding pages. Those assumptions are based on available information to date. Unexpected events may occur, and some of the underlying forecast assumptions may not take place. All these introduce uncertainty into the forecast and could cause actual results to differ from forecast.

TABLE V-4
TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT
BASE FORECAST OF RENTAL CAR ACTIVITY
Assumes Annual Increase in the Average Nominal Daily Rental Rate of 2.3%¹
during April-December 2005 and 2006-2008, and 3.3%² during 2009-2015
CY 2004-2015

Calendar Year	Without CFC/FMC			With CFC/FMC ³			% Change in Transaction Days Due to CFC/FMC
	Rental Contracts	Contract Duration	Transaction Days	Rental Contracts	Contract Duration	Transaction Days	
2004 (Actual)	181,800	4.6	835,600	181,800	4.6	835,600	0.0%
2005	181,300	4.4	802,300	176,800	4.4	779,900	-2.8%
2006	184,800	4.5	824,000	175,300	4.5	780,300	-5.3%
2007	186,800	4.5	832,100	177,500	4.4	789,100	-5.2%
2008	189,000	4.4	840,400	179,900	4.4	798,500	-5.0%
2009	190,000	4.4	843,100	181,100	4.4	802,200	-4.9%
2010	191,100	4.4	846,600	181,200	4.4	801,200	-5.4%
2011	192,300	4.4	850,300	182,500	4.4	805,600	-5.3%
2012	193,500	4.4	853,800	183,900	4.4	810,200	-5.1%
2013	194,800	4.4	857,500	185,400	4.4	815,100	-4.9%
2014	196,000	4.4	861,300	187,000	4.4	820,000	-4.8%
2015	197,400	4.4	865,400	186,900	4.4	817,600	-5.5%
Average Annual Growth Rate							
2004-2015	0.8%	-0.4%	0.3%	0.3%	-0.4%	-0.2%	
2004-2005	-0.3%	-3.7%	-4.0%	-2.8%	-4.0%	-6.7%	
2005-2015	0.9%	-0.1%	0.8%	0.6%	-0.1%	0.5%	

¹ Based on forecast inflation between 2004 and 2015.

² Based on the average annual growth rate between 2000 and 2004.

³ Assumes the following combined CFC/FMC levels: \$4.00 through January 2006; \$4.30 from February 2006 through January 2010; \$4.95 from February 2010 through January 2015; and \$5.95 from February 2015 through January 2016.

All forecasts are subject to uncertainty. The above forecasts are based on information that is available as of the Report's date. Various factors, other than those included in the forecast models, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not happen. Therefore actual performance may differ from the forecasts, and the difference may be material.

Table V-5 shows the forecast results from a sensitivity analysis that assumes a 2.3% annual increase in the average nominal daily rental rate, enough to keep up with inflation, throughout the forecast period. The results show that future rate increases approximately in line with annual inflation would allow transaction days to grow at relatively modest rates. Without the CFC and FMC, transaction days under this scenario are forecast to decrease to 802,300 in 2005 and then grow at an average annual rate of 1.2%, to 904,900 in 2015. With the CFC and FMC, transaction days under this scenario are forecast to decrease to 779,900 in 2005 and then grow at an average annual rate of 0.9%, to 856,700 in 2015. The difference in annual transaction days with and without the CFC and FMC varies depending on the assumed level of the CFC and FMC, between 2.8% in 2005 and 5.3% in 2015.

TABLE V-5
TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT
SENSITIVITY FORECAST OF RENTAL CAR ACTIVITY
Assumes 2.3% Annual Increase in the Average Nominal Daily Rental Rate¹
CY 2004-2015

Calendar Year	Without CFC/FMC			With CFC/FMC			% Change in Transaction Days Due to CFC
	Rental Contracts	Contract Duration	Transaction Days	Rental Contracts	Contract Duration	Transaction Days	
2004 (Actual)	181,800	4.6	835,600	181,800	4.6	835,600	0.0%
2005	181,300	4.4	802,300	176,800	4.4	779,900	-2.8%
2006	184,800	4.5	824,000	175,300	4.5	780,300	-5.3%
2007	186,800	4.5	832,100	177,500	4.4	789,100	-5.2%
2008	189,000	4.4	840,400	179,900	4.4	798,500	-5.0%
2009	191,200	4.4	848,700	182,300	4.4	807,800	-4.8%
2010	193,500	4.4	857,800	183,600	4.4	812,200	-5.3%
2011	195,800	4.4	867,100	186,000	4.4	822,300	-5.2%
2012	198,200	4.4	876,200	188,700	4.4	832,500	-5.0%
2013	200,700	4.4	885,600	191,400	4.4	842,900	-4.8%
2014	203,100	4.4	895,100	194,100	4.4	853,500	-4.6%
2015	205,700	4.4	904,900	195,200	4.4	856,700	-5.3%
Average Annual Growth Rate							
2004-2015	1.1%	-0.4%	0.7%	0.6%	-0.4%	0.2%	
2004-2005	-0.3%	-3.7%	-4.0%	-2.8%	-4.0%	-6.7%	
2005-2015	1.3%	-0.1%	1.2%	1.0%	-0.1%	0.9%	

¹ Based on forecast inflation between 2004 and 2015.

² Based on the average annual growth rate between 2000 and 2004.

³ The CFC will be \$4.00 from July 2005 through January 2006, \$4.30 from February 2006 through January 2010, \$4.95 from February 2010 through January 2015, and \$5.95 from February 2015 through January 2016.

All forecasts are subject to uncertainty. The above forecasts are based on information that is available as of the Report's date. Various factors, other than those included in the forecast models, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not happen. Therefore actual performance may differ from the forecasts, and the difference may be material.

C. OTHER FACTORS THAT COULD AFFECT RENTAL CAR DEMAND

The multivariate regression analysis necessarily included explanatory variables that are quantifiable. In addition, there are other factors that could affect rental demand at the Airport, including factors that affect the industry in general. Some of these factors are discussed below.

1. Recent Trends in the U.S. Rental Car Industry

Section III of this Report provides a comprehensive assessment of the structural changes in the U.S. rental car industry, including the financial challenges in the aftermath of the September 11, 2001 Events, ownership changes, the strategy of dual branding, and emerging trends in marketing activity. The central issue in all of the dynamic changes remains the financial viability of the rental car companies. The ability of the rental car companies to adjust in a timely and appropriate manner to national economic and travel trends will be critical to the industry's sustained profitability over the forecast period.

2. Alternative Modes of Ground Transportation ²⁷

Apart from renting a car or using private automobiles, arriving passengers may choose from several other modes of ground transportation available at the Airport. These alternative modes of transportation differ in terms of convenience, service, and associated monetary and time costs. Ground transportation options available at the Airport include the following:

- **Airport Hotel/Motel Shuttles:** Many local hotels and motels provide courtesy shuttle service for their guests. However, this service is usually limited to transportation between the hotel and the airport, and is not available on demand.
- **City Bus System:** The Municipality of Anchorage People Mover Bus stops every 30 minutes at various Airport locations and alternates between downtown and the Dimond Center destinations from approximately 6:00 a.m. until 11:00 p.m. The one-way fare schedule is as follows: \$1.50 for adults; \$0.35 for seniors, disabled and Medicare card holders; \$0.75 for youth (5-18 years old); and \$0.75 for students, faculty and staff of the University of Alaska Anchorage. The City Bus System may be convenient for employees and local residents with little luggage, but it may not be convenient to travelers from out-of-town who carry heavy luggage and are not familiar with the bus system's route and schedule. The bus system is not available on demand, makes numerous stops, and does not provide "door-to-door" service.

²⁷ Most of the information relating to ground transportation was obtained from the Airport's website at www.dot.state.ak.us/anc.

- **Shared-Ride Shuttles:** The Airport website lists four companies that provide shared-ride shuttle service from the Airport to destinations within and outside the Anchorage metropolitan area: Tortoise and Hare, Eagle River Shuttle, Shuttle Man and Talkeetna Shuttle. Alaska Shuttle, not listed on the Airport's website, also provides shared-ride shuttle service. One-way fare to downtown or midtown costs \$12.00 for up to three people and \$5.00 for each additional passenger. Shared-ride shuttles offer a more convenient alternative to the bus system as they provide door-to-door service and, with fewer passengers, make fewer stops. For a single passenger, taking a shared-ride shuttle would still involve some wait as the shuttle waits for more passengers to fill capacity, and a longer trip time as the shuttle drops off other passengers at different destinations.
- **Taxicabs:** Taxicabs are available at both terminals at the Airport. The Airport website lists three companies: Alaska Cab Company, Anchorage Yellow Cab Inc. and Taxicab Checker. One-way fare to downtown ranges from \$14.00 to \$17.00. Taxicabs are available on demand and provide exclusive door-to-door service. They are good substitutes for rental cars when travelers need to go to a single or limited number of destinations. Taking a taxicab eliminates the stress of driving in an unfamiliar environment – an advantage over rental cars. However, taking a taxicab can cost more than renting a car especially when travelers need to go to multiple destinations.
- **Limousines:** Limousine service is available from a number of companies such as Suvana, Alaskan Splendor, Aurora and Luxury Limousines. Limousine service must be arranged in advance. The fare for a one-way trip from the Airport to a downtown destination ranges from \$50.00 to \$85.00 plus 20% gratuity – the most expensive of all ground transportation alternatives, including rental cars.
- **Cruise Ship Bus Transportation:** The cruise ship companies provide travel packages that include bus transportation to and from the Airport. Many cruise ship passengers travel by bus between the Airport and their cruise ship terminals in Seward and other locations.
- **Alaska Railroad:** The Bill Sheffield Alaska Railroad Corporation Depot, located on Airport property and connected to the South Terminal via a pedestrian tunnel, was completed in December 2002. The Depot serves as an intermodal link between the Airport and the Alaska Railroad line that runs between the Airport and the cruise ship terminal in Seward.

SECTION VI

FINANCIAL ANALYSIS

This section discusses the financial aspects of the Project, including the plan of financing. The discussion includes a summary of the legal framework for the financing and operation of the Consolidated Facility, and the financial analysis, which presents projections of the following: (1) the CFC and FMC levels required to generate CFC and FMC collections sufficient to meet the debt service requirements on the Bonds and other financial requirements under the terms of the governing legal documents (described below), (2) Revenues as defined in the Indenture, (3) debt service coverage, and (4) the deposit and application of Revenues under the Indenture for the forecast period.

A. LEGAL FRAMEWORK FOR THE FINANCING AND OPERATION OF THE FACILITY

The financing and operation of the Consolidated Facility are governed by the following documents: (1) the Indenture, and the Use of Proceeds Agreement, (2) the Alaska Statute 02.15.090, as amended (the "CFC Statute") and the Order to impose the CFC issued by the Commissioner of the Alaska Department of Transportation and Public Facilities (the "Commissioner's Order"), (3) the Rental Car Concession Agreements, and (4) the Lease and Subleases. These documents are described below.

1. Bond Trust Indenture and Use of Proceeds Agreement

The Bonds are being issued pursuant to the Indenture.²⁸ Under the provisions of the Use of Proceeds Agreement²⁹, the Authority has agreed to make the proceeds of the Bonds available to the SPE, and the SPE has agreed to apply the proceeds of the Bonds in accordance with the provisions of the Indenture. The Indenture establishes the following funds and accounts:

- Issuance Costs Fund (to be net funded from Bond proceeds)
- Project Fund (to be funded from Bond proceeds)
- Revenue Fund
- Bond Fund, which includes the following accounts:
 - Interest Account

²⁸ Defined in Section I as the Bond Trust Indenture dated as of September 1, 2005 (the "Indenture") by and between the Authority and the Bank of New York Trust Company, N.A. (the "Trustee").

²⁹ Defined in Section I as the Use of Proceeds Agreement between the Authority and the Anchorage RAC Center, LLC, an Alaska limited liability company and special purpose entity (the "SPE"), dated as of September 1, 2005.

- Principal Account
- Redemption Account
- Debt Service Reserve Account (to be satisfied through a surety bond)
- Coverage Fund (to be initially funded from Bond proceeds)
- Administrative Expense Fund
- Renewal and Replacement (“R&R”) Fund
- Operation and Maintenance (“O&M”) Fund (to be funded from FMC collections)

The debt service requirements for the Bonds are payable from and secured solely by a pledge of the following moneys, which are collectively defined as “Revenues” in the Indenture: (a) CFC collections, (b) the earnings on moneys and investments in the Revenue Fund, the Bond Fund, the Issuance Costs Fund, the Administrative Expense Fund, or the Coverage Fund, and (c) all amounts required to be transferred to the Revenue Fund, the Interest Account, the Principal Account, or the Redemption Account under the terms of the Indenture. Revenues, as defined in the Indenture, exclude (i) any amounts held in the O&M Fund, (ii) earnings on the amounts in the O&M Fund, the R&R Fund, and the Project Fund, and (iii) any FMCs.

The proceeds of the Bonds, net of the underwriter’s discount shall be applied as follows:

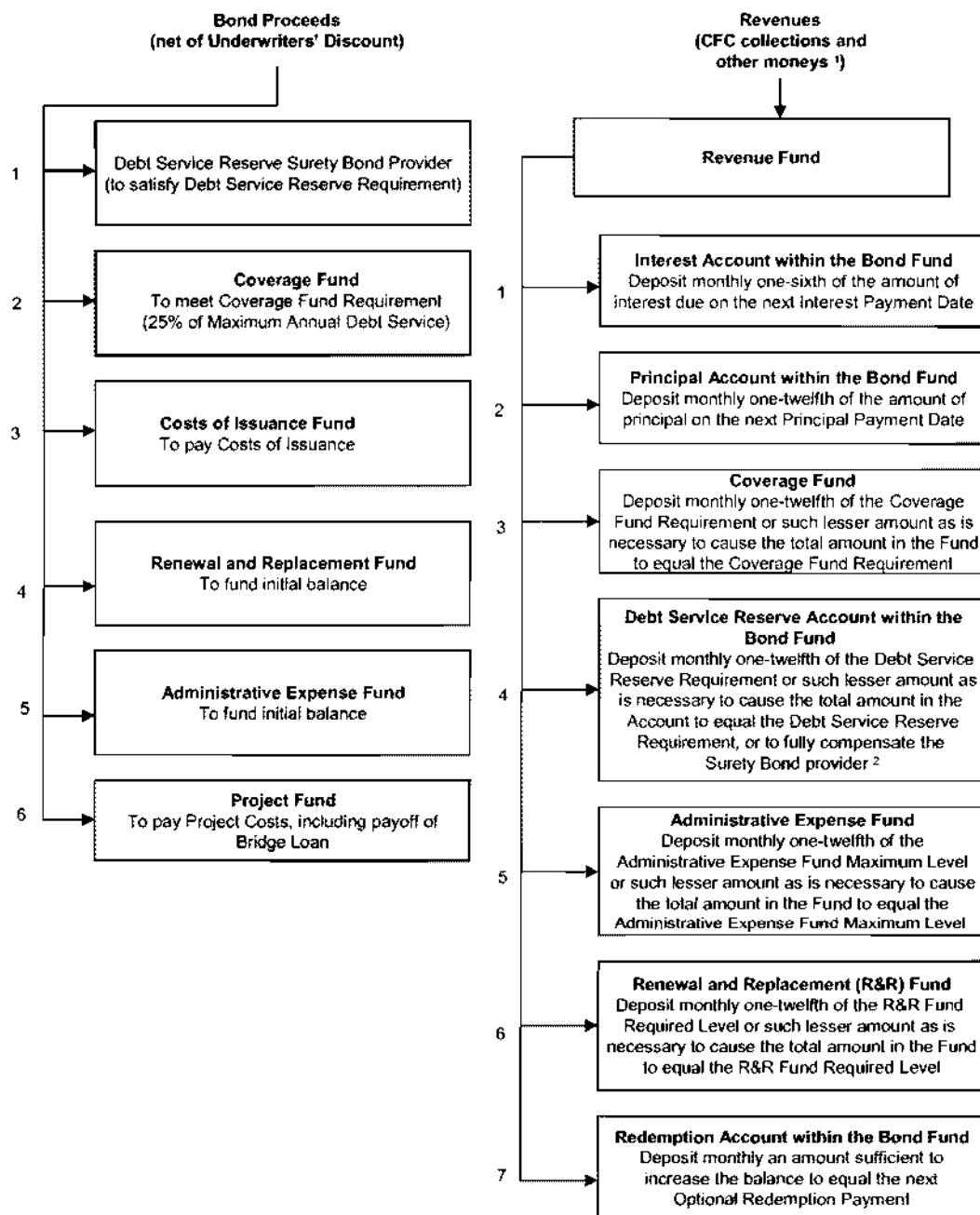
1. The sum of \$223,294³⁰ shall be paid to the Debt Service Reserve Account Surety Bond Provider;
2. The sum of \$1,717,649³⁰ shall be deposited in the Coverage Fund;
3. The sum of \$1,019,000³⁰ shall be deposited into the Issuance Costs Fund to pay the Issuance Costs;
4. The sum of \$1,000,000 shall be deposited in the R&R Fund; and
5. The sum of \$50,000 shall be deposited in the Administrative Expense Fund;
6. The balance of the proceeds shall be deposited in the Project Fund. The moneys in the Project Fund shall be used to pay the Project Costs.³¹

The application of Bond proceeds and Revenues under the provisions of the Indenture is depicted in **Figure VI-1**.

³⁰ Estimates as of the date of this Report, and are subject to change.

³¹ Defined in Section I as the costs to design, develop, construct, and equip the Consolidated Facility. The SPE has obtained the Bridge Loan to pay for the Project Costs incurred by the SPE prior to the issuance of the Bonds. Therefore, the amount of Bond proceeds to be deposited into the Project Fund will include an amount necessary to pay off the Bridge Loan.

**FIGURE VI-1
APPLICATION OF BOND PROCEEDS AND
APPLICATION OF REVENUES**



¹ Other moneys included in the definition of Revenues consist of the income and profit from the investment of moneys held in the Revenue Fund, the Bond Fund, the Issuance Costs Fund, the Administrative Expense Fund, and the Coverage Fund.

² The Debt Service Reserve Requirement will be satisfied through a Surety Bond.

2. CFC Statute and the Commissioner's Order

The imposition of the CFC is authorized by the CFC Statute. The CFC Statute authorizes the Commissioner of the Alaska Department of Transportation and Public Facilities (the "Commissioner") to impose the CFC, and to periodically adjust the level of the CFC, as necessary, in order to pay the debt service requirements on the Bonds, maintain reserve requirements, and meet any other obligations with respect to the Bonds.

The CFC Statute also authorizes the Commissioner to impose a uniform Customer Facility Maintenance Charge (the "FMC") in order to pay for some or all of the costs, fees and expenses, including insurance costs and maintenance reserves, required to maintain and operate the Consolidated Facility.³² The FMC collections are not available to pay the debt service requirements on the Bonds. The CFC Statute directs the Commissioner to periodically adjust the level of the FMC, to reflect changes in costs, fees, and expenses to operate and maintain the Consolidated Facility and to reflect changes in the number of occupants, users, or customers of the Consolidated Facility. The CFC and FMC collections are not revenues of the State securing any other indebtedness, and are not subject to appropriation by the State under the Constitution of the State.

On May 24, 2005, under the authority of the CFC Statute, the Commissioner issued an Order Imposing Obligation to Collect and Remit Customer Facility Charges (the "Commissioner's Order"). The Commissioner's Order directs the Operators to collect the CFC from its customers at the Airport, effective June 24, 2005, and to remit the CFCs collected to the Trustee in accordance with the Concession Agreements (described below).

3. Concession Agreements

Eight Operators have each individually executed an amended On-Airport Rental Car Concession Agreement (collectively referred to as the "Concession Agreements"). Under the terms of the Concession Agreements, each Operator is granted by the State the privilege of operating an on-Airport rental car concession. Each month, the Operators are required to pay to the State the greater of: (a) one-twelfth of the Annual Guarantee for each Agreement year, or (2) Ten percent (10%) of monthly Gross Revenues (the "Percentage Fee"). "Gross Revenues" are defined in the Concession Agreements as "all revenue, income and receipts of the Concessionaire, on an accrual basis arising, wholly or in part, from car rental operations on the Airport..." In addition, until the construction site leased to the SPE for the Project must be vacated for construction of the Consolidated Facility, the Operators are required to pay to the State the following rents in consideration for the use of the existing rental car facilities: (a) garage parking space rent and (b) ready parking /

³² The costs to maintain and operate the Consolidated Facility will include a portion of the Municipality of Anchorage real property taxes that will be imposed on the Consolidated Facility.

return row rent. When the construction site is vacated, the Operators will receive – and pay for – a larger portion of the existing parking garage, but will receive ready/return space in the Airport's long-term parking lot at no charge. Instead, the SPE will pay land rent for the leased construction site as a cost of the Project, equivalent to previous ready/return rent. Effective at DBO of the Consolidated Facility, the Land Rent provisions of the Subleases (as described above) will replace the parking space rent and return row rent currently paid by the Operators to the State for the existing facilities.

The Concession Agreements govern the premises leased by the Operators prior to the start of construction of the Consolidated Facility (the existing premises, or "Pre-Construction Premises"), during construction ("Construction Period Premises"), and effective at DBO of the Consolidated Facility ("Beneficial Occupancy Premises"). The Beneficial Occupancy Premises (Counter Space, Car Wash/Fueling Areas, and Ready Return and Other Parking Space areas in the Consolidated Facility) will be allocated to the Operators based on each Operator's market share for the most recent Allocation Year.

Under the terms of the Concession Agreements, the Operators are required to collect and remit the CFC. The CFC was implemented at an initial level of \$4.00 per Transaction Day. A "Transaction Day" means each 24 hour period (plus any grace period of up to 59 minutes routinely provided by the Operators) or portion thereof commencing at the time of rental to a customer by any Operator.

The Concession Agreements also specify that the FMC will take effect at the time determined by the State in consultation with the Operators, provided that the effective date will not be earlier than the date of issuance of the Bonds or later than DBO of the Consolidated Facility. The State will notify the Operators of the imposition of the FMC at least thirty (30) days before the required collection start date. Effective with the imposition of the FMC, the CFC will be reduced by up to the amount of the FMC, provided that the resulting CFC does not fall below the level required to satisfy the obligations under the Indenture. The FMC shall be set and maintained at a level anticipated to generate annual collections sufficient to pay the O&M expenses of the Consolidated Facility, including a portion of the Municipality of Anchorage real property taxes imposed on the value of the Lease (described below) and to fund the O&M Fund. The CFC and FMC apply to all vehicles rented from an Operator at the Airport or delivered at the Airport. The Operators are required to add the CFC and FMC to each rental contract, and list them together as one line item designated as "Customer Facility Charges."

4. Lease and Subleases

The land upon which the Consolidated Facility will be located (the "Project Area") is governed by the Lease (defined in **Section I**). Under the terms of the Land Lease, the SPE will pay rent ("Land Rent") at a rate of \$0.775 per square foot per year (subject to periodic increases), based on the square footage of the Project Area prior

to the Date of Beneficial Occupancy (“DBO”) of the Consolidated Facility, and based on the square footage of the portion of the Project Area leased from the State following DBO of the Consolidated Facility (the “Long-Term Premises”). Effective at DBO, the ownership of the Consolidated Facility shall be vested in the State, with a lease-back for a nominal sum by the SPE, which will manage, operate, and maintain the Consolidated Facility.

Each Operator will enter into a sublease with the SPE (collectively, the “Subleases”), pursuant to which the SPE will agree to make available to each Operator space in the Consolidated Facility upon DBO, for use by each Operator in accordance with the Concession Agreements (described below). Under the terms of the Subleases, the Operators will be required to remain in compliance with all the provisions of the Concession Agreements, including the requirement to collect and remit the CFC and the FMC. If an Operator fails to collect and/or remit the CFC and/or FMC, the Operator will be in default of its Sublease. There are various remedies for default under the Subleases, including the termination of an Operator’s Sublease.

Under the Lease and the Subleases, the SPE allocates to the Operators the use of the following areas of the Consolidated Facility: (a) customer service areas; (b) administrative offices; (c) rental car ready return spaces; (d) exclusive use fueling and maintenance areas; and (e) exclusive use servicing and storage facilities. Each Operator shall also have the right to use the areas of the Consolidated Facility that will be used in common by all the Operators, the use of which shall be controlled exclusively by the State.

B. PLAN OF FINANCING

As described in **Section II**, the Project costs are estimated to total approximately \$56.75 million, and are anticipated to be funded with the proceeds of the Bonds. It is anticipated that the Bonds will be issued in the par amount of approximately \$62.0 million.³³ The sources and uses of funds for the Project are summarized on **Table VI-1**.

³³ The estimated par value is subject to change.

TABLE VI-1
SOURCES AND USES OF FUNDS
CONSOLIDATED RENTAL CAR FACILITY

	Total
Sources of Funds	
Principal Amount of the Bonds	\$61,990,611
Total Sources of Funds	<u>\$61,990,611</u>
Uses of Funds	
Project Fund Deposit ¹	\$55,659,741
Issuance Costs and Underwriter's Discount	2,258,812
Coverage Fund Deposit	1,717,649
Bond Insurance Premium	1,076,843
R&R Fund Deposit	1,000,000
Debt Service Reserve Fund Surety	223,294
Administrative Expense Fund Deposit	50,000
Rounding Amount	4,272
Total Uses of Funds	<u>\$61,990,611</u>

Source: RBC Dain Rauscher. The amounts are preliminary estimates, and are subject to change.

¹ Project Fund deposit includes an estimated \$1,525,000 payoff of the Bridge Loan. Assumes net funding (net of anticipated interest earnings).

C. DEBT SERVICE

The estimated annual debt service requirements on the Bonds, provided by RBC Dain Rauscher, are summarized on **Table VI-2**. This analysis assumes that the Bonds will have a term of 30 years, a true interest cost of 5.65%³⁴, and a final maturity on March 1, 2035. Total annual debt service is structured to equal approximately \$1.9 million in Bond Year ("BY")³⁵ 2006, \$2.9 million in BY 2007 through BY 2010, to \$3.5 million in BY 2011 through BY 2015, \$4.4 million in BY 2016 through BY 2020, \$5.4 million in BY 2021 through BY 2025, \$6.0 million in BY 2026 through BY 2030, and \$6.9 million in BY 2031 through BY 2035.

³⁴ The true interest cost is an estimate and is subject to change.

³⁵ A Bond Year begins on March 2nd and ends on March 1st of the following calendar year.

TABLE VI-2
ESTIMATED DEBT SERVICE SCHEDULE
CONSOLIDATED RENTAL CAR FACILITY

Years Ending March 1	Principal	Interest	Total Debt Payment
2006	\$690,000	\$1,197,810	\$1,887,810
2007	\$185,000	\$2,683,113	\$2,868,113
2008	\$195,000	\$2,674,603	\$2,869,603
2009	\$200,000	\$2,665,418	\$2,865,418
2010	\$210,000	\$2,655,818	\$2,865,818
2011	\$630,581	\$2,839,990	\$3,470,571
2012	\$596,434	\$2,874,136	\$3,470,570
2013	\$565,092	\$2,905,478	\$3,470,570
2014	\$534,864	\$2,935,706	\$3,470,570
2015	\$505,766	\$2,964,804	\$3,470,570
2016	\$988,368	\$3,381,264	\$4,369,632
2017	\$936,910	\$3,432,406	\$4,369,316
2018	\$887,225	\$3,480,018	\$4,367,243
2019	\$841,089	\$3,525,954	\$4,367,043
2020	\$798,503	\$3,570,824	\$4,369,327
2021	\$1,195,979	\$4,172,697	\$5,368,676
2022	\$1,133,874	\$4,234,691	\$5,368,565
2023	\$1,075,317	\$4,293,957	\$5,369,274
2024	\$1,018,534	\$4,348,111	\$5,366,645
2025	\$967,075	\$4,403,495	\$5,370,570
2026	\$3,325,000	\$2,645,570	\$5,970,570
2027	\$3,505,000	\$2,462,695	\$5,967,695
2028	\$3,700,000	\$2,269,920	\$5,969,920
2029	\$3,900,000	\$2,066,420	\$5,966,420
2030	\$4,115,000	\$1,851,920	\$5,966,920
2031	\$5,245,000	\$1,625,595	\$6,870,595
2032	\$5,535,000	\$1,334,497	\$6,869,497
2033	\$5,840,000	\$1,027,305	\$6,867,305
2034	\$6,165,000	\$703,185	\$6,868,185
2035	\$6,505,000	\$361,027	\$6,866,027
Totals	\$61,990,611	\$81,588,427	\$143,579,038

Source: Schedules prepared by RBC Dain Rauscher.

D. CALCULATION OF THE CUSTOMER FACILITY CHARGE (CFC) AND FACILITY MAINTENANCE CHARGE (FMC)

The Concession Agreements, Lease, and Subleases require the Operators to remit to the Trustee all CFCs and FMCs collected during each calendar month by the twentieth (20th) day of the following calendar month.

Under the terms of the CFC Statute and the Commissioner's Order, the State is required to set the CFC at a level sufficient to pay the debt service requirements on the Bonds, maintain reserve requirements, and meet any other obligations with respect to the Bonds. **Table VI-3** presents the calculation of the required CFC level and FMC level, and the resulting forecast of CFC and FMC collections. The minimum required CFC level is calculated as the level required to meet the following funding requirements:

- Annual debt service requirements on the Bonds;
- Plus estimated annual deposits to the Administrative Expense Fund;
- Minus estimated annual interest earnings on the balance in the Coverage Fund.³⁶

The FMC must be maintained at a level anticipated to be sufficient to generate annual collections to meet the following obligations:

- Pay the portions of the annual O&M expenses of the Consolidated Facility determined by the Commissioner, which are anticipated to exclude the power and water expenses for the individual Operators' car wash bays, but are anticipated to include a portion of the Municipality of Anchorage real property tax obligations. Projected O&M expenses were developed by the SPE as follows:
 - O&M expenses exclusive of (a) the power and water expenses for the individual Operator's car wash bays and (b) the Municipality of Anchorage real property taxes, were projected based on the historical operating expense data for a four-level, similar-sized parking structure in downtown Anchorage. Such expenses are projected to be approximately \$354,000 during the first year of operations of the Consolidated Facility, and increase at a 2.3% annual inflation rate thereafter.³⁷ The Lease requires that the Sublessees cover the required O&M expenses that exceed FMC collections.

³⁶ The definition of Revenues in the Indenture includes interest earnings on the moneys in the Revenue Fund, the Bond Fund, the Issuance Costs Fund, the Administrative Expenses Fund, and the Coverage Fund. However, to be conservative, this analysis includes estimated interest earnings for only the Coverage Fund.

³⁷ Based on the annual inflation rate forecasted by the U.S. Office of Management and Budget ("OMB").

Financial Feasibility Report for the Consolidated Rental Car Facility
At Ted Stevens Anchorage International Airport

TABLE VI-3
CALCULATION OF CUSTOMER FACILITY CHARGE AND FACILITY MAINTENANCE CHARGE
AND PROJECTION OF REVENUES
ASSUMING BASE FORECAST OF RENTAL CAR ACTIVITY

	Bond Years Ending March 1st										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Amount to be Recovered by CFC											
Annual Debt Service ¹	\$1,887,810	\$2,868,113	\$2,869,603	\$2,865,418	\$2,865,818	\$3,470,571	\$3,470,570	\$3,470,570	\$3,470,570	\$3,470,570	\$4,369,632
Deposits to Administrative Exp. Fund	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Less: Interest Earnings ²	(34,500)	(78,200)	(78,200)	(78,200)	(78,200)	(78,200)	(78,200)	(78,200)	(78,200)	(78,200)	(78,200)
Net Amount to be Recovered	\$1,893,310	\$2,829,913	\$2,831,403	\$2,827,218	\$2,827,618	\$3,432,371	\$3,432,370	\$3,432,370	\$3,432,370	\$3,432,370	\$4,331,432
Forecasted Transaction Days ³	474,500	780,500	789,600	798,600	802,400	801,000	805,800	810,400	815,300	820,200	817,600
Required CFC ⁴	\$3.99	\$3.63	\$3.59	\$3.54	\$3.52	\$4.29	\$4.26	\$4.24	\$4.21	\$4.18	\$5.30
Amount to be Recovered by FMC											
Deposits to O&M Fund ⁵	\$0	\$200,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Projected O&M Expenses ⁶	0	0	354,000	362,000	370,000	379,000	388,000	397,000	406,000	415,000	425,000
Real Property Tax ⁷	0	0	205,000	180,000	155,000	131,000	109,000	88,000	68,000	50,000	34,000
Total Amount to be Recovered	\$0	\$200,000	\$559,000	\$542,000	\$525,000	\$510,000	\$497,000	\$485,000	\$474,000	\$465,000	\$459,000
Required FMC	N/A	\$0.26	\$0.71	\$0.68	\$0.65	\$0.64	\$0.62	\$0.60	\$0.58	\$0.57	\$0.56
Combined Required CFC and FMC ⁸	\$3.99	\$3.88	\$4.29	\$4.22	\$4.18	\$4.92	\$4.88	\$4.83	\$4.79	\$4.75	\$5.86
Projected CFC and FMC ⁹	\$4.00	\$4.30	\$4.30	\$4.30	\$4.30	\$4.95	\$4.95	\$4.95	\$4.95	\$4.95	\$5.95

¹ From Table VI-2.

² Interest earnings on the Coverage Fund estimated at 4.55%.

³ The transaction days shown on this table are on a Bond Year basis, whereas the transaction days shown in Section V are on a calendar year basis. CFCs collected by the rental car companies in one month are to be remitted to the Trustee in the following month. Therefore, the transaction days for each Bond Year represent the projected days for the 12 month period of February through January of the following calendar year. The transaction days for BY 2006 do not include rental reservations received by the rental car companies prior to the Commissioner's Order to Impose the CFC that preclude the assessment of a charge subsequently imposed by a government entity.

⁴ The level of CFC required to be imposed in order to meet the funding requirements of the Indenture.

⁵ The FMC is assumed to be implemented in BY 2007 to fund the initial balance in the O&M Fund of \$200,000.

⁶ Projected O&M expenses for the Consolidated Facility include estimated security costs, and assume a 2.3% annual inflationary increase.

⁷ Projected real property tax obligations were estimated by the Anchorage RAC Center, LLC.

⁸ May not add due to rounding.

⁹ Projected combined CFC and FMC level to provide annual deposits into the R&R Fund.

- The Municipality of Anchorage real property tax obligations related to the Consolidated Facility were projected based on the estimated assessed value of the Consolidated Facility. It is assumed that a portion of the resulting real property tax obligations will be recovered through FMC collections, beginning at approximately \$205,000 for 2008, with the portion covered by FMCs decreasing each year thereafter, to approximately \$50,000 in 2015. Funds for the SPE to pay the portion of real property taxes not covered by FMCs would be collected from the Operators through their Subleases.
- Fund the O&M Fund. This analysis assumes that the O&M Fund will be initially funded with FMC collections in BY 2007, in the amount of \$200,000.

The CFC level was implemented at \$4.00 per transaction day, effective June 24, 2005. The minimum required CFC level is projected to decrease to \$3.63 in BY 2007,³⁸ \$3.59 in BY 2008, \$3.55 in BY 2009, and \$3.54 in BY 2010 before increasing to \$4.29 in BY 2011 due to the estimated increase in the annual debt service requirements in that year. The minimum required CFC level is then projected to decrease to \$4.18 in BY 2015, before increasing to \$5.30 in BY 2016 due to the estimated increase in the annual debt service requirements in that year. It should be noted that the Bonds have been structured such that there will be further increases in the annual debt service requirements in years subsequent to the end of the forecast period – in BY 2021, BY 2026, and BY 2031. The estimated increases in the annual debt service requirements after the end of the forecast period will likely result in further increases in the CFC level, which are not reflected in this Report.

The FMC level is projected to be set initially at \$0.26 in BY 2007 to fund the initial balance of the O&M Fund at \$200,000. The FMC is then projected to increase to \$0.71 in BY 2008, to pay for the first year of O&M expenses, including a portion of the Municipality of Anchorage real property taxes imposed on the value of the Consolidated Facility. The FMC is then projected to decrease during the forecast period, to \$0.56 in BY 2016.

³⁸ The transaction days shown in this section are on a Bond Year basis. CFCs collected by the rental car companies in one month are to be remitted to the Trustee in the following month. Therefore, the transaction days for each Bond Year represent projected days for the 12 month period of February through January of the following calendar year. The transaction days for BY 2006 do not include rental reservations made prior to the execution of the Commissioner's Order that preclude the assessment of a charge subsequently imposed by a government entity.

The combined required CFC and FMC level is projected to decrease each year during the period of BY 2007 through BY 2010, to \$4.18 in BY 2010. The combined required CFC and FMC level is then projected to increase to \$4.92 in BY 2011 due to the estimated increase in annual debt service in that year. The combined required CFC and FMC level is then projected to decrease in BY 2102 through BY 2015 before increasing to \$5.86 in BY 2016.

The projected combined CFC and FMC levels described above reflect the projected minimum required levels during the forecast period. It is likely that the actual combined CFC and FMC levels will be higher than the minimum required level in some years, to avoid minor year-to-year fluctuations in the level, and to provide excess CFC collections that could be deposited into the R&R Fund for future repair and replacement expenditures. For the purposes of this analysis, the following combined CFC and FMC levels were assumed during the forecast period (BY 2006 through BY 2016): \$4.00 from June 24, 2005 (the date of implementation of the CFC) through the end of BY 2006; \$4.30 for BY 2007 through BY 2010; \$4.95 from BY 2011 through BY 2015; and \$5.95 for BY 2016.

E. APPLICATION OF REVENUES AND CALCULATION OF DEBT SERVICE COVERAGE

As discussed earlier, Revenues consist of the following:

- CFC collections, and
- The earnings on moneys and investments in the Revenue Fund, the Bond Fund, the Issuance Costs Fund, the Administrative Expense Fund, and the Coverage Fund, and
- All amounts required to be transferred to the Revenue Fund, the Interest Account, the Principal Account, or the Redemption Account under the terms of the Indenture.³⁹

All Revenues are to be deposited by the Trustee immediately upon receipt into the Revenue Fund, and then into the other funds and accounts established under the Indenture, in the order of priority specified in the Indenture.

³⁹ The FMC collections are not included in Revenues under the Indenture because they are not pledged to the payment of debt service on the Bonds.

Table VI-4 presents the projected Revenues, and the application of those Revenues and other deposits, during the forecast period. Total Revenues are projected to increase from approximately \$1.9 million in BY 2006 to approximately \$3.2 million in BY 2007 due to the first full year of debt service requirements and the assumed increase in the combined CFC and FMC level in that year. Total Revenues are projected to equal approximately \$2.9 million in BY 2008 and \$3.0 in BY 2009 through BY 2010 before increasing to \$3.5 million in BY 2011, \$3.6 million in BY 2012 through BY 2014, \$3.7 million in BY 2015, and \$4.5 million in BY 2016. The projected Revenues are estimated to result in annual deposits to the R&R Fund totaling approximately \$1.0 million during the forecast period.

Table VI-4 also presents the projected debt service coverage during the forecast period. As described above, the Statute requires that the CFC be adjusted at least annually to a level anticipated to generate CFC collections sufficient to meet the annual debt service requirements on the Bonds and any other obligations set forth in the Indenture. Revenues, plus the projected moneys in the Coverage Fund, are projected to equal 1.93 times debt service in BY 2007 and decrease each year thereafter during the forecast period, to 1.42 times annual debt service in BY 2016.

F. SENSITIVITY ANALYSIS

Table VI-3a presents the calculation of the CFC and FMC under the sensitivity analysis presented in Section V – the case that assumes an average annual growth of 2.3% in the average daily rental rate throughout the forecast period. Under this rental car demand scenario, the minimum required CFC rate is projected to decrease each year during the period of BY 2007 through BY 2010, to \$3.50 in BY 2010. The minimum required CFC rate is then projected to increase to \$4.23 in BY 2011 due to the estimated increase in annual debt service requirements in that year. The minimum required CFC rate is projected to decrease in BY 2012 through BY 2015 before increasing to \$5.06 in BY 2016, due to the estimated increase in annual debt service requirements in that year.

The FMC is projected to be implemented at \$0.26 in BY 2007, to fund the initial balance of \$200,000 in the O&M Fund. The FMC is then projected to increase to \$0.71 in BY 2008, and decrease each year thereafter, to \$0.54 in BY 2016.

The combined required combined CFC and FMC level under this scenario is projected to increase to \$3.88 in BY 2007 and \$4.29 in BY 2008, and then decrease in BY 2009 and BY 2010, before increasing to \$4.85 in BY 2011 to cover the projected increase in annual debt service requirements in that year. The combined required combined CFC and FMC level is then projected to decrease in BY 2012 through BY 2015 before increasing to \$5.60 in BY 2016, to cover the projected increase in annual debt service requirements in that year.

Financial Feasibility Report for the Consolidated Rental Car Facility
At Ted Stevens Anchorage International Airport

TABLE VI-4
APPLICATION OF REVENUES AND CALCULATION OF DEBT SERVICE COVERAGE

	Bond Years Ending March 1										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues ¹											
CFC Collections	\$1,898,000	\$3,153,220	\$2,834,664	\$2,890,932	\$2,928,760	\$3,452,310	\$3,489,114	\$3,525,240	\$3,562,861	\$3,592,476	\$4,406,864
Interest Earnings ²	34,500	78,200	\$78,200	\$78,200	\$78,200	\$78,200	\$78,200	\$78,200	\$78,200	\$78,200	\$78,200
Total Revenues	\$1,932,500	\$3,231,420	\$2,912,864	\$2,969,132	\$3,006,960	\$3,530,510	\$3,567,314	\$3,603,440	\$3,641,061	\$3,670,676	\$4,485,064
Application of Revenues											
Deposits to Bond Fund											
Interest Account	1,197,810	2,683,113	2,674,603	2,665,418	2,655,818	2,839,990	2,874,136	2,905,478	2,935,706	2,964,804	3,381,264
Principal Account	690,000	185,000	195,000	200,000	210,000	630,581	596,434	565,092	534,864	505,766	988,368
Total Deposits to Bond Fund	1,887,810	2,868,113	2,869,603	2,865,418	2,865,818	3,470,571	3,470,570	3,470,570	3,470,570	3,470,570	4,369,632
Deposits to Administrative Exp. Fund	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Deposits to R&R Fund	4,700	326,200	4,900	64,800	97,700	22,600	59,300	94,100	129,400	162,600	74,300
Total Revenues	\$1,932,510	\$3,234,313	\$2,914,503	\$2,970,218	\$3,003,518	\$3,533,171	\$3,569,870	\$3,604,670	\$3,639,970	\$3,673,170	\$4,483,932
Debt Service Coverage											
Total Revenues	\$1,932,510	\$3,234,313	\$2,914,503	\$2,970,218	\$3,003,518	\$3,533,171	\$3,569,870	\$3,604,670	\$3,639,970	\$3,673,170	\$4,483,932
Balance in Coverage Fund	1,717,649	1,717,649	1,717,649	1,717,649	1,717,649	1,717,649	1,717,649	1,717,649	1,717,649	1,717,649	1,717,649
Total for Calculation	\$3,650,159	\$4,951,962	\$4,632,152	\$4,687,867	\$4,721,167	\$5,250,820	\$5,287,519	\$5,322,319	\$5,357,619	\$5,390,819	\$6,201,581
Annual Debt Service	\$1,887,810	\$2,868,113	\$2,869,603	\$2,865,418	\$2,865,818	\$3,470,571	\$3,470,570	\$3,470,570	\$3,470,570	\$3,470,570	\$4,369,632
Debt Service Coverage	1.93	1.73	1.61	1.64	1.65	1.51	1.52	1.53	1.54	1.55	1.42

¹ FMC collections are not included in Revenues under the Indenture because they are not pledged for the payment of debt service on the Bonds.

² To be conservative, this analysis includes only interest earnings on the balance in the Coverage Fund.

Financial Feasibility Report for the Consolidated Rental Car Facility
At Ted Stevens Anchorage International Airport

TABLE VI-3A
CALCULATION OF CUSTOMER FACILITY CHARGE AND FACILITY MAINTENANCE CHARGE
AND PROJECTION OF REVENUES
SENSITIVITY RENTAL CAR DEMAND FORECAST ¹

	Bond Years Ending March 1st										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Amount to be Recovered by CFC											
Annual Debt Service ²	\$1,887,810	\$2,868,113	\$2,869,603	\$2,865,418	\$2,865,818	\$3,470,571	\$3,470,570	\$3,470,570	\$3,470,570	\$3,470,570	\$4,369,632
Deposits to Administrative Exp. Fund	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Less: Interest Earnings ³	(34,472)	(78,153)	(78,153)	(78,153)	(78,153)	(78,153)	(78,153)	(78,153)	(78,153)	(78,153)	(78,153)
Net Amount to be Recovered	\$1,893,338	\$2,829,960	\$2,831,450	\$2,827,265	\$2,827,665	\$3,432,418	\$3,432,417	\$3,432,417	\$3,432,417	\$3,432,417	\$4,331,479
Forecasted Transaction Days ⁴	496,700	780,500	789,600	799,000	808,200	812,400	822,800	833,000	843,500	854,000	856,700
Required CFC ⁵	\$3.81	\$3.63	\$3.59	\$3.54	\$3.50	\$4.23	\$4.17	\$4.12	\$4.07	\$4.02	\$5.06
Amount to be Recovered by FMC											
Deposits to O&M Fund ⁶	\$0	\$200,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Projected O&M Expenses ⁷	0	0	354,000	362,000	370,000	379,000	388,000	397,000	406,000	415,000	425,000
Real Property Tax ⁸	0	0	205,000	180,000	155,000	131,000	109,000	88,000	68,000	50,000	34,000
Total Amount to be Recovered	\$0	\$200,000	\$559,000	\$542,000	\$525,000	\$510,000	\$497,000	\$485,000	\$474,000	\$465,000	\$459,000
Required FMC	N/A	\$0.26	\$0.71	\$0.68	\$0.65	\$0.63	\$0.60	\$0.58	\$0.56	\$0.54	\$0.54
Total CFC and FMC ⁹	\$3.81	\$3.88	\$4.29	\$4.22	\$4.15	\$4.85	\$4.78	\$4.70	\$4.63	\$4.56	\$5.60
Projected CFC and FMC ¹⁰	\$4.00	\$4.30	\$4.30	\$4.30	\$4.30	\$4.95	\$4.95	\$4.95	\$4.95	\$4.95	\$5.95

¹ Based on the sensitivity rental car demand forecast presented in Section V, which assumes a future average annual growth in the daily rental rate equal to inflation.

² From Table VI-2.

³ Interest earnings on the Coverage Fund estimated at 4.55%.

⁴ The transaction days shown on this table are on a Bond Year basis, whereas the transaction days shown in Section V are on a calendar year basis. CFCs collected by the rental car companies in one month are to be remitted to the Trustee in the following month. Therefore, the transaction days for each Bond Year represent the projected days for the 12 month period of February through January of the following calendar year. The transaction days for BY 2006 do not include rental reservations received by the rental car companies prior to the Commissioner's Order to Impose the CFC that preclude the assessment of a charge subsequently imposed by a government entity.

⁵ The level of CFC required to be imposed in order to meet the funding requirements of the Indenture.

⁶ The FMC is assumed to be implemented in BY 2007 to fund the initial balance in the O&M Fund of \$200,000.

⁷ Projected O&M expenses for the Consolidated Facility include estimated security costs, and assume a 2.3% annual inflationary increase.

⁸ Projected real property tax obligations were estimated by the Anchorage RAC Center, LLC.

⁹ May not add due to rounding.

¹⁰ Projected combined CFC and FMC level to provide annual deposits into the R&R Fund.

The CFC and FMC levels described above reflect the projected minimum required CFC and FMC levels during the forecast period. It is likely that the actual CFC and FMC levels will be higher than the minimum required level in some years, to avoid minor year-to-year fluctuations in the level, and to provide excess CFC collections that could be deposited into the R&R Fund for future repair and replacement expenditures. For the purposes of this analysis, the following combined CFC and FMC levels were assumed during the forecast period (BY 2006 through BY 2016): \$4.00 from June 24, 2005 (the date of implementation of the CFC) through the end of BY 2006; \$4.30 for BY 2007 through BY 2010; \$4.95 from BY 2011 through BY 2015; and \$5.95 for BY 2016.

The sensitivity analysis of the projected application of Revenues and the calculation of debt service coverage is presented on **Table VI-4a**. Because the Bond documents require the CFC level to be adjusted to meet the debt service and other funding requirements of the Indenture, Revenues and the debt service coverage calculation are the same under the sensitivity analysis as under the base case scenario presented in **Table VI-4**. However, under the sensitivity analysis, the projected annual deposits to the R&R Fund are slightly higher than under the base case. Under the sensitivity analysis, projected Revenues are estimated to result in annual deposits to the R&R Fund totaling approximately \$1.1 million during the forecast period.

Financial Feasibility Report for the Consolidated Rental Car Facility
At Ted Stevens Anchorage International Airport

TABLE VI-4A
APPLICATION OF REVENUES AND CALCULATION OF DEBT SERVICE COVERAGE
SENSITIVITY ANALYSIS

	Bond Years Ending March 1										
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues ¹											
CFC Collections	\$1,898,000	\$3,153,220	\$2,834,664	\$2,890,932	\$2,928,760	\$3,452,310	\$3,489,114	\$3,525,240	\$3,562,861	\$3,592,476	\$4,406,864
Interest Earnings	34,500	78,200	\$78,200	\$78,200	\$78,200	\$78,200	\$78,200	\$78,200	\$78,200	\$78,200	\$78,200
Total Revenues ²	\$1,932,500	\$3,231,420	\$2,912,864	\$2,969,132	\$3,006,960	\$3,530,510	\$3,567,314	\$3,603,440	\$3,641,061	\$3,670,676	\$4,485,064
Application of Revenues											
Deposits to Bond Fund											
Interest Account	1,197,810	2,683,113	2,674,603	2,665,418	2,655,818	2,839,990	2,874,136	2,905,478	2,935,706	2,964,804	3,381,264
Principal Account	690,000	185,000	195,000	200,000	210,000	630,581	596,434	565,092	534,864	505,766	988,368
Subtotal -- Deposits to Bond Fund	1,887,810	2,868,113	2,869,603	2,865,418	2,865,818	3,470,571	3,470,570	3,470,570	3,470,570	3,470,570	4,369,632
Deposits to Administrative Exp. Fund	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Deposits to R&R Fund	4,662	323,260	3,214	63,667	101,095	19,892	56,697	92,823	130,444	160,059	75,385
Total Revenues	\$1,932,472	\$3,231,373	\$2,912,817	\$2,969,085	\$3,006,913	\$3,530,463	\$3,567,267	\$3,603,393	\$3,641,014	\$3,670,629	\$4,485,017
Calculation of Debt Service Coverage											
Total Revenues	\$1,932,472	\$3,231,373	\$2,912,817	\$2,969,085	\$3,006,913	\$3,530,463	\$3,567,267	\$3,603,393	\$3,641,014	\$3,670,629	\$4,485,017
Balance in Coverage Fund	1,717,649	1,717,649	1,717,649	1,717,649	1,717,649	1,717,649	1,717,649	1,717,649	1,717,649	1,717,649	1,717,649
Total Revenues and Coverage Fund Balance	\$3,650,121	\$4,949,022	\$4,630,466	\$4,686,734	\$4,724,562	\$5,248,112	\$5,284,916	\$5,321,042	\$5,358,663	\$5,388,278	\$6,202,666
Annual Debt Service	\$1,887,810	\$2,868,113	\$2,869,603	\$2,865,418	\$2,865,818	\$3,470,571	\$3,470,570	\$3,470,570	\$3,470,570	\$3,470,570	\$4,369,632
Debt Service Coverage	1.93	1.73	1.61	1.64	1.65	1.51	1.52	1.53	1.54	1.55	1.42

¹ FMC collections are not included in Revenues under the indenture because they are not pledged for the payment of debt service on the Bonds.

² To be conservative, this analysis includes only interest earnings on the balance in the Coverage Fund.

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APPENDIX B

SPECIMEN BOND INSURANCE POLICY AND SPECIMEN RESERVE POLICY

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Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

Municipal Bond New Issue Insurance Policy

Issuer:	Policy Number:
	Control Number: 0010001
Bonds:	Premium:

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.



Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

Municipal Bond New Issue Insurance Policy

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

SPECIMEN



Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

Endorsement To Financial Guaranty Insurance Company Insurance Policy

Policy Number:

Control Number: 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent



Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

Endorsement To Financial Guaranty Insurance Company Insurance Policy

Policy Number:

Control Number: 0010001

It is further understood that with respect to the Bonds maturing on _____, the amount insured under this Policy is that portion of the accreted value (as set forth in the bond documents under which the Bonds are issued) of said Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer or facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer

U.S. Bank Trust National Association, as Fiscal Agent



Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

Endorsement To Financial Guaranty Insurance Company Insurance Policy

Policy Number:

Control Number: 0010001

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the term "Bondholder" shall not include the _____ [Conduit Obligor] (as such term is defined in the bond documentation).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer

U.S. Bank Trust National Association, as Fiscal Agent



Financial Guaranty Insurance Company
 125 Park Avenue
 New York, NY 10017
 T 212-312-3000
 T 800-352-0001

Municipal Bond Debt Service Reserve Fund Policy

Issuer:	Policy Number:
	Control Number: 0010001
Bonds:	Premium:
	Maximum Amount:
Paying Agent:	

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay the paying agent named above or its successor, as paying agent for the Bonds (the "Paying Agent"), for the benefit of Bondholders, that portion (not to exceed the Maximum Amount set forth above) of the amount required to pay principal and interest (but not any prepayment premium) on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payment to the Paying Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. Upon such disbursement, Financial Guaranty shall become entitled to reimbursement therefor (together with interest thereon) all as provided in the Debt Service Reserve Fund Policy Agreement between the Issuer and Financial Guaranty dated as of the Effective Date of this Policy. The Maximum Amount shall be automatically reinstated when and to the extent that the Issuer repays amounts disbursed hereunder, but shall not be reinstated to the extent of amounts received by Financial Guaranty constituting interest on amounts disbursed to the Paying Agent pursuant to this Policy. Financial Guaranty shall provide Notice to the Paying Agent of any reinstatement of any portion of the Maximum Amount within one Business Day of such reinstatement.

This Policy is non-cancellable for any reason, including the failure of the Issuer to reimburse Financial Guaranty for any payment made hereunder.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the Paying Agent for payment in full of all



Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212-312-3000
T 800-352-0001

Municipal Bond Debt Service Reserve Fund Policy

principal and interest Due for Payment on such Bond and includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from the Paying Agent for the Bonds to Financial Guaranty or from Financial Guaranty to the Paying Agent, as the case may be. "Business Day" means any day other than a Saturday, Sunday or a day on which the Paying Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

SPECIMEN

President

Effective Date:

Authorized Representative

U.S. Bank Trust National Association acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

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APPENDIX C

GLOSSARY OF TERMS

In this Official Statement, unless the context or use clearly indicates another meaning or intent, the following words and phrases shall have the following meanings:

"Accounts" means the accounts created in any Fund as permitted or required by the Indenture.

"Accreted Value" means, with respect to any Series B Bond or other Capital Appreciation Bond at any time, the original principal amount of such Bond plus the aggregate interest that has accrued and been added to the principal amount of such Bond as of such time.

"Act" means Title 44, Chapter 88 of the Alaska Statutes, as amended.

"Additional Bonds" means bonds issued under the authority of the Indenture.

"Administrative Expense" means all expenses and fees incurred in connection with, or charged for, the administration of the Indenture, including, but not limited to, fees and expenses of (i) the Trustee, (ii) the Dissemination Agent, (iii) any Independent Rate Consultant, (iv) the Authority, and (v) the Bond Insurer.

"Administrative Expense Fund" means the Administrative Expense Fund created under the Indenture.

"Administrative Expense Fund Maximum Level" means \$90,000.00.

"Administrative Expense Fund Required Level" means \$40,000.00.

"ADOT&PF" means the State of Alaska Department of Transportation and Public Facilities.

"Affiliate" means, with respect to any company, a corporation, partnership, joint venture, association, business trust, or similar entity organized under the laws of the United States of America or any state thereof: (a) which controls or which is controlled by, directly or indirectly, such company; or (b) a majority of the members of the Directing Body of which are members of the Directing Body of such company. For the purposes of this definition, control means with respect to: (a) a corporation having stock, the ownership, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the directors (or persons performing similar functions) of such corporation; (b) a not for profit corporation not having stock, having the power to elect or appoint, directly or indirectly, a majority of the Directing Body of such corporation; or (c) any other entity, the power to direct the management of such entity through the ownership of at least a majority of its voting securities or the right to designate or elect at least a majority of the members of its Directing Body, by contract or otherwise.

"Airport" means the Ted Stevens Anchorage International Airport.

"Annual Report" shall mean any Annual Report provided by the Trustee pursuant to, and as described in the Indenture.

"Authority" means the Alaska Industrial Development and Export Authority, a public corporation of the State of Alaska and a body corporate and politic constituting a political subdivision within the Alaska Department of Commerce, Community, and Economic Development, but with separate and independent legal existence.

"Authority Pledge" has the meaning provided above under "Authority Granting Clauses."

"Authorized Denominations" means, with respect to the Series A Bonds, a principal amount equal to \$5,000 or any integral multiple thereof and, with respect to the Series B Bonds, a Maturity Value equal to \$5,000 or any integral multiple thereof.

"Authorized Investments" has the meaning provided in Exhibit E to the Indenture.

"Average Annual Debt Service" means, as of any time, (i) the sum of (a) the aggregate total amount of scheduled interest and principal payments from and after that time that will become due on the Series A Bonds Outstanding at such time and any other Current Interest Bonds that are then Outstanding until the latest final maturity date of the Series A Bonds or other Outstanding Current Interest Bonds, plus (b) the Maturity Value of the Series B Bonds Outstanding at such time and of any other Capital Appreciation Bonds then Outstanding, (ii) divided by the number of Bond Years (including any fraction thereof) from such time to the latest final maturity date of any Bonds Outstanding at such time.

"Bonds" means the Series A Bonds and the Series B Bonds together with any Additional Bonds and any Completion Bonds issued under the Indenture.

"Bond Counsel" means a law firm of nationally recognized standing in the field of municipal finance law whose opinions are generally accepted by purchasers of public obligations, selected by the Authority and reasonably acceptable to the Trustee and the Company.

"Bond Fund" means the Bond Fund created under the Indenture.

"Bond Insurance Policy" means the municipal bond new issue insurance policy issued by the Bond Insurer that guarantees payment of principal of and interest on the Series 2005 Bonds.

"Bond Insurer" means Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto.

"Bond Year" means the twelve-month period beginning on March 2 of any year and ending on the following March 1; provided, however that the first Bond Year begins on the date of original delivery of the Series 2005 Bonds and ends on March 1, 2006.

"Book Entry System" means the system for registering Bonds as provided herein.

"Borrower" means Anchorage RAC Center, LLC, as the borrower under the Bridge Loan.

"Bridge Lender" means First National Bank Alaska as the lender of the Bridge Loan.

"Bridge Loan" means the loan (identified by the Bridge Lender as Loan Number 0118365494) made by the Bridge Lender to the Borrower to pay certain costs as described in the Trust Agreement dated as of June 23, 2005, by and among The Bank of New York Trust Company, N.A., as trustee, First National Bank Alaska, as lender, and Anchorage RAC Center, LLC, as borrower, such loan being evidenced by a promissory note executed by Anchorage RAC Center, LLC, as borrower, in favor of First National Bank Alaska, as lender, dated June 23, 2005.

"Business Day" means any day other than a day on which (a) the Trustee, any Paying Agent, or banks or trust companies in New York, New York, in Seattle, Washington, or in Anchorage, Alaska, are authorized or required to remain closed, or (b) the New York Stock Exchange or DTC is closed.

"Capital Appreciation Bond" means a Bond, including the Series B Bonds, that accrues interest that is periodically added to the Principal Value of the Bond rather than being paid to the Holder of the Bond prior to maturity of the Bond.

"CFC" means a customer facility charge required to be collected pursuant to the Order.

"CFC Documents" means the CFC Statute, the Commissioner's Approval, the Concession Agreements, the Lease, the Order, the Subleases, and the Use of Proceeds Agreement.

"CFC Party" means any party to any of the CFC Documents; in the case of the CFC Statute, "CFC Party" means the Commissioner.

"CFC Statute" means subsection (h) of section 090 of chapter 15 of title 02 of the Alaska Statutes (AS 02.15.090(h)) in effect on the date of the Indenture.

"Commissioner" means the Commissioner of ADOT&PF.

"Commissioner's Approval" means the approval, attached hereto as Exhibit C, given by the Commissioner under the CFC Statute and under the Order permitting the CFCs to be used to secure and pay the Series 2005 Bonds.

"Company" means Anchorage RAC Center, LLC, a limited liability company for profit duly organized and validly existing under the laws of the State of Alaska and qualified to transact business in the State, and its lawful successors and assigns, to the extent permitted by the Use of Proceeds Agreement; provided, however, that, if the Commissioner delivers to the Trustee a certificate stating that the Company has failed to perform under the Lease and that, as a consequence, the State or some other entity is assuming development and operation of the Consolidated Facility for occupancy by the RACs, then, from and after the date of receipt of such certificate by the Trustee, the State or such other entity shall be the "Company" for purposes of authorization to receive and use Bond proceeds under the Use of Proceeds Agreement for the purposes stated therein.

"Company Representative" means the officer identified as such in the Indenture or any other officer of the Company identified in a writing delivered from the Company to the Authority, the Trustee, and the Bond Insurer; provided, however, that to the extent that the "Company" is the State or another entity identified in a certificate of the Commissioner as described in the definition of "Company," then to that extent "Company Representative" means the Commissioner or the Commissioner's designee identified in a writing delivered by the Commissioner to the Trustee.

"Completion Bonds" means Additional Bonds issued under the authority of the Indenture in an aggregate principal amount not greater than \$10,000,000.

"Concession Agreement" means any concession agreement entered into by ADOT&PF permitting the operation of an on-Airport rental car concession business at the Ted Stevens Anchorage International Airport, including any such agreement in effect on the date of the Indenture and any such agreement entered into after the date of the Indenture and effective during any period that Bonds remain Outstanding.

"Consolidated Facility" means a facility at the Airport for use by all On-Airport Rental Car Concessionaires that includes approximately 1,100 parking and storage spaces, car washing and fueling facilities, a rental customer sales lobby, and associated space.

"Coverage Fund" means the Coverage Fund created in the Indenture.

"Coverage Fund Requirement" means, at any time, 25% of Maximum Annual Debt Service as of such time.

"Current Interest Bond" means a Bond, including the Series A Bonds, that accrues interest that is paid to the Holder of the Bond periodically prior to the maturity of the Bond.

"Date of Issue" means, with respect to the Series 2005 Bonds, September 22, 2005, and, with respect to any other Bonds, the date on which such Bonds are issued.

"Debt Service Reserve Account" means the Debt Service Reserve Account created within the Bond Fund pursuant to the Indenture.

"Debt Service Reserve Account Requirement" means, at any time, the least of the following: (a) 10% of the aggregate principal amount of all Current Interest Bonds then Outstanding plus 10% of the Maturity Value of all Capital Appreciation Bonds then Outstanding; (b) Maximum Annual Debt Service for all Bonds then Outstanding; or (c) 125% of Average Annual Debt Service for all Bonds then Outstanding.

"Debt Service Reserve Account Surety Bond" means the surety bond provided by the Debt Service Reserve Account Surety Bond Provider for deposit in the Debt Service Reserve Account upon initial issuance of the Series 2005 Bonds and any other surety bond or surety bonds provided to the Trustee for deposit in the Debt Service Reserve Account with the consent of the Bond Insurer and the Company with an MII Consent Certificate authorizing the Company to give such consent.

"Debt Service Reserve Account Surety Bond Provider" means Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto or any other provider of a Debt Service Reserve Account Surety Bond.

"Deficiency Amount" means, with respect to any Fund or Account and for any month, the amount by which the amount deposited in such Fund or Account in such month pursuant to the Indenture is less than the amount that was required to be deposited in such Fund or Account in such month under the terms of the Indenture.

"Development Agreement" means the Development Agreement dated July 21, 2005, among the Company, Venture Development Group, LLC, Neeser Construction, Inc., and the then parties to the Participation Agreement.

"Directing Body" means: (a) with respect to a corporation having stock, such corporation's board of directors or the owners, directly or indirectly, of more than 50% of the securities (as defined in Section 2(1) of the Securities Act of 1933, as amended) of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporation's directors (each of which groups shall be considered a Directing Body); (b) with respect to a not for profit corporation not having stock, such corporation's members if the members have complete discretion to elect the corporation's directors, or the corporation's directors if the corporation's members do not have such discretion or if the corporation has no members; and (c) with respect to any other entity, its governing board or body. For the purposes of this definition, all references to directors and members shall be deemed to include all entities performing the function of directors or members however denominated.

"Dissemination Agent" means the Trustee in its capacity as Dissemination Agent under the Indenture.

"DTC" means The Depository Trust Company (a limited purpose trust company), New York, New York.

"Eligible Debt Service Reserve Account Assets" means (i) cash, (ii) Authorized Investments, (iii) the Debt Service Reserve Account Surety Bond; (iv) a non-cancelable surety bond approved by the Bond Insurer and issued by an 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 surety bond, is rated in the highest rating category by any Rating Agency, and (v) an irrevocable letter of credit approved by the Bond Insurer and issued by a financial institution which 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.

"Event of Default" means any of the events listed as a default under the indenture.

"Feasibility Report" means, initially, the feasibility report dated September 1, 2005, prepared by Unison Maximus and thereafter, upon the preparation and submission to the Commissioner of any subsequent feasibility report prepared by an Independent Rate Consultant

pursuant to the CFC Documents for the purpose of determining the size of the CFCs, the most recent such feasibility report.

"FMC" means a facility maintenance charge required to be collected pursuant to the Order.

"Fund" means any special fund created or authorized by the Indenture, held by the Trustee, and pledged as security for the Bonds pursuant to the Indenture.

"Government Obligations" means any of the following securities, if and to the extent the same are non-callable and not subject to redemption at the option of the owners: direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations issued or held in Book Entry form on the books of the Department of the Treasury of the United States of America and including a receipt, certificate or any other evidence of an ownership interest in an aforementioned obligation, or in specified portions thereof (which may consist of specified portions of interest thereon).

"Holder" or "Holder of a Bond" means the Person in whose name a Bond is registered on the Register.

"Indenture" means this Trust Indenture, dated as of September 1, 2005, between the Authority and the Trustee, as amended or supplemented from time to time.

"Independent Rate Consultant" means, initially, Unison Maximus and, thereafter, the most recently retained Independent Rate Consultant selected pursuant to the CFC Documents or the Indenture; provided that, if said Independent Rate Consultant is selected by the Company, the Company shall have delivered to the Trustee an MII Consent Certificate authorizing the Company to make such selection; and provided, further, that any person selected as an "Independent Rate Consultant" shall be the "qualified feasibility consultant" referred to in any CFC Documents.

"Insurance Proceeds Fund" means the Insurance Proceeds Fund created by the Indenture.

"Interest Account" means the account by that name created in the Indenture.

"Interest Payment Date" means March 1, 2006, and each September 1 and March 1 thereafter and also any other date on which interest becomes due on a Bond, whether by redemption, or otherwise.

"Issuance Costs" means, without intending to limit or restrict any proper definition of such costs under any applicable laws and under generally accepted accounting principals, the following:

(a) Costs reasonably incurred incident to preparing, offering, selling, issuing, and delivering the Bonds, including, without limitation, (i) the reasonable fees and expenses of Bond Counsel, counsel, and financial consultant to the Authority, (ii) the reasonable fees and expenses of accountants, financial consultant, and legal counsel to the Company, (iii) the

reasonable fees and expenses of counsel to the underwriters for the Bonds, (iv) the reasonable fees and expenses of counsel to the RACs, (v) the reasonable fees and expenses of counsel to the Borrower, (vi) the reasonable fees and expenses of counsel to ADOT&PF, (vii) the costs of feasibility reports, audits, escrow verification, and printing, (viii) title insurance premium, (ix) CUSIP bureau fees, (x) rating agency fees, (xi) Bond Insurance premium, (xii) Debt Service Reserve Account Surety Bond premium, (xiii) underwriter's discount, and (xiv) recording and filing fees;

(b) The fee payable to the Authority with respect to the Bonds; and

(c) The fees and expenses (including reasonable counsel fees and expenses) payable to the Trustee incident to the Trustee's acceptance of the trust created by the Indenture.

"Issuance Costs Fund" means the Fund of that name created pursuant to the Indenture.

"Lease" means the Land/Building Lease, ADA-31367, issued by ADOT&PF to the Company.

"Lessee" means the lessee identified in the Lease.

"Maturity Date" means the date on which a Bond matures.

"Maturity Value" means, with respect to any Series B Bond and any other Capital Appreciation Bond, the aggregate principal value of such Bond at its Maturity Date.

"Maximum Annual Debt Service" means, as of any time, the maximum amount of scheduled interest and principal payments that will become due on the Bonds from and after that time during any Bond Year in accordance with any amortization schedule or interest payment schedule established by the governing documents setting forth the terms of such Bonds.

"MII Consent Certificate" means a certificate of the Company signed by a Company Representative and by an MII Representative stating that the Company is authorized to take a specified action by having obtained the consent of a "majority in interest" (as such term is defined in the Participation Agreement) pursuant to and in accordance with the Participation Agreement.

"MII Representative" means such person or persons as may be identified in a writing delivered to the Trustee and the Company and signed by the Chair of the Management Committee under the Participation Agreement.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Company by notice to the Authority and the Trustee, with the consent of the Bond Insurer and with delivery to the Trustee of an MII Consent Certificate authorizing the Company to make such designation.

"Notice Parties" means the Authority, the Commissioner, ADOT&PF, the Company, the RACs, and the Bond Insurer.

"On-Airport Rental Car Concessionaire" means any and each entity to which ADOT&PF has granted the right to operate a car rental business from on-Airport facilities at the Airport.

"Operations and Maintenance Fund" means the fund created in the Indenture.

"Operations and Maintenance Fund Required Level" means \$462,000.

"Opinion of Bond Counsel" means, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be a Bond Counsel, to the effect that such action is permitted under the Act and the Indenture.

"Opinion of Counsel" means a written legal opinion from a firm of attorneys experienced in the matters to be covered in the opinion.

"Optional Redemption Date" means the date fixed for redemption of Bonds pursuant to the Indenture.

"Order" means (i) the order of the Commissioner dated May 24, 2005, issued under the authority of the CFC Statute, and imposing a requirement to collect and remit CFCs and (ii) any subsequent order of similar import issued under the authority of the CFC Statute.

"Original Purchaser" means RBC Dain Rauscher Inc., as underwriter.

"Outstanding," "Outstanding Bonds" or "Bonds Outstanding" means or refers to any Bond which has not been paid, exclusive of (a) Bonds in lieu of which others have been authenticated under the Indenture, (b) principal of any Bond which has become due (whether by maturity, call for redemption, or otherwise) and for which provision for payment as required herein has been made, and (c) for purposes of any direction, consent, or waiver under the Indenture, Bonds deemed not to be outstanding pursuant to the Indenture; provided that Bonds paid by payments made under the Bond Insurance Policy shall be deemed to be Outstanding Bonds until the Bond Insurer is reimbursed in full; provided, further, that in determining whether the Holders of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent, or waiver hereunder, Bonds owned (directly or as beneficial owner under the Book Entry System) by the Company, any RAC, or an Affiliate thereof shall be disregarded and deemed not to be Outstanding, except that in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, or waiver, only Bonds which the Trustee knows to be so owned shall be disregarded unless all Bonds are owned (directly or as beneficial owner under the Book Entry System) by the Company, any RAC, or any Affiliate thereof or held by the Trustee for the account of the Company, any RAC, or an Affiliate thereof, in which case such Bonds shall be considered Outstanding for the purpose of such determination.

"Participation Agreement" means the Participation Agreement dated September 13, 2004, as amended March 28, 2005, and as it may be subsequently amended, among the RACs.

"Paying Agent" means the Trustee.

"Person" includes firm, association, partnership (including, without limitation, general and limited partnerships), joint venture, society, estate, trust, corporation, public or governmental body, other legal entity, and natural person.

"Principal Account" means the account by that name created in the Indenture.

"Principal Payment Date" means any date upon which the principal amount of Bonds is due hereunder, including the Maturity Date and any Sinking Fund Redemption Date.

"Project" means the design, construction, financing, and equipping of the Consolidated Facility land leased to the Company pursuant to the Lease together with associated access, egress, and other improvements, an interim RAC parking area, and restoration of certain public parking areas.

"Project Costs" means costs identified in or consistent with the budget approved by the State as Exhibit C-1 to the Development Agreement or otherwise approved by the State under the Development Agreement..

"Project Fund" means the Project Fund created in the Indenture.

"RAC" means any On-Airport Rental Car Concessionaire.

"Rating Agencies" means Moody's and S&P.

"Redemption Account" means the account by that name created in the Indenture.

"Redemption Date" means an Optional Redemption Date or a Sinking Fund Redemption Date.

"Redemption Payment" means the amount of the Redemption Price, plus accrued interest, due on any Redemption Date.

"Redemption Price" means the principal (or, in the case of Capital Appreciation Bonds, Accreted Value) of and the premium, if any, on the Bonds to be redeemed on any Redemption Date.

"Register" means the books kept and maintained by the Registrar for registration and transfer of Bonds pursuant to the Indenture.

"Registrar" means the Trustee, until a successor Registrar shall have become such pursuant to applicable provisions of the Indenture; each Registrar shall be a transfer agent registered in accordance with Section 17A(c) of the Securities Exchange Act of 1934.

"Renewal and Replacement Fund" means the fund created by the Indenture.

"Renewal and Replacement Fund Required Level" means initially, \$1,000,000 and, thereafter, the amount described in the Indenture.

"Revenues" means (a) all proceeds from the CFCs, (b) all earnings on moneys and investments in the Revenue Fund, the Bond Fund, the Issuance Costs Fund, the Administrative Expense Fund, or the Coverage Fund, and (c) all amounts required to be transferred to the Revenue Fund or to the Interest Account, the Redemption Account, or the Principal Account by the Indenture; "Revenues" does not include (i) any amounts held in the Operations and Maintenance Fund or in the Insurance Proceeds Fund, (ii) earnings on amounts in the Operations and Maintenance Fund, the Renewal and Replacement Fund, the Insurance Proceeds Fund, or the Project Fund, and (iii) any FMCs.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Company by notice to the Authority and the Trustee, with the consent of the Bond Insurer and with delivery to the Trustee of an MII Consent Certificate authorizing the Company to make such designation.

"Series" means one of the series of bonds authorized to be issued under the Indenture, which consists of the Series A Bonds, Series B Bonds, and any series of Completion Bonds or Additional Bonds.

"Series A Bonds" means the Authority's Revenue Bonds, Series 2005A (Rental Car Facility Project at Ted Stevens Anchorage International Airport) authorized to be issued pursuant to the Indenture.

"Series B Bonds" means the Authority's Revenue Bonds, Series 2005B (Rental Car Facility Project at Ted Stevens Anchorage International Airport) authorized to be issued pursuant to the Indenture.

"Series 2005 Bonds" means the Series A Bonds and the Series B Bonds.

"Sinking Fund Redemption Date" means the date fixed for redemption of Bonds pursuant to the Indenture.

"State" means the State of Alaska.

"Sublease" means a sublease agreement, consented to by ADOT&PF, between the Company and any RAC for occupancy of the Consolidated Facility.

"Supplemental Indenture" means any indenture supplemental to the Indenture entered into between the Authority and the Trustee in accordance with the Indenture.

"Transaction Day" means a 24-hour period (plus a grace period of up to 59 minutes) during which a car is rented.

"Trust Estate" means the Authority Pledge and the Trustee Estate.

"Trustee" means The Bank of New York Trust Company, N.A., until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter, "Trustee" shall mean the successor Trustee.

"Trustee CFC Rights" means all rights the Trustee may have under the CFC Documents, including, but not limited to:

- (1) any rights the Trustee may have pursuant to the CFC Statute;
- (2) any rights the Trustee may have pursuant to the Commissioner's Consent;
- (3) the right to retain a qualified feasibility consultant under paragraph B of Article II of the Order;
- (4) the right to receive remittances of CFCs pursuant to paragraph C of Article II of the Order;
- (5) the right to enforce each RAC's obligations under its Concession Agreement to collect, report upon, and remit proceeds of the CFC in accordance with the terms of the Order as provided in Article III of the Order;
- (6) any other rights the Trustee may have pursuant to the Order;
- (7) the right to receive a copy of each monthly certified activity report from each RAC pursuant to Sections D and L of Article VI of each Concession Agreement (or any corresponding provision contained in any Concession Agreement entered into after the date of the Indenture), including a statement in each such report of the CFCs and the FMCs, listed separately, remitted to the Trustee with such report as required by subsection 3 of Section D of Article VI of each Concession Agreement (or any corresponding provision contained in any Concession Agreement entered into after the date of the Indenture);
- (8) the right to receive CFCs from each RAC pursuant to Sections E and L of Article VI of each Concession Agreement (or any corresponding provision contained in any Concession Agreement entered into after the date of the Indenture) and to enforce such RAC's strict responsibility under that provision for holding the CFCs in trust for the Trustee and separate and apart from all other assets of such RAC;
- (9) the right to charge interest for late payments of CFCs from any RAC pursuant to paragraph H of Article VI of each Concession Agreement (or any corresponding provision contained in any Concession Agreement entered into after the date of the Indenture);
- (10) any rights the Trustee may have to enforce the covenants contained in Section M of Article VI of each Concession Agreement (or any corresponding provision contained in any Concession Agreement entered into after the date of the Indenture) pursuant to such Concession Agreement or otherwise, including covenants to (a) comply with the provisions of the CFC Statute and work with the Trustee to provide such assurances as may be necessary to

confirm the Trustee's interest in the proceeds of the CFC; (b) require all entities conducting activities that are, or would have been on the date of the Concession Agreement, subject to a permit fee under 17 AAC 42.100 to pick up customers at the Project; (c) as long as the Bonds or any other obligations created under the Indenture are Outstanding, not create or permit any other liens or encumbrances on the CFCs or use or permit the use of the CFCs other than in accordance with the Indenture; (d) as long as the Bonds or any other obligations created under the Indenture are Outstanding, not build on or off the Airport, or allow to be built on the Airport, any facility that would compete with the Project; (e) as long as the obligation to collect the CFCs remains in effect, to annually review with the Lessee the amount required to be generated by the CFCs in the following year and to make any appropriate adjustment in the amount of the CFCs as further described in the Lease; and (f) not adjust the CFCs without prior consultation and consent by the Trustee;

(11) pursuant to Section H of Article X of each Concession Agreement (or any corresponding provision contained in any Concession Agreement entered into after the date of the Indenture), all the rights, powers, and remedies provided to ADOT&PF under Article X of such Concession Agreement except the right to levy a performance bond under subsection 2 of Section C of Article X of such Concession Agreement (or any corresponding provision contained in any Concession Agreement entered into after the date of the Indenture); these rights include: (a) the right to have access to the books and records required to be maintained by each RAC pursuant to Section A of Article X of each Concession Agreement (or any corresponding provision contained in any Concession Agreement entered into after the date of the Indenture); (b) the right to audit each RACs books, records, and supporting data pursuant to Section B of Article X of each Concession Agreement (or any corresponding provision contained in any Concession Agreement entered into after the date of the Indenture); (c) the right to collect underpayments with interest as provided in Section C of Article X of each Concession Agreement (or any corresponding provision contained in any Concession Agreement entered into after the date of the Indenture); (d) the right to receive a statement of gross revenues of each RAC pursuant to Section D of Article X of each Concession Agreement (or any corresponding provision contained in any Concession Agreement entered into after the date of the Indenture); and (e) the right to receive other reports in a timely manner pursuant to Section F of Article X of each Concession Agreement (or any corresponding provision contained in any Concession Agreement entered into after the date of the Indenture);

(12) the right to direct ADOT&PF to cancel a Concession Agreement with a RAC pursuant to Section D of Article XXI of each Concession Agreement (or any corresponding provision contained in any Concession Agreement entered into after the date of the Indenture) for failure to collect or remit CFCs within 15 days after they are due;

(13) the right to grant or withhold permission for ADOT&PF to enter into Concession Agreements after the date of the Indenture, or to enter into any amendment to a Concession Agreement, or to adopt any modification of a Concession Agreement, containing terms relating to CFCs that are different from the terms contained in the Concession Agreements in place as of the date of the Indenture pursuant to Sections J and N of Article XXV of each Concession Agreement (or any corresponding provision contained in any Concession Agreement entered into after the date of the Indenture) and pursuant to the Indenture;

(14) the right to enforce the provisions of each Concession Agreement relating to CFCs as an intended third-party beneficiary of each Concession Agreement pursuant to Section W of Article XXV of each Concession Agreement (or any corresponding provision contained in any Concession Agreement entered into after the date of the Indenture);

(15) the right, as an express third party beneficiary of the Lease under Section R of Article XVI of the Lease to enforce the provisions of the Lease directly relating to CFCs and FMCs or to the operation and maintenance of the Consolidated Facility; such provisions include, among other things, covenants set forth in Section R of Article IX of the Lease; and

(16) the right, as an express third part beneficiary of the Subleases under Section 11.8 of each Sublease (or any corresponding provision contained in any Sublease entered into after the date of the Indenture to enforce the provisions of the Subleases relating to CFCs and FMCs; such provisions include, among other things, the requirements set forth in Article VI of the Subleases (or any corresponding provision contained in any Sublease entered into after the date of the Indenture).

"Trustee Estate" has the meaning set forth above under "Trustee Acceptance and Acknowledgment Clauses."

"Use of Proceeds Agreement" means the Use of Proceeds Agreement dated as of even date with the Indenture, between the Authority and the Company provided that the Company has delivered to the Authority an MII Consent Certificate authorizing the Company to enter in such Use of Proceeds Agreement, as such Use of Proceeds Agreement may be amended or supplemented from time to time provided that the Company has delivered to the Authority and the Trustee an MII Consent Certificate authorizing the Company to agree to any such amendment or supplement.

"Valuation Date" means each date on which the Trustee is required to determine the value of amounts in the Funds and Accounts pursuant to the Indenture.

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APPENDIX D

SELECTED PROVISIONS OF THE CONCESSION AGREEMENTS, LEASE AND SUBLEASES*

THE CONCESSION AGREEMENT

The following is a compilation of certain provisions of the Amended and Restated On-Airport Rental Car Concession Agreement ADA-31197 (the "Concession Agreement") that each of the Operators has entered into with the State. This compilation is not a complete recital of the terms of the Concession Agreement and is qualified by reference to and is subject to the provisions of the Concession Agreement in its entirety.

TERM

The State grants the Operator the rights listed in the Concession Agreement beginning November 1, 2002 and ending April 30, 2018. The Effective Date, as defined in Article I (Definitions) and as used throughout the Concession Agreement, is November 1, 2002, which is the date the initial term of the Concession Agreement begins.

The Operator shall have the right, exercisable only by written notice to the State not later than November 1, 2007, to terminate the Concession Agreement at midnight on April 30, 2008. Having not exercised the foregoing termination right, the Operator shall have the right, exercisable only by written notice to the State not later than November 1, 2012, to terminate the Concession Agreement at midnight on April 30, 2013.

The State may, by written notice to the Operator not less than sixty (60) days before the end of the Concession Agreement term, require the Operator to continue to operate and manage the On-Airport Rental Car Concession at the Airport as set forth in the Concession Agreement beyond the end of the Concession Agreement term. The extension period, which shall be determined by the State, shall not exceed one (1) year from the expiration date of the Concession Agreement term.

If there are fewer than eight (8) Operators at any time during the Concession Agreement, the State may, and shall to the extent provided in the Land Lease, fill any On-Airport Rental Car Concession vacancy by accepting or soliciting for applications, bids, or proposals or by any other process under 17 AAC 42. In any event, the State shall accept or solicit for applications, bids, or proposals or by any other process under 17 AAC 42, to add other Operators between May 1, 2010 and November 1, 2010 and again between May 1, 2015 and November 1, 2015. If the State re-opens this opportunity, the term of the new concession will begin no sooner than November 1, 2004, but the term will end on the date stated in the Concession Agreement, and the State will not include terms and conditions that are more favorable to a new concessionaire than those

* This Appendix D includes only selected provisions and sections of the Concession Agreements, the Lease and the Subleases and is not intended to summarize in any other way such document. Certain Sections and Articles to the Lease referenced in this Appendix may not be included herein.

under the Concession Agreement except to any limited extent reasonably necessary to satisfy 49 CFR Part 23.

CUSTOMER FACILITY CHARGES, FACILITY MAINTENANCE CHARGES AND REMITTANCE

CFCs and FMCs: The Operator will, in compliance with the following provisions and with the terms stated in an applicable Order issued by the Commissioner, collect from its customers and remit to the Trustee, any CFC and any FMC set by such Order of the Commissioner:

1. The Operator will collect the CFC and the FMC on all Transactions under the Concession Agreement to the extent required under an Order of the Commissioner. The CFC and the FMC together will be listed as one line item designated "Customer Facility Charges" in the Operator's rental agreements, invoices and other communications with its customers.
2. The CFC shall be a per-Transaction-Day amount. It is expected that the initial level of the CFC will be \$4.00 per Transaction Day, which shall take effect as provided under an Order by the Commissioner imposing the obligation to collect the CFC provided that the CFC shall not be reduced to below \$4.00 so long as the initial development indebtedness secured by the CFC in advance of long-term bond indebtedness is outstanding. The level of the CFC will automatically be reduced upon the initial effectiveness of the FMC by up to the amount of the FMC, so long as the resulting CFC does not fall below that required to satisfy obligations under documentation of any indebtedness secured by the CFCs. Additionally, upon the issuance of bond indebtedness secured by the CFCs the level of the CFC will be adjusted as necessary, and thereafter re-adjusted, to an amount that is projected by a procedure to be established under the Land Lease to be sufficient to repay the indebtedness over its entire term and to meet other required obligations under the indebtedness documentation, based in part upon the findings of the feasibility study prepared in conjunction with development of the Consolidated Rental Car Facility. The State will provide to the Operator notice of a Commissioner's Order imposing or adjusting the amount of the CFC not less than thirty (30) days before the date the implementation or adjustment becomes effective. Further commitments of the State with respect to terms of imposition and amount of the CFC shall be stated in the Land Lease.
3. The FMC shall be a per-Transaction-Day amount. The initial level of the FMC will be established by the Order of the Commissioner imposing the obligation to collect the FMC. The FMC shall take effect (together with the corresponding reduction in the level of the CFC) at the time determined by the State in consultation with the On-Airport Rental Car Concessionaires; provided that such time shall be no earlier than the incurring of bond indebtedness secured by CFCs and no later than Beneficial Occupancy. The State will provide to the Operator notice of a Commissioner's Order imposing or adjusting the amount of the FMC not less than thirty (30) days before the date the implementation or adjustment becomes effective.

CFCs and FMCs shall be held in trust by the Operator for the Trustee while the funds are in Operator's custody and control, and the Operator shall be responsible for these amounts until delivered to the Trustee. If any CFCs or FMCs subject to remittance by the Operator to the Trustee are lost, stolen, commingled with Operator assets so as to lose their trust status or are otherwise removed from the custody and control of the Operator other than by remittance to the Trustee, the Operator shall be strictly responsible to the Trustee for those funds.

Collection of CFCs and FMCs

1. Upon and following the date the obligation to collect the CFC becomes effective under an imposition Order by the Commissioner, the Operator shall collect the CFC as required by such Order until such obligation is suspended under such Order, lifted by expiration of such Order, or lifted by a subsequent Order by the Commissioner. Upon and following the date the obligation to collect the FMC becomes effective under an imposition Order by the Commissioner, the Operator shall also collect the FMC as required by such Order until such obligation is suspended under such Order, lifted by expiration of such Order or lifted by a subsequent Order by the Commissioner. The Operator shall collect any applicable CFC or FMC at the time the first payment is made on the Transaction. With respect to cancellation of any portion of a Transaction for which a CFC or FMC has already been collected, amounts rebated to a customer may be deducted from a subsequent CFC or FMC payment, and specifically identified to the State and to the Trustee in the next certified activity report. The Operator shall hold any CFCs and FMCs it collects in an account or accounts (which account or accounts may also contain other proceeds similarly held in trust) separate from the Operator's assets, in trust for the Trustee until remitted to the Trustee as described below. The Operator acknowledges that it has no and shall never have any possessory claim or ownership interest in any CFCs or FMCs it collects.
2. The State will continue to impose the CFC as set forth herein for so long as (a) either of the Concession Agreement or the Operator's Sublease remains in effect and (b) the Trustee has not advised the State in writing that any and all obligations secured by pledge of the CFCs have been fully satisfied. Unless otherwise agreed by a Majority in Interest and the State, the State will continue to impose the FMC as set forth herein for so long as the Land Lease remains in effect, and may continue to do so thereafter so long as the Operators occupy the Consolidated Rental Car Facility. So long as the respective collection is required under an effective Order by the Commissioner, the State shall take all necessary actions to ensure proper collection and remittance of the CFC and FMC by all Operators.

Remittance of CFCs and FMCs and Certified Activity Reports

On or before the twentieth (10th) day of each month, the Operator shall remit to the Trustee any and all CFCs and FMCs it collected or was obligated to collect in the preceding calendar month regardless whether or not the full amount of such CFC or FMC was actually collected by the Operator along with a copy of the Certified Activity Report required under the

Concession Agreement. Remittance shall be made in United States of America currency, either in cash or by check, bank draft, wire transfer or money order payable as directed by the Trustee.

Covenants of State with Respect to CFCs, FMCs and the Indebtedness Secured by CFCs:

The State shall at all times comply with all provisions of, and satisfy all of its obligations under, AS 02.15.090, AS 37.15.430(c) and all other provisions of law relating to the requiring of the collection of CFCs and FMCs and the remittance thereof to the Trustee. The State shall work in good faith with the issuer of any indebtedness secured by CFCs and the Trustee to provide such assurances as may be necessary to confirm the Trustee's interest in the proceeds of the CFC and the FMC.

The State shall require all entities conducting activities that are, or would have been on the date of the Concession Agreement, subject to a permit fee under 17 AAC 42.100 to pick up customers at the Consolidated Rental Car Facility. In addition, if the Operators show to the State's reasonable satisfaction that required the above-described entities to drop off such customers at the Consolidated Rental Car Facility is also necessary or desirable to obtain the most favorable financing for the development of the Consolidated Rental Car Facility, the State shall, to the extent it is legally allowed to do so, consider requiring such entities to do so.

So long as any indebtedness secured by CFCs remains outstanding, neither the State nor the Operator will create or permit the creation of any liens or encumbrances on the CFCs, or use or permit the use of the CFCs, other than in accordance with and as permitted by the documentation of indebtedness secured by CFCs.

So long as any indebtedness secured by CFCs remains outstanding, the State covenants not to build on or off the Airport, or allow to be built on the Airport, any facility that would compete with the Consolidated Rental Car Facility.

So long as the obligation to collect CFCs or FMCs remains in effect, the State will each year review with the Land Lessee the amount required to be generated by the CFC or FMC in the following year, and make any appropriate adjustment in the amount of the CFC or FMC, respectively, as further described in the Land Lease. The State will not otherwise adjust the CFC without prior consultation and consent by the Trustee.

Trustee Rights

The Trustee shall have, with respect to CFCs and FMCs, not less than all the rights, powers and remedies provided to the State under Article X of the Concession Agreement, with the exception of the right to levy the performance bond under C.2. of Article X of the Concession Agreement.

Equal Footing

No provision of any new or revised contract between the State and any new or existing Operator, shall contain terms more favorable to such Operator than granted herein except to any

limited extent reasonably necessary to satisfy 49 CFR Part 23, unless the State makes the same terms available to the Operator to accept or decline. However, the State shall not enter into any new contract or amendment that contains different terms relating to the CFC, FMC or operation and use of the Consolidated Rental Car Facility unless first approved by a Majority in Interest and permitted under the documentation relating to any outstanding indebtedness secured by CFCs. The intent of this provision is to ensure that all On-Airport Rental Car Operators compete on as equal terms as possible.

Modification

The Operator acknowledges that the State may modify this Concession Agreement to meet the revised requirements of federal or State grants, to operate the Airport, or to conform to the requirements of any revenue bond covenant to which the State of Alaska is a party. The State may make these modifications without formal amendment. However, a modification may not reduce the rights or privileges granted the Operator under the Concession Agreement or cause the Operator financial loss. The State will provide to the Trustee notice of any proposed modification to terms relating to the CFC, FMC or operation and use of the Consolidated Rental Car Facility and will not adopt such a modification without the Trustee's consent unless such modification would have no reasonably foreseeable material adverse effect on holders of indebtedness secured by the CFC.

Third-Party Beneficiary

The Trustee is an intended third-party beneficiary of all provisions of the Concession Agreement directly relating to CFCs and FMCs and is entitled to enforce each such provision against the Operator, providing notice to the State of any such enforcement effort.

REDUCTION OF SPACE

If the Operator determines that it is not economically feasible to continue operations in any portion of the Premises authorized under the Concession Agreement, the Operator may submit a written request to discontinue operations in that area or to reduce the area at that location and surrender this space to the State. The Operator shall demonstrate in writing, to the State's satisfaction, that discontinuing operations in this area is in the State's best interest. The State may require that the Operator provide financial, statistical, or other data to support the request for a reduction of the Premises. Any decision to reduce space rests solely with the State and the Operator shall abide by the State's decision. Any decision by the State to reduce the space used by the Operator will not reduce the fees the Operator pays to the State.

If the State approves the Operator's request to discontinue operations in an area of the Premises, the State may, in its sole discretion, either allow the Operator to use the area for other purposes related to the business authorized under the Concession Agreement or require the Operator to vacate the space and surrender it to the State.

CANCELLATION BY STATE

Breach of Agreement: The State may cancel the Concession Agreement and recover possession of the Premises, or require the Operator to vacate the Consolidated Rental Car Facility after Beneficial Occupancy, by giving the Operator thirty (30) days advance written notice if any of the following events occur, unless the breach is cured within the thirty (30) days:

1. The Operator does not pay any rent, fee, penalty, or other charge when due under the Concession Agreement.
2. A check for any payment is returned for insufficient funds.
3. The Operator uses the Premises beyond Beneficial Occupancy or for purposes not authorized under the Concession Agreement or otherwise in writing by the State, or uses any premises under the Land Lease for any purpose not authorized under the Land Lease.
4. A petition in bankruptcy is filed by or against the Operator.
5. A court enters a judgment of insolvency against the Operator.
6. A trustee or receiver is appointed for the Operator's assets in a proceeding brought by or against the Operator.
7. A lien is filed against the Premises or the Consolidated Rental Car Facility because of any act or omission of the Operator and the lien is not removed, enjoined, or a bond of satisfaction of the lien is not posted within sixty (60) days.
8. The Operator fails to operate the business authorized under the Concession Agreement on a continuous basis without the State's advance written approval.
9. The Operator does not meet the State's Disadvantaged Business Enterprise goal without adequately documenting to the State's satisfaction its good faith efforts to do so.
10. The cessation or deterioration of any service that, in the State's determination, materially and adversely affects the service the Operator is required to perform under the Concession Agreement.
11. The Operator does not perform any provision or covenant under the Concession Agreement or any provision of any Order by the Commissioner pertaining to CFCs or FMCs.

Stay of Cancellation Notice: A cancellation notice issued by the State under this Article is stayed if, within the thirty (30) day notice period, the Operator begins and continues expeditious action to cure the breach in the case of a breach that is not reasonable curable within thirty (30) days. The determination of "expeditious action" and "not reasonably curable" is at the State's sole discretion.

Failure to Pay CFCs or FMCs. The State may (and upon the direction of any Trustee following the notification and cure procedures set forth below, the State shall) cancel the Concession Agreement with respect to the Operator if the Operator fails to collect or remit its CFCs or FMCs within fifteen (15) days after they are due. The State's obligation to cancel the Concession Agreement at the direction of the Trustee is conditioned upon absence to cure of the default and the Trustee's prior submission to the State of documentation so showing to the reasonable satisfaction of the State, which shall be satisfied by submission of documentation showing:

1. The basis for the proposed cancellation and evidence that such termination is permitted under the Concession Agreement□ including (1) if available to the Trustee, documentation of the Operator's Transaction Days, its collection, payment and shortfall in collection or payment of applicable CFCs or FMCs as required and (2) a statement of each provision of the Concession Agreement, of the Order of the Commissioner adopting the CFC or FMC, or of any custodial agreement or other agreement between the Trustee and the Operator to which the Trustee certifies that the Operator is subject, of which the Trustee certifies the Operator to be in default;
2. That the Operator subject to termination has first been provided not less than fifteen (15) days notice of the basis for the proposed termination and an opportunity to cure or rebut that basis (which period shall run concurrently with the fifteen (15) day period described above); and
3. That the Operator has failed to cure or rebut the basis for the proposed termination within such notice period; documentation shall be deemed satisfactory if it includes a certification by the Trustee that no cure has been effected, together with back-up materials that include a copy of any response by the Operator to the notice required above, and any explanation necessary to demonstrate that the response does not negate the default.

Termination of Sublease. The State shall cancel the Concession Agreement if the Sublease is terminated in accordance with its terms, including terms under the Sublease for notice to the Operator and opportunity to cure.

Survival of Concessionaire's Obligations: If the State cancels the Concession Agreement for cause, all of the Operator's annual guarantee or percentage payment obligations, as well as the obligation to remit CFCs and FMCs to the Trustee, under the Concession Agreement will thereby immediately be accelerated and due without reducing any and all other damages to which the State may be entitled by law for the entire balance of the term, subject to the State's obligation to mitigate damages. The State may issue notices of amounts due, reviewable only under the protest and appeal procedures of 17 AAC 42.910 and 920, and may maintain separate actions to recover any monies then due, or at its option and at any time, may sue to recover the full deficiency.

The amount of damages payable to the State for the time subsequent to cancellation is the sum of the following:

1. The cumulative total of the Operator's minimum annual guarantee obligation, less the amount paid before the effective date of cancellation.
2. Title to all furnishings, fixtures, equipment, and improvements as provided in Section I of Article XXI of the Concession Agreement.
3. The liquidated damages specified in the Concession Agreement, including for any time of unapproved closure before the effective date of cancellation.

CANCELLATION BY CONCESSIONAIRE

The Operator may cancel the Concession Agreement by giving the State sixty (60) days advance written notice if any of the following events occur:

1. The permanent abandonment of the Airport by all passenger airlines or the removal of all airline passenger service from the Airport for a period of at least ninety (90) consecutive days.
2. The lawful assumption by the United States government or its authorized agent, of the operation, control, or use of the Airport, or any substantial part of the Airport, that restricts the Operator from operating its business under the Concession Agreement for a period of at least ninety (90) consecutive days.
3. A court of competent jurisdiction issues an injunction that prevents or restrains the use of the Airport by all airlines, provided the injunction remains in force for at least ninety (90) consecutive days.

ASSIGNMENT OR SUBCONTRACT

Prohibition. The Operator shall not mortgage, hypothecate, nor otherwise encumber or assign the concession rights created under the Concession Agreement, in whole or in part, without the advance written consent of the State under 17 AAC 42.260-275, as applicable. Any attempt to assign, mortgage, hypothecate, or encumber the concession rights in violation of the Concession Agreement is void and will confer no right, title, or interest in nor to the Concession Agreement, on any assignee, mortgagee, encumbrancer, pledge, lienholder, subtenant, successor, or purchaser.

THE SUBLEASE

The following is a compilation of certain provisions of the Sublease executed by each of the Operators. This compilation is not a complete recital of the terms of the Sublease and is qualified by reference to and is subject to the provisions of the Sublease in its entirety.

TERM AND TERMINATION

The Sublease shall be effective upon the date of execution by the parties thereto and approval thereof by the State. Unless terminated earlier in accordance with the provisions hereof, this Sublease shall terminate on the earlier of (a) March 30, 2018, (b) the termination, expiration or cancellation of the Concession Agreement or (c) termination of the Lease.

ALLOCATION OF SPACE

Pursuant to the Subleases, individual counter space, car washes, ready/return space, fueling stations and overflow parking will generally be allocated among the Operators based upon their relative market shares, with reallocations of such space occurring periodically over the term of the Subleases. Other areas in the Consolidated Facility will be made available to each Operator on a common use basis. Under the Subleases, each Operator will be responsible for maintaining its own exclusive use areas, and the SPE will be responsible for maintaining all common areas, subject, however, to the direction, and at the cost, of the Operators.

RENT AND OTHER CHARGES

Each Operator has agreed to pay its pro-rata share of the annual rent under the Lease, real property taxes and ordinary maintenance and operation expenses (to the extent not paid with proceeds of the Facilities Maintenance Charge).

If an Operator fails to make such payments of rent and other charges due under the Sublease, and if the defaulting Operator's performance bond is insufficient to pay such amounts, each of the other Operators agrees to pay its Allocated Space Pro Rata Share (without taking into account the Allocated Space of the defaulting concessionaire) of the shortfall within ten (10) days following written notification of such shortfall from the SPE. Such notification shall include the calculation of such amount.

CUSTOMER FACILITY CHARGES, FACILITY MAINTENANCE CHARGES AND REMITTANCE

CFCs and FMCs: The Operator will, in compliance with its Amended Concession Agreement and with the terms stated in an applicable Order issued by the Commissioner, collect from its customers and remit to the Trustee, any CFC and any FMC set by such Order of the Commissioner:

1. The Operator will collect the CFC and the FMC on all Transactions under the Concession Agreement to the extent required under an Order of the Commissioner. The CFC and the FMC together will be listed as one line item designated "Customer Facility Charges" in the Operator's rental agreements, invoices and other communications with its customers.
2. Imposition of the CFC and FMC, and any change in the amount of either, will apply to each Transaction that both (1) begins on or after the effective date of the imposition or change as stated in the applicable Order of the Commissioner, and (2) as of 12:01 a.m. on the third business day after the State's notification to the Operator of such imposition or change, is not (a) subject to a reservation that precludes the assessment of such a charge subsequently imposed by a government entity, or (b) prepaid in full.

Collection of CFCs and FMCs. Pursuant to its Amended Concession Agreement, upon and following the date the obligation to collect the CFC becomes effective under an imposed Order by the Commissioner, the Operator shall collect the CFC as required by such Order until such obligation is suspended under such Order, lifted by expiration of such Order, or lifted by a subsequent Order by the Commissioner. Upon and following the date the obligation to collect the FMC becomes effective under an imposed Order by the Commissioner, the Sublessee shall also collect the FMC as required by such Order until such obligation is suspended under such Order, lifted by expiration of such Order or lifted by a subsequent Order by the Commissioner. The Sublessee shall collect any applicable CFC or FMC at the time the first payment is made on the Transaction. With respect to cancellation of any portion of a Transaction for which a CFC or FMC has already been collected, amounts rebated to a customer may be deducted from a subsequent CFC or FMC payment, and specifically identified to the State and to the Trustee in the next Certified Activity Report referred to in the Sublease. The Operator shall hold any CFCs and FMCs it collects in an account or accounts (which account or accounts may also contain other proceeds similarly held in trust) separate from the Sublessee's assets, in trust for the Trustee until remitted to the Trustee as described below. Each of the Sublessee and the Sublessor acknowledges that it has no and shall never have any possessory claim or ownership interest in any CFCs or FMCs collected by the Sublessee.

Remittance of CFCs and FMCs and Certified Activity Reports. Pursuant to its Amended Concession Agreement, on or before the twentieth (20th) day of each month, the Sublessee shall remit to the Trustee any and all CFCs and FMCs it collected or was obligated to collect in the preceding calendar month regardless of whether or not the full amount of such CFC or FMC was actually collected by the Sublessee along with a copy of the Certified Activity Report required under the Amended Concession Agreement. Remittances shall be made in United States of America currency, either in cash or by check, bank draft, wire transfer or money order payable as directed by the Trustee.

ADDITIONAL COVENANTS OF SPE AS SUBLESSOR

Compliance with Lease. The SPE shall comply with all provisions applicable to it under the Lease.

Enforcement of Lease. The SPE shall enforce all provisions of the Lease against the State as and to the extent instructed by a Majority in Interest. The SPE shall notify Operators of any violation or suspected violation of the Lease by the State as soon as reasonably possible after the occurrence of such violation.

DEFAULT AND REMEDIES

Events of Default. Each of the following shall be an “Event of Default” under each Sublease:

1. Failure to Collect or Remit CFCs or FMCs. The Operator fails to collect or remit CFCs or FMCs as required under the Sublease.
2. Failure to Pay other Amounts Due Under the Sublease. The Operator fails to pay any amount due under the Sublease when due following ten (10) days’ written notice from the Sublessor.
3. Creation of Liens on the Consolidated Rental Car Facility. A lien is filed against the Consolidated Rental Car Facility because of any act or omission of the Operator, and the lien is not removed, enjoined, or a bond of satisfaction of the lien is not posted within sixty (60) days.
4. Failure to Comply with Other Covenants Under the Sublease. The Operator does not perform any provision or covenant under the Sublease other than as set forth in subsections (1), (2) and (3) above or (5) below, and fails to cure such nonperformance within thirty (30) days after receiving written notice from the Sublessor of such nonperformance.
5. Insolvency, Etc. A petition in bankruptcy is filed by or against the Operator, a court enters a judgment of insolvency against the Operator or a trustee or receiver is appointed for the Operator’s assets in a proceeding brought by or against the Operator.

Certain Remedies.

1. Automatic Termination for Certain Defaults. In the event of an Event of Default pursuant to subsection 1 or 2 above under “Events of Default”, the Sublessor shall take immediate action to terminate the Sublease, subject to certain conditions therein.
2. Other Defaults. Pursuant to the Lease, should an Event of Default occur hereunder other than under subsection 1 or 2 above under “Events of Default”, the Sublessor shall follow the instructions of the State with respect to the exercise of remedies.
3. Termination. So long as the Concession Agreement is in effect, the Sublease may not be terminated without the prior written consent of the State.

ASSIGNMENT

The Operator may not assign any or all its rights and obligations under the Sublease without the written consents of the State and all the Operators and unless its rights and obligations in its subleases of all other Operators are being assigned to the same party at the same time.

Subject to restrictions relating to allocation of surplus space contained in the Sublease, the Sublessee may not assign or subcontract any or all of its rights and obligations under the Sublease unless its corresponding rights and obligations under the Concession Agreement are assigned, with notice to the Sublessor and with the consent of the State, at the same time.

Subject to the preceding provisions relating to assignment, all of the rights, duties, benefits, liabilities and obligations of the parties shall inure to the benefit of, and be binding upon, their respective successors and assigns. Except as specifically set forth or referred to herein, nothing herein expressed or implied is intended to or shall be construed to confer upon or give to any person or entity, other than the parties hereto and their successors or assigns, any rights or remedies under or by reason of the Sublease.

THIRD PARTY BENEFICIARIES

Each of the Trustee and the Bond Insurer is an intended third party beneficiary of all provisions of the Sublease directly relating to CFCs and FMCs and is entitled to enforce such provisions against the SPE and the Operator, providing notice to the parties hereto of any such enforcement effort.

The Operators other than the Operator subject to the Sublease are third party beneficiaries of the provisions of such Sublease relating to the collection and remittance of the CFC and the FMC and the payment by the Sublessee of its pro rata share of land rent and other expenses. Any other Operator is entitled to enforce such provisions against the Sublessee, providing notice to the SPE of such enforcement effort. The other Operators shall be entitled to reimbursement of the costs, damages or fees incurred due to a failure of the Operator subject to the Sublease to comply with such Sublease to the same extent the Sublessor would be entitled to such amounts pursuant to the Sublease.

The State is an intended third party beneficiary of certain provisions of the Sublease hereof and is entitled to enforce such provisions against the SPE and the Sublessee under the Sublease, providing notice to the parties hereto of any such enforcement effort.

AMENDMENT AND MODIFICATIONS

The Sublease shall not be amended except as provided below:

1. The Sublease may be amended or modified if the SPE as the sublessor and Sublessee agree to such amendment and if the subleases to which the SPE and each of the other Operators are party are all amended identically. Any such amendment or

modification shall be in writing and signed by both the SPE and the Sublessee as the sublessor.

2. The SPE will provide to the Trustee and the Bond Insurer notice of any proposed modification to terms relating to the CFC or the FMC, and will not adopt such a modification without the Trustee's and the Bond Insurer's consents unless such modification would have no reasonably foreseeable material adverse effect on holders of indebtedness secured by the CFC.
3. Allocations and reallocations of space to the Sublessee in accordance with the Sublease shall not constitute amendments or modifications of the Sublease.

THE LEASE

The following is a compilation of certain provisions of the Land/Building Lease ADA-31367 ("Lease") by and between the State of Alaska, Department of Transportation and Public Facilities, Ted Stevens Anchorage International Airport ("Lessor") and Anchorage RAC Center, LLC ("Lessee"). This compilation is not a complete recital of the terms of the Lease and is qualified by reference and is subject to the provisions of the Lease in its entirety.

ARTICLE III. PREMISES

A. PRIOR TO BENEFICIAL OCCUPANCY

1. Project Area: ☐

Lot 5, Block 2, consisting of approximately three hundred thirty-five thousand, four hundred forty(335,440) square feet of land, an Appurtenant Road Easement of approximately thirteen thousand, three hundred eighty (13,380) square feet for an access road and, subject to additional highway right-of-way and encroachment permitting as may be required by the Central Region of the Department of Transportation & Public Facilities, a temporary construction easement for construction of the Tunnel from the foregoing area to the South Terminal, and improvements consisting of and associated with access and exit roads, all on the Ted Stevens Anchorage International Airport, as shown on **Exhibit "B"** dated September 1, 2005, attached to and made a part of this Lease. ☐

- a. Surface Parking Lot: During development of the Consolidated Facility and continuing through Beneficial Occupancy, the Lessee shall also have use of approximately eighty-six thousand, five hundred (86,500) square feet of surface area in the long-term parking area of the Airport, as shown on **Exhibit "B," ("Surface Parking Lot")** to allocate to and among the RACs according to the provisions of the Amended Concession Agreements and this Lease. ☐

B. UPON AND FOLLOWING BENEFICIAL OCCUPANCY

1. **Long-Term Premises:** Beginning with the date the Conveyed Improvements have been conveyed by the Lessee to the Lessor, which date shall be not later than ninety (90) days after Beneficial Occupancy, and continuing for the remainder of this Lease, the Long-Term Premises consist of the Consolidated Facility, the Appurtenant Road Easement, and the land areas occupied by and required for maintenance and operation of the Consolidated Facility and identified on an exhibit to which the Lessee and Lessor mutually agree to add to this Lease by supplement in conjunction with transfer of the Conveyed Improvements to the Lessor.

ARTICLE IV. USES

A. AUTHORIZED AND REQUIRED USES

1. This Lease is issued for the use of the Premises for the following authorized uses:
 - a. Construction, operation and maintenance of the Consolidated Facility, including car wash facilities, fuel facilities and basic vehicle cleaning facilities, access and exit roads and associated signage, the Tunnel, not more than ninety (90) and not less than seventy-nine (79) standard public parking spaces to be returned to the Lessor, and modifications to and restoration of the Surface Parking Lot; and operation and maintenance of the Consolidated Facility, access and exit roads; and
 - b. Exercise of the right and obligation to sublease space in the Consolidated Facility to, and to only, each RAC that is party to an Amended Concession Agreement then in effect and not in default for use in compliance with that Amended Concession Agreement and with the consent of the Lessor under a Lessor-approved Sublease as further described under ARTICLE XV (SUBLEASE) of this Lease; and;
 - c. Installation, operation and maintenance of fuel tanks and associated facilities and equipment according to all applicable safety codes, and provision of automobile fuel to Lessee's subtenants only. Fuel sales to the public, except through a RAC Transaction, is prohibited under Section B (PROHIBITED USES) of this Article; and
 - d. Construction, operation and maintenance, as part of the Consolidated Facility, of a shuttle pick-up curb with a heated and protected shelter, located in close proximity to the customer lobby to provide at all hours of every day an enclosed, heated, and secure area with seating adequate to accommodate customers of the Lessor's vehicle rental business permit

holders while awaiting shuttle pick up, and providing visibility to see arriving shuttles; and □

2. The Lessee's use of the Premises is strictly limited to the above-stated use(s). The uses stated in 1.a, 1.b, 1.d and 1.e of this Section, as well as those operations and activities related to and required to support and operate the authorized facility unless prohibited in Section B (PROHIBITED USES) of this Article, are required to be conducted as obligations under this Lease. The use stated in 1.c of this Section is not required to be conducted as an obligation under this Lease, but is subject to agreement between the Lessee and the sublessees. Use of the Premises for any other purpose without the prior written approval of the Lessor is prohibited.

D. LEASE BACK RIGHT OF LESSOR

1. Lessee agrees that the Lessor may, at the Lessor's option, at any time after October 31, 2017, and upon not less than six (6) months written notice, lease back the top floor (which consists of parking spaces) of the Consolidated Facility for a single period of up to three years for public parking or other public use. The Lessor may lease back additional space in the Consolidated Facility or may lease back the top floor for an additional period if a Majority in Interest approves such lease back.

ARTICLE V. TERM

A. TERM

1. This Lease is effective on the date it is signed by the Lessor. However, the term of this Lease, unless otherwise agreed by the Lessee and the Lessor, is **thirty (30) years from September 1, 2005, through the later of August 31, 2035, or ninety (90) days following payment in full of the CFC Bonds and all other obligations under the Trust Indenture**, subject to ARTICLE IX (IMPROVEMENTS), Section C (REQUIRED IMPROVEMENTS AND INVESTMENT).
2. If and so long as any indebtedness secured with the approval of the Commissioner, by CFCs remains outstanding at the expiration of or earlier termination of this Lease for a reason listed under ARTICLE XI (CANCELLATION, EXPIRATION, OR OTHER TERMINATION), the Lessor agrees to manage, operate and maintain the Consolidated Facility or a replacement facility for RAC operations, and to continue to require all RACs to operate from the Consolidated Facility or a replacement facility for RAC operation under a subsequent agreement under terms substantially similar to the Subleases, but adapted to direct management by Lessor, and to collect and remit CFCs and FMCs until all such indebtedness is repaid in full. Such continued

requirement for RAC operation from the Consolidated Facility shall be subject to the terms of ARTICLE XV (SUBLEASE), Section E (GENERAL PROVISIONS CONCERNING SUBLEASING), subsection 6.

3. In the event the Lessee is in breach of the terms of this Lease: (a) prior to Beneficial Occupancy or (b) if the Consolidated Facility is damaged thereafter so as to be substantially unusable, the Lessor agrees that it will terminate this Lease and use good faith efforts to complete construction or repair of the Consolidated Facility, or so much of it, or a replacement facility for RAC operations, as is feasible and capable of supporting occupancy by the RACs, using funds available under the Trust Indenture or proceeds of the payment and performance bonds or insurance, as the case may be. In the event of such termination, the Lessor will consult with the RACs with respect to any material modifications in the design or construction of the Consolidated Facility that the Lessor deems reasonably necessary due to any shortfall of funds under the Trust Indenture. Each Sublease under this Lease shall provide that the RAC acknowledges that in such case the Lessor shall have no obligation to use funds other than CFC Bond proceeds, or the fruit of such proceeds (including proceeds of payment and performance bond and insurance proceeds) and, for so long as its Amended Concession Agreement is in effect, the RAC shall occupy the facility constructed with such funds as they may be available, and shall continue to collect CFCs even though such facility, or replacement facility for RAC operations, may have significantly less functional utility than was designed or contemplated when the CFC Bonds or any completion bonds were originally issued.

ARTICLE VI. RENTS AND FEES

- A. The annual rent for the Premises shall be calculated separately for the land interest and for the occupancy of the Consolidated Facility and shall be established, subject to ARTICLE VI (RENTS AND FEES), Section B (RENT ADJUSTMENT), as follows:
 1. Land Interest prior to Beneficial Occupancy: The Rent Commencement Date shall be that date identified in a notice from the Lessee to the Lessor that the Project Area is needed for any purpose related to construction of the Consolidated Facility and which requires the RACs to relocate into the Lessor's public parking garage or Surface Parking Lot as provided under the RACs' Amended Concession Agreement. Relocation of utilities, currently anticipated for the Fall of 2005, shall not be considered activity that triggers the Rent Commencement Date. During the period of time from the Rent Commencement Date until Beneficial Occupancy, the monthly rent for the land area of the Premises is twenty-one thousand, six hundred sixty-three dollars and eighty-three cents (**\$21,663.83**), calculated at the rate of seventy-seven and one-half cents (\$0.775) per square foot per year ($\$0.775 \times 335,440 \text{ square feet} = \$259,966/12 = \$21,663.83$) payable monthly in advance of the first day of each month for the term of this Lease as specified in ARTICLE V (TERM). The rent shall be prorated for any fractional

month in the term. However, the rent for the first year of the term of this Lease is fifty-nine thousand, nine hundred, sixty-six dollars (\$59,966.00) payable upon execution of the Lease by the Lessee. The Lessor is applying a one-time credit of two hundred thousand dollars (\$200,000.00), which reflects the Lessor's avoided cost of counter space refurbishment, against rent in the first year of this Lease. After land rent begins, no additional payment is required for use and occupancy of the Surface Parking Lot. However, if the Surface Parking Lot is needed for activities related to construction of the Consolidated Facility (other than the installation of signage for and other preparations of the Surface Parking Lot for interim use by the RACs) prior to land rent beginning, the Lessee is required to obtain a separate agreement with the Lessor, or an amendment to this Lease, to allow for payment for early use of that land by the Lessee, VDG or the sublessees. In addition, if at any time, other land or area not part of the Project Area is needed for activities related to construction of the Consolidated Facility, the Lessee is required to obtain a separate agreement with the Lessor, or an amendment to this Lease, to allow for early use and payment for use of that land by the Lessee, VDG or the sublessees. Rent will be established for that additional land or area during the negotiations for the new agreement or amendment to this Lease.

2. Land Interest at and after Beneficial Occupancy: Beginning on Beneficial Occupancy, the monthly rent for the land area of Premises, to be paid as described in the preceding subsection, will be calculated at the rate of seventy-seven and one-half cents (\$0.775) per square foot per year multiplied times the square footage of the land area included in the Long Term Premises and is due and payable monthly in advance by the fifth (5th) day of each month for the term of this Lease as specified in ARTICLE V (TERM); and
3. Occupancy of the Consolidated Facility: In consideration of the construction of the Conveyed Improvements by the Lessee, the conveyance of the same by Lessee to the Lessor, and the continued retention by the Lessee and all RACs through their respective Subleases of all responsibility for the Consolidated Facility under this Lease during the term of this Lease, all at no cost to the Lessor, the Lessee's monthly rent for occupancy of the Consolidated Facility shall be as follows:
 - a. From the Effective Date of this Lease through the Termination Date, the Lessee's monthly rent shall be \$1.00 per month, plus (i) any out-of-pocket costs incurred by the Lessor in respect to the Conveyed Improvements (excluding maintenance cost of the Tunnel) in performing duties allocated to Lessee under this Lease; (ii) any out-of-pocket costs reasonably incurred by Lessor within the first six (6) months after Beneficial Occupancy attributable to the integration of the Consolidated Facility with airport services, that were not identified as being within the Part 2 Agreement as described under the attached Development Agreement; or (iii) any out-of-pocket costs reasonably identified by Lessor within the first six (6) months after Beneficial Occupancy attributable to the

integration of the Consolidated Facility with airport services, but which were not identified as being within the Part 2 Agreement, and which cannot be reasonably commenced or completed within such six month period. Such out-of-pocket costs are limited to those costs that are necessary to complete design features of the Consolidated Facility earlier requested by Lessor as part of the design, the expense of which was not clearly allocated to either the Lessor or the Design Builder during the design process. Such costs shall be due and payable within thirty (30) days of invoicing to the Lessee.

b. (hold-over rent) . . .

B. RENT ADJUSTMENT

The land interest rent will adjust on a per-square-foot basis for this Lease as set forth herein. The annual rental rate will be increased on September 1, 2007 by twelve (12%) percent (to eighty-six and eight-tenths cents (\$.868) per square foot per year) and the annual rate increased again every five years thereafter by twelve (12%) percent of the rate amount immediately preceding each increase. The Lessor may, but is not obligated, to notify the Lessee of the rent increase thirty (30) days prior to the effective date of any rent increase.

ARTICLE VIII. ENVIRONMENTAL ISSUES

A. ENVIRONMENTAL LIABILITY BASELINE

1. Responsibility for Ascertaining Environmental Condition of Premises: The Lessee has the sole responsibility under this Lease to ascertain the environmental condition and presence of Contamination in, on, and under the surface of the Premises, and is presumed to have caused or to have Materially Contributed To any Contamination of, or originating on, the Premises except as identified in an Environmental Liability Baseline.
2. Financial Responsibility for Contamination on the Premises and on Any Affected Property: The Lessee assumes financial responsibility to the Lessor for any Contamination in, on, and under the Premises and any Affected Property, except for Contamination that is identified in an Environmental Liability Baseline. This is without prejudice to the Lessee's right to seek contribution or indemnity from either prior lessees of the Premises and Affected Property, or other potentially responsible parties except for the Lessor.

C. REQUIRED REMEDIATION

The Lessor is under no obligation to remediate Contamination identified in an Environmental Assessment, except the Lessor shall remediate, have responsible parties

remediate, or pay the actual increased cost to have the Design Builder remediate, the Contamination identified in the Environmental Liability Baseline if an agency with such authority requires the Lessee or Lessor to remediate or if such remediation is required in order to construct the Consolidated Facility. In the event of such required remediation, the Lessor will make a reasonable effort to coordinate the remediation with the Lessee and the RACs to minimize disruption of the Lessee's and the RACs operations or activities and damage to the Lessee's and the RACs improvements and property. Except as set forth above, the Lessee releases and holds the Lessor harmless for all costs associated with any damage to, and relocation, removal, and repair of Lessee's improvements and property that result from remediation performed in compliance with this Section with respect to Contamination that existed before construction of affected improvements.

ARTICLE IX. IMPROVEMENTS

A. COMPLIANCE

Any improvement, remediation, construction, alteration, import of material, export of material, or any other alteration or addition to the Premises as described in this Article shall be completed in accordance with the provisions of this Lease and other applicable federal, state, and local laws and ordinances in effect at the time of permitting.

C. REQUIRED IMPROVEMENTS AND INVESTMENT

1. At no cost to the Lessor, the Lessee shall substantially complete the Lessee's proposed improvements to the Premises, substantially as shown in the Development Agreement, including drawings, attached as **Exhibit "D"** to this Lease, by no later than **September 1, 2007**, subject to any extension granted under 17 ACC 42.240(d). When completed, the dollar amount of the investment to, on, or at the Premises must be the amount set forth in Part 2 Agreement as described under the attached Development Agreement and may include, as applicable and excluding financing costs, the following:
 - a. Premises, boundary, and as-built surveys;
 - b. Site Development Work and Site Development Materials;
 - c. construction of permanent improvements, including the cost of design, labor, materials, shipping, permits, equipment, soil testing, and Environmental Assessments directly related to the construction on the Premises or, if constructed for immediate Lessor ownership, including restoration of the Surface Parking Lot under subsection 3 of this Section C (REQUIRED IMPROVEMENTS AND INVESTMENT), off the Premises;

- d. remediation of Contamination on or that migrated from the Premises and that was not caused or Materially Contributed To by the Lessee or the Lessee's operations or activities nor assumed by the Lessee by reason of assignment; and
 - e. costs related to utility infrastructure development or connection.
 - 2 If the Lessee fails to complete the construction or remediation or to submit documentation that the construction or remediation has been completed, the Lessor shall
 - a. execute the forfeiture of the performance bond, deposit, personal guarantee, or other security posted by the Lessee; or
 - b. cancel this Lease.
 - 5. In the event the Lessee fails to complete the Consolidated Facility for any reason, other than as a result of a material breach of this Lease by the Lessor, the Lessee shall, upon demand and at no additional cost or charge to the Lessor, deliver to the Lessor all deliverables that were paid for or for which the RACs, VDG or the Lessee were reimbursed from the Bridge Loan (as defined in the MOU) or otherwise from proceeds of the CFC. Without diminishing any contractual obligations of the Design Builder under any other document, such deliverables shall be "as-is" and accompanied by such licenses as the Lessee, VDG, or the RACs possess for the use of the deliverables, but such deliverables shall be without warranty as to sufficiency, completeness or usability. Any privileged materials need not be provided to the Lessor as deliverables, and any draft or final legal documents that are delivered to the Lessor may also be used by the RACs, the Lessee, or the Underwriter (as defined in the MOU). The delivery to the Lessor of deliverables under this subsection will not satisfy, cure or release a default, if any, of the Lessee or of the Design Builder under this Lease or any other document in which the Lessor has an interest, relating to the failure to complete the Consolidated Facility once the CFC Bonds have been sold.

D. PERFORMANCE BOND

The Lessee shall require its design-build construction contractor to secure payment and performance bonds in the amount of one hundred percent (100%) of the Stipulated Sum established in the Part 2 Agreement as defined in the Development Agreement and naming the Lessor and the Trustee as an additional obligee. Documentation of this bonding must be provided to the Lessor no later than October 1, 2005. The Lessee shall also name the Lessor as third-party beneficiary of its design-build construction contract for development of the Consolidated Facility and all associated improvements to be included in the Conveyed Improvements. The Lessee may be required to submit a letter of credit, performance bond, deposit, personal guarantee, or other security as a cost of operation reimbursable with FMCs if the Lessor reasonably determines security is

reasonably necessary or prudent to ensure performance of all other obligations under this Lease, including, remediation, if any, relating to operation of fuel storage and dispensing at the Consolidated Facility. The Lessor shall determine the form and amount of the security considering the nature and scope of the construction or remediation and the financial responsibility of the Lessee. In lieu of other security for pollution, the Lessor may accept pollution insurance naming the Lessor as an additional insured.

J. CONVEYED IMPROVEMENTS

Except as otherwise stated in this Section J, the Conveyed Improvements constructed, placed or installed under this ARTICLE IX (IMPROVEMENTS) are, and shall be the exclusive property of the Lessor upon acceptance of Lessor, title free from all liens and encumbrances except to the extent, if any, expressly authorized in writing by Lessor, such title being warranted by Lessee to Lessor, and the Consolidated Facility shall upon conveyance from Lessee to Lessor contemporaneous with this Lease, become a part of the Premises and subject to Lessee's leasehold interest for the applicable term of this Lease, and, as applicable, to the sub-leasehold interest of any sub-tenant in that portion of the Premises for the applicable term of such Sublease. Further, unless expressly rejected by Lessor, any additional permanent improvements placed or constructed on the Premises after the Effective Date of this Lease, other than any trade fixture or other property of any sublessee that has not become permanently affixed to the Premises or to the Conveyed Improvements or otherwise remains the property of the sublessee shall, upon completion and acceptance by Lessor become part of the Conveyed Improvements.

L. CONSOLIDATED FACILITY MAINTENANCE

The Lessee will, at no cost to the Lessor, and without relief from any payment obligation under this Lease, for the benefit of both the Lessee's leasehold interest and Lessor's ownership interest, keep and maintain, or cause to be kept and maintained, the Consolidated Facility and Appurtenant Road Easements in good condition, working order, repair, and code compliance, will not commit or suffer any waste thereon, will require its subtenants to repair and maintain all improvements constructed by or on behalf of the subject subtenant(s) in accordance with the terms of the applicable Sublease(s), will, in accordance with the terms of this Lease, carry out any repair and maintenance of subtenant improvements that is not required of the respective subtenant under the applicable Sublease, and will, after consultation with Lessor and approved through an Airport Building Permit as required under this Lease or 17 AAC 42.280, make or cause to be made all repairs and replacements thereto, whether minor or material, structural or otherwise that may be reasonably required or appropriate in connection therewith. The Lessee shall fulfill the requirements of this Section L, including any and all repainting, replacement of roof membrane, concrete joint and crack care, asphalt seal and slurry coating and repaving, replacement of HVAC or other mechanical equipment and plumbing fixtures so as to ensure that on the Termination Date, the Conveyed Improvements will have remaining a reasonably expected functional life of not less than fifteen (15) years or more; provided that Lessee shall not be responsible for the repair or replacement of capital elements of the Consolidated Facility to the extent there are

insufficient funds available for such purpose in the Renewal and Replacement Fund under the Trust Indenture. The Lessor and Lessee agree that, except as made necessary due to negligence or breach by the Lessee, the functions to be funded by the Renewal and Replacement Fund are those identified in the Maintenance Cost Estimate Schematic, attached as **Exhibit "E,"** hereto, as well as other matters eligible for treatment as capital improvements or repairs in accordance with generally accepted accounting principles. Ordinary-course maintenance and other expenses of the Lessee for the discharge of its duties and obligations under this Lease will be funded through the Operations and Maintenance Fund to the extent approved by the Lessor under Section R (COVENANTS OF LESSOR AND LESSEE WITH RESPECT TO CFCS, FMCS AND THE INDEBTEDNESS SECURED BY CFCS) of this Article to be covered by the FMC, or through assessments pursuant to the Subleases. Except for the obligations of Lessor expressly stated in this Lease, the Lessee expressly waives, without prejudice to any subtenant right against the Lessee under the applicable Sublease, any right the Lessee might otherwise enjoy under any law or statute to make repairs to the Conveyed Improvements at the expense of the Lessor or to hold the Lessor responsible for any condition of the Conveyed Improvements. Specifically,

1. Lessor shall have no duty to repair or maintain the Premises or any improvements placed at or constituting any portion of the Premises; Lessor will not be liable for any damage or injury, fatal or nonfatal, resulting from any damage, defect or disrepair of any improvements placed at or constituting any portion of the Premises; Lessor shall not have any duty to make any replacement of any such improvements;
2. all improvements currently existing or placed at the Premises and constituting any part of the Premises (including building, parking lot, driveway, drive-through or sidewalk improvements, if any, as well as any other improvements constructed by or on behalf of Lessee) will be repaired and all maintenance thereon will be performed and replacements and renewals thereof will be made by Lessee under the Budget in such a manner as to maintain the same in good condition and repair without significant deferred maintenance; substandard conditions of maintenance and repair may be considered an event of default; and
3. subject to the terms of any Subleases or other agreements approved by Lessor and the provisions of this Lease, Lessor will have a right to enter the Conveyed Improvements at any reasonable time upon at least twenty-four (24) hours prior notice (and at any time in case of an emergency, irrespective of whether Lessor shall have requested or obtained Lessee's prior consent) to inspect the condition thereof and for other lawful purposes; provided, however, such right shall not be exercised in a manner that would unreasonably interfere with the conduct of Lessee's or its subtenants' business at the Premises.

4. Lessor shall reasonably approve the CFC and FMC rates as recommended by the Independent Rate Consultant to fund the Budget necessary to fund Lessee's duty to discharge these obligations.

M. CONVEYED IMPROVEMENTS CONSTRUCTION CONTRACT

Without reducing or negating any obligation of the Lessee or limitation of obligation of the Lessor under this Lease, the Lessee hereby assigns to the Lessor a concurrent, non-exclusive right to enforce the terms of any construction contract and/or warranty right of Lessee relating to the Conveyed Improvements (provided, such assignment shall not be applicable to any contract and/or warranty which would, as a result of such assignment, constitute a violation of, or void, the warranty provisions of any such contract or warranty). The Lessor, following the Lessor's written notice to the Lessee and the Lessee's failure to reasonably cure a default relating to any matter described in this ARTICLE IX (IMPROVEMENTS), shall have the right, but not the obligation, to act on the Lessee's behalf pursuant to any construction contract and/or warranty relating to the Conveyed Improvements. To the extent the Lessor rightfully exercises a right under this Section, the Lessee hereby assigns to the Lessor any applicable right of the Lessee to payment or reimbursement from CFC Bond proceeds under the Trust Indenture or Use of Proceeds Agreement. Similarly, if the Lessee fails to enforce the use and repair and maintenance provisions of its Sublease(s), then, in accordance with ARTICLE X (OPERATIONS), Section O (RIGHT OF LESSOR TO PERFORM) of this Lease, the Lessor shall have the right, but not the obligation, to do so in the Lessee's name and stead. In accordance with ARTICLE X (OPERATIONS), Section O (RIGHT OF LESSOR TO PERFORM), the Lessee shall pay to the Lessor any cost the Lessor incurs to take an action under this Section, which action shall not cure any default of the Lessee unless the Lessor expressly so states in writing to the Lessee.

Q. REPLACEMENT, MAINTENANCE AND RESERVE FUNDS

The Lessee shall ensure that, under the Trust Indenture, there shall be established a fund for operation and maintenance, insurance and utility expenses, including reserve funds for such purposes ("Operations and Maintenance Fund"), as well as a "Renewal and Replacement Fund" to maintain the life of the Consolidated Facility. The Operations and Maintenance Fund shall be established and funded so as to maintain a minimum balance of two hundred thousand dollars (\$200,000) from and after the end of the initial Bond Year. The required level of the Renewal and Replacement Fund required under this Section shall be established and funded to maintain a minimum balance of five hundred thousand dollars (\$500,000), and such Fund shall be used and maintained to provide for the renewal and replacement of capital elements of the Consolidated Facility according to life-cycle cost principles as recommended in the Maintenance Cost Estimate Schematic obtained by the Lessee and attached hereto as Exhibit "E". In 2017, and again in 2027, the Lessee shall again obtain a report from a qualified independent construction and maintenance cost estimation professional, selected after consultation with the RACs and the Lessor, to review the balance of the Renewal and Replacement Fund and the condition of the Consolidated Facility and to make recommendation for changes in

required balances and rates of expenditure of the Renewal and Replacement Fund. The Lessee will provide copies of such future reports to the RACs, the Trustee and the Lessor upon receipt. Upon the Lessor's acceptance of each such report, the Lessor shall notify the Lessee, the RACs and the Trustee as to such acceptance and, based on such report, any new minimum balance to be required in the Renewal and Replacement Fund, with such report thereby replacing Exhibit "E," hereto, from that time forward. At the expiration or termination of this Lease, all funds remaining in such Operations and Maintenance Fund and Repair and Replacement Fund shall be turned over to the Lessor for future application to the Consolidated Facility.

R. COVENANTS OF LESSOR AND LESSEE WITH RESPECT TO CFCS, FMCS AND THE INDEBTEDNESS SECURED BY CFCS:

1. The Lessor shall at all times comply with all provisions of, and satisfy all of its obligations under, AS 02.15.090, AS 37.15.430(c), the Lessor's commitments under the Commissioner's Order and all other applicable provisions of law and of contracts to which the Lessor is a party relating to the requiring of the collection of CFCs and FMCs and the remittance thereof to the Trustee. The Lessor shall work in good faith with the issuer of any indebtedness secured with the approval of the Commissioner by CFCs and with the Trustee to provide such assurances as may be necessary to confirm the Trustee's interest in the proceeds of the CFC and the FMC.
2. The Lessor shall cause the CFC to be imposed as provided in the Commissioner's Order so long as any CFC Bonds remain outstanding and so long as there are any obligations due under the Trust Indenture, and the CFC shall be established initially and reviewed and adjusted (if necessary) annually, or as required below, based upon the Rate Reports from the Independent Rate Consultant, at rates estimated to generate CFC revenues, sufficient to satisfy all requirements under the Trust Indenture as they become required or due. The Lessor will not otherwise adjust the CFC without prior consultation with the Lessee and the RACs and consent by the Trustee.
3. The Lessor shall require all entities conducting activities that are, or would have been on the Effective Date of this Lease, subject to a permit fee under 17 AAC 42.100 to pick up customers at the Consolidated Facility.
4. So long as any indebtedness secured by CFCs remains outstanding, neither the Lessor, nor the Lessee, nor any RAC will create or permit the creation of any liens or encumbrances on the CFCs, or use or permit the use of the CFCs, other than in accordance with and as permitted by the documentation of indebtedness secured by CFCs.
5. So long as any indebtedness secured by CFCs remains outstanding, the Lessor covenants not to build either on the Airport or off the Airport, nor allow to be

built on the Airport, any facility that would compete with the Consolidated Facility.

6. The Lessee shall neither seek nor allow VDG to seek any unearned progress payment from the Trustee for work not accomplished to develop the Consolidated Facility. In addition, the Lessee shall reduce, and shall require VDG to reduce, each progress payment request by an itemized five percent (5%) as retainage, except to the extent both a Majority in Interest and the Lessor have agreed in writing to release a portion of retainage, and shall, so long as any indebtedness secured by CFCs remains outstanding, abide by all provisions of the Trust Indenture and Use of Proceeds Agreement.
7. So long as the obligation to collect CFCs or FMCs remains in effect, the Lessee agrees to use diligence to cause CFCs and FMCs to be collected by all RACs in accordance with the terms of the Amended Concession Agreements and the Subleases and remitted to the Trustee directly by the RACs. In the event any RAC falls into default of its obligation to collect or remit CFCs or FMCs, the Lessee shall promptly take action to enforce the applicable Sublease requirement and, on behalf of the Trustee, to take reasonable measures to collect from such RAC all CFCs and FMCs the RAC has failed to remit.
8. As set forth in subsection 10 below, the Lessee will each year secure from the Independent Rate Consultant a Rate Report stating the amounts required to be generated by the CFC and the FMC in the following Bond Year, pursuant to the terms of the Trust Indenture, and recommending any appropriate adjustment in the level of the CFC and the FMC in order to generate the required amounts. In making such Rate Report, the Independent Rate Consultant shall consider, among other factors: (i) the historical and projected origin and destination air passenger traffic at the Airport; (ii) historical and projected rental car Transaction Days based upon the Transaction Day and other rental information required to be provided by the RACs pursuant to the Amended Concession Agreements; (iii) the Bond requirements; (iv) for the first full Bond Year, an FMC requirement to fund a reserve in the Operations and Maintenance Fund of two hundred thousand (\$200,000), and thereafter the Budget for the operation and maintenance of the Consolidated Facility; (v) the amounts necessary to satisfy any deficiency or projected deficiency in each fund or reserve account under the Trust Indenture during the next Bond Year; and (vi) such other factors deemed relevant by the Independent Rate Consultant. The Lessee shall cause the Rate Reports to be prepared and to be filed with the Lessor and the Trustee, with a copy to a designated RAC representative, no later than sixty (60) days prior to the end of each Bond Year. The Lessor, acting through the Commissioner, shall set any new CFC and FMC rates for the following Bond Year by order and provide written notice to the RACs of any new CFC and FMC rates, no later than 30 days prior to the end of the Bond Year. In the event that the Lessee fails to obtain a Rate Report when and as required in this subsection or any interim Rate Report when and as required under this Section, the Lessee shall be in default. The Lessor

shall have no duty to obtain a Rate Report not obtained by the Lessee, but shall cooperate with and provide available information requested by the Trustee for that purpose. Any default of the Lessee with respect to obtaining a Rate Report will not be cured if the Trustee, or the Lessor without duty to do so, obtains the same.

9. If at any time during each ensuing Bond Year

- a. the cumulative remittances of CFCs or FMCs as of any month end from the beginning of such Bond Year are less than ninety percent (90%) of the cumulative respective collections projected for the corresponding period in the applicable Rate Report filed with the Lessor, the Lessee and the Trustee, then the Commissioner or delegee shall promptly increase the CFC or FMC, as applicable, by the percentage that the respective remittances for such period fall short of pro forma collections or by such other amount recommended in the Rate Report or in any interim Rate Report obtained by the Lessee, without waiting for the next annual review;
- b. for each of four (4) consecutive months, the monthly remittances of CFCs or FMCs are less than eighty percent (80%) of the respective projected monthly collections for each corresponding monthly period as shown in the applicable Rate Report filed with the Lessor, the Lessee and the Trustee, then the Lessee or the Trustee shall promptly direct the Independent Rate Consultant to review the Transaction Day and CFC or FMC remittance history, as applicable, and to issue an interim Rate Report recommending appropriate action with respect to the CFC rate or the FMC rate, as applicable, (and which may include recommending the use of amounts in the Coverage Fund) which Rate Report recommendation shall be implemented by the Commissioner or a delegee, to the extent applicable, as promptly as practicable; or
- c. in the event the balance in any fund established under the Trust Indenture falls below the base funding level established in the Trust Indenture:

provided, that if an interim Rate Report is to be issued within the final four (4) months of a Bond Year, such Report may also include recommendations for the ensuing Bond Year, in which case no additional Rate Report for such ensuing Bond Year will be required, except as may be required by this subsection 9.

10. Procedures for Independent Rate Consultant review and standards for approval for use of the Renewal and Replacement and Operations and Maintenance Funds established under the Trust Indenture:

- a. No later than November 1 of each year of the term of this Lease, beginning with the year immediately prior to the expected year of Beneficial Occupancy, the Lessee, in consultation with the RACs, shall

prepare and submit to the Lessor a proposed Budget for the next Bond Year or partial Bond Year. The Budget shall indicate the next Bond Year's projected expenditures from the Operations and Maintenance Fund and the Renewal and Replacement Fund described under Section Q (REPLACEMENT, MAINTENANCE AND RESERVE FUNDS) of this Article and established under the Trust Indenture, together with any amount necessary to satisfy any funding requirements for such funds. The Lessee shall instruct to the Independent Rate Consultant to obtain additional information required under subsection 8 of this Section R directly from the RACs or the Trustee, as applicable.

- b. The Lessor shall review the proposed Budget submitted by the Lessee under the preceding paragraph and shall either approve the Budget or notify the Lessee not later than November 15 of that year as to any difference between the funding source designations in the proposed Budget and the respective costs the Lessor deems to be properly payable from the Renewal and Replacement Fund established under the Trust Indenture based on the principles described in Section Q above, costs the Lessor deems to be common costs of operation and maintenance of the Consolidated Facility payable from the Operations and Maintenance Fund established under the Trust Indenture pursuant to paragraph c below, and costs the Lessor reasonably deems operating and maintenance costs of RAC operations that should be paid by the RACs as an allocated expense under the Subleases. A failure by the Lessor to timely comment and object to any such aspect of the proposed Budget shall be deemed an approval of the Budget.
- c. Not later than December 1, the Lessee shall provide the Budget approved by the Lessor, categorized as to approved funding source, to the Independent Rate Consultant for preparation of a Rate Report. The Lessee shall instruct the Independent Rate Consultant to include a recommendation of a FMC rate for the ensuing Bond Year projected by the Independent Rate Consultant to produce annual collections of FMCs during such Bond Year sufficient to satisfy the portions of the approved Budget to be funded from and to satisfy the funding requirement under the Trust Indenture for the Operations and Maintenance Fund throughout the Bond Year and a CFC rate for the ensuing Bond Year projected by the Independent Rate Consultant to produce annual collections of CFCs during such Bond Year sufficient to satisfy the portions of the approved Budget to be funded from and to satisfy the funding requirement for the Renewal and Replacement Fund, as well as to satisfy all other requirements for the applicable Bond Year under Trust Indenture as indicated by the Trustee.
- d. Costs the Lessor initially deems to be common costs of operation and maintenance of the Consolidated Facility payable from the Operations and

Maintenance Fund shall include utilities not directly allocable to exclusive-use operations (and specifically shall not include utilities for car wash and dry, fueling and other RAC operational functions), insurance required to be procured by the Lessee under this Lease, minor repairs, common janitorial, snow removal, reasonable management fees, the costs of the Lessee providing any bond or security required by the Lessor, and a portion of real property taxes, as described below, to the extent permitted by law.

- e. For each tax year beginning with the first full tax year after Beneficial Occupancy through the end of the term of this Lease, real property taxes imposed on the Lessee with respect to this Lease and the Consolidated Facility to be covered as common costs of operation and maintenance of the Consolidated Facility and payable from the Operations and Maintenance Fund shall be determined as follows:
 - f. The Lessee will collect from each RAC under its Sublease an annual or monthly assessment based upon the percentage that the RAC's Allocated Space relates to the Total Allocated Space, as provided in the Sublease, that together with the assessment on other RACs, will cover all portions of the real property taxes imposed on the Lessee with respect to this Lease and the Consolidated Facility not covered by the FMC.
 - g. The FMC will not be set to cover any portion of Municipality of Anchorage real property taxes imposed on the Lessee with respect to this Lease or the Consolidated Facility prior to the first full tax year of Beneficial Occupancy, all of which taxes will be considered a cost of development of the Consolidated Facility.
 - h. Costs in the Budget either not proposed for, or not approved by the Lessor for, funding from either the Renewal and Replacement or Operations and Maintenance Funds established under the Trust Indenture shall be collected by assessment on the RACs by the Lessee, or the associated functions shall be undertaken directly by the RACs; provided that neither the Lessee nor any RAC shall be responsible for the renewal or replacement of capital elements of the Consolidated Facility to the extent there are insufficient funds available for such purpose in the Renewal and Replacement Fund under the Trust Indenture.
11. The level of the CFC will automatically be reduced upon the initial effectiveness of the FMC by up to the amount of the FMC, so long as the resulting CFC does not fall below that amount required to satisfy obligations under documentation of any indebtedness secured by the CFCs.

12. The Lessor will provide to the RACs notice of a Commissioner's Order imposing or adjusting the amount of the CFC or the FMC not less than thirty (30) days before the date the implementation or adjustment becomes effective.
13. The Lessor will continue to impose the CFC for so long as the Trustee has not advised the State in writing that any and all obligations secured by pledge of the CFCs have been fully satisfied. Unless otherwise agreed by the Lessor, a Majority in Interest and the Lessee, the Lessor will continue to impose the FMC at least so long as this Lease remains in effect, and thereafter until the Lessee has completed and has been reimbursed for all Lessee obligations that the Lessor has approved for reimbursement from the Operations and Maintenance Fund established under the Trust Indenture.
14. Any CFCs remaining after satisfaction of all obligations secured by CFCs under the Trust Indenture shall, to the extent permitted by law, be held by the Trustee or transferred by it to the Lessor for use by the Lessor, with the agreement of a Majority in Interest, for purposes related to the maintenance or improvement of rental car facilities at the Airport, including but not limited to the Consolidated Facility, and to any extent the foregoing is not permitted by law, be transferred to the Lessor.

ARTICLE X. **OPERATIONS**

L. **UTILITIES, MAINTENANCE, AND SNOW CLEARING**

At no cost to the Lessor, the Lessee shall provide for all utilities, maintenance, and services on and to the Premises necessary for the use of the Premises by the Lessee and the Lessee's agents and personnel, including any officer or employee, and anyone else acting by, on behalf of, or under the authority of the Lessee, and by any of the Lessee's contractors, sublessees, or guests, including any vendor or customer. The Lessee shall be responsible for any necessary clearing of snow from the Premises and for providing, in accordance with Section J (PARKING, DRAINAGE, AND SNOW STORAGE) of this Article, any necessary snow storage or disposal area. Notwithstanding the foregoing, the Lessor shall provide snow removal and annual sweeping from the driving lanes, but not between the parking spaces, within the Surface Parking Lot prior to Beneficial Occupancy. The Lessor will, throughout the period on and after Beneficial Occupancy, maintain and repair the tunnel, including any moving sidewalk(s) in the tunnel, leading to the Consolidated Facility and maintain access to the Consolidated Facility, provided that the Lessor's repair obligation under this Section with respect to any portion of tunnel and any moving sidewalk constructed by the Lessee shall begin only upon expiration of any applicable construction warranty period.

O. **RIGHT OF LESSOR TO PERFORM**

If after thirty (30) days following notice, or less if an emergency exists, the Lessee has failed or refused to perform any action required under this Lease or failed or refused to secure any required performance by the Lessee's agents or personnel, including any officer or employee, or anyone else acting by, on behalf of, or under the authority of the Lessee, or any of the Lessee's contractors, sublessees, or guests, including any vendor or customer, for which the Lessee is responsible under this Lease, the Lessor will have the right, but not the obligation, to perform any or all such actions required under this Lease at the sole expense of the Lessee. The Lessor will not take action if the Lessee has begun and continues expeditious action to perform any action required under this Lease that cannot reasonably be completed within thirty (30) days. The Lessor will, at its sole discretion, determine what constitutes expeditious action and if an action cannot reasonably be performed in thirty (30) days.

ARTICLE XI. CANCELLATION, EXPIRATION, OR OTHER TERMINATION

A. **LESSEE DEFAULT**

1. If the Lessee violates a term of this Lease and the Lessor considers that term to be a material obligation of this Lease, or the violation to be a material deviation from the requirements of this Lease, the Lessor will mail or deliver to the Lessee a written notice of the violation, with a copy to a designated representative of the RACs. The notice must allow the Lessee not less than thirty (30) days to correct the violation, unless the violation constitutes an imminent threat to public health or safety. . .
5. A notice of cancellation issued by the Lessor to the Lessee under this Article is stayed if, within the thirty-day (30-day) notice period, the Lessee begins and continues expeditious action to cure the breach in the case of a breach that cannot reasonably be cured within thirty (30) days. The Lessor, at its sole reasonable discretion, will determine if a breach cannot reasonably be cured within thirty (30) days and what constitutes expeditious action.

D. **DISPOSITION OF PERMANENT IMPROVEMENTS AND PERSONAL PROPERTY**

1. Title to the Consolidated Facility becomes the property of the Lessor upon completion and will not be subject to removal by the Lessee. Title to all other permanent improvements constructed on the Premises with Lessor approval become the property of the Lessor upon completion, except to the extent the Lessor notifies the Lessee prior to issuance of the Airport Building Permit that the Lessor will not accept such improvement, in which case the Lessor reserves the right to direct the Lessee to remove the same at expiration or termination of this Lease. Title to all permanent improvements constructed on the Premises without

Lessor approval become the property of the Lessor upon completion, except to the extent the Lessor notifies the Lessee at any time that the Lessor will not accept such improvement, in which case the Lessee shall remove the same at expiration or termination of this Lease. Notwithstanding the foregoing, although certain trade fixtures and equipment, including car wash, dry and vacuuming equipment, are considered to be permanent improvements, the Lessor reserves the right to direct the Lessee to remove the same at expiration or termination of this Lease or such other time as that fixture or equipment is no longer in use or in reasonable condition for use, provided that funding from the Operations and Maintenance Fund established under the Trust Indenture shall be made available for that purpose.

ARTICLE XII. INSURANCE AND INDEMNIFICATION

A. INSURANCE

1. The Lessee shall, at the Lessee's own expense, obtain, maintain, and keep in force throughout the term of this Lease adequate and appropriate liability insurance coverage protecting both the Lessor and the Lessee on one or more occurrence policy forms covering all operations and activities by or on behalf of the Lessee for the risks posed by the Lessee's use of the Premises and operations and activities at the Airport, as follows:
 - a. Commercial General Liability, including Premises, all operations and activities, property damage, products (if applicable), and personal injury and death, broad-form contractual, with a per-occurrence limit of not less than five million dollars (\$5,000,000), combined single limit. This policy must not include a pollution exclusion, or if it does, then Lessee shall provide a separate spill release insurance policy that affirmatively covers the release of and contamination by petroleum products, including gasoline, and must name the Lessor as an additional insured.
 - b. Commercial Automobile Liability with a per-occurrence limit of not less than one million dollars (\$1,000,000) combined single limit. This insurance must cover all owned, hired, and non-owned motor vehicles. This policy must contain a waiver of subrogation clause precluding the insurance carrier(s) from seeking compensation from the Lessor.
 - c. All Risk Property (including earthquake and flood, unless the Lessor and the RACs jointly agree that such coverage is not commercially available) on property of every kind and description forming part of the Premises in an amount and with such deductibles, that are reasonable and consistent with industry practice, to be not less than the cost of restoration or replacement on a maximum probable loss basis. So long as obligations remain outstanding under the Trust Indenture, the Trustee shall be named

as a loss payee on any property loss settlement, and thereafter the Lessor shall be named loss payee.. The Lessee shall be obligated to pay all applicable deductibles, however, such expense is reimbursable from Operations and Maintenance Fund established under the Trust Indenture. The policy shall contain a waiver of subrogation clause in favor of both the Trustee and the Lessor.

2. The Lessee shall deposit with the Lessor a copy or copies of such insurance policy or a certificate of such insurance coverage, together with appropriate evidence that the premiums have been paid. All such Lessee's insurance shall provide that the insurer must notify the Lessor at least thirty (30) days before any termination, cancellation, or material change in such insurance coverage. If specific limits and coverages are shown, those limits and coverages are the minimum acceptable under this Article and may not limit the Lessee's responsibility to indemnify the Lessor.
3. The Lessee agrees that if the Lessee's insurance coverage for the Premises or the Lessee's operations and activities lapses or is cancelled, the Lessor has the right to halt the Lessee's operations and activities immediately upon written notice. The Lessee's operations and activities must remain halted until the Lessor receives evidence that the Lessee has obtained current insurance coverage meeting the requirements of this Lease. The Lessor's halting of the Lessee's operations and activities is not a waiver or relinquishment of any provision of this Lease.
4. The Lessor may revise the terms of these insurance requirements on written notice to the Lessee. Any revision must be based on an assessment of the risks relative to the Lessee's operations and activities and prevailing commercial insurance standards.
5. The requirement for insurance coverage does not relieve the Lessee of the Lessee's other obligations under this Lease.
6. If the Lessee desires to demonstrate proof of any portion of the insurance required by this Article through a subtenant's insurance, the Lessee shall demonstrate to the satisfaction of the Lessor that the insurance is adequate to also provide protection for both the Lessor and the Lessee. Upon Lessor's written acknowledgment of receipt without objection of commercial automobile liability insurance procured by one or more subtenants naming both the Lessor and the Lessee as insureds, and covering all operations on the Premises posing liability covered under those respective policy forms, the Lessee shall not be required to purchase and maintain such coverage.

7. The proceeds of all property insurance coverage shall be payable under such arrangements as may be approved by the Lessor and the Lessee to ensure that, to the extent feasible with such proceeds, such proceeds are used to repair, replace or otherwise restore the Conveyed Improvements to a condition or state of repair at least functionally equivalent to the condition or state of repair of the Conveyed Improvements prior to the occurrence with respect to which such proceeds were payable. So long as CFC Bonds remain outstanding, any property insurance proceeds shall be payable to the Trustee to be used as stated above at the direction of the Lessor, and to the extent not used to repair, replace or otherwise restore the Conveyed Improvements shall be used to redeem or otherwise defease CFC Bonds.
8. The Lessee shall pursue enforcement of any warranty or other agreement owned or held by the Lessee relating to the operation and performance of the Conveyed Improvements. Any amounts recoverable under any warranty or other agreement shall be applied to the repair and replacement of the affected portion of the Conveyed Improvements. If with respect to any such warranty or other agreement, a judgment is obtained or other recovery is received from any person or entity that performed any work on the Premises, the proceeds thereof shall, as applicable, either (a) be paid to the Lessee, to the extent the Lessee paid for such work, (b) be deposited into any Renewal and Replacement Fund established under the Trust Indenture, to the extent a withdrawal therefrom was made to pay for all or part of such work or (c), be remitted to the Lessor to the extent the Lessor paid for such work.

B. INDEMNIFICATION

1. As to any amount paid to others for personal injury or property damage arising directly or indirectly from the Lessee's use or occupancy of the Premises, exercise of the privileges granted in this Lease, or operations and activity on the Airport and with respect to which an act or omission of the Lessor is a legal cause, the Lessor and the Lessee shall reimburse each other according to the principles of comparative fault.
2. As to any and all liabilities, losses, suits, administrative actions, claims, awards, judgments, fines, demands, damages, injunctive relief, penalties, or other obligations of any nature or kind arising directly or indirectly from the Lessee's use or occupancy of the Premises, exercise of the privileges granted in this Lease, or operations and activity on the Airport other than as described in subsection 1 of this Section,
 - a. the Lessee will indemnify, save harmless, and defend the Lessor, its officers, agents, and employees from and against, to the full extent of the loss or obligation, property damage, personal injury, death, violation of

any regulation or grant agreement, or any other injury or harm, including attorney fees, consultant fees, expert fees, or other costs and expenses directly or indirectly arising from, connected to, or on account of this Lease as it relates to the Lessee, the Lessee's activities at or relating to the Airport, or any act or omission by the Lessee, or by any of its officers, employees, agents, contractors, or sublessees;

- b. however, notwithstanding paragraph (a) of this subsection 2, if more than sixty percent (60%) of the legal cause of the loss or obligation is due to the Lessor's negligence or willful misconduct, the loss or obligation is to be apportioned between the Lessor and the Lessee according to comparative fault;
 - c. also without limiting the foregoing, this obligation to indemnify, defend and hold harmless fully encompasses any and all matters of any nature whatsoever to which the Lessor may be subject or exposed by reason of the Lessor's ownership, or Lessee's, sublessee's, agent's, invitee's and guest's occupation or use, of the Conveyed Improvements.
- 3. As to any liability to a third party or other loss or obligation that is subject to apportionment according to comparative fault under this Section, the Lessor and the Lessee shall seek in good faith to achieve agreement to an apportionment of fault as between themselves without or independent of litigation. This apportionment of liability or loss between the Lessor and the Lessee shall not be construed to affect the rights of any person who is not a party to this Lease.
 - 4. The Lessee shall give the Lessor prompt notice of any suit, claim, action, or other matter affecting the Lessor to which any portion of this Section may apply, together with a copy of any letter by an attorney on behalf of a complainant, any complaint filed in court, and any notice or complaint by any regulatory agency. The Lessee shall also use counsel acceptable to the Lessor and the Alaska Department of Law in carrying out its defense obligations under paragraph 2(a) of this Section. The Lessor shall also have the right, at its option, to participate cooperatively in the defense of and settlement negotiations regarding any such matter without relieving the Lessee of any of its obligations under this provision. These indemnity obligations are in addition to, and not limited by, the Lessee's obligation to provide insurance, and shall survive the expiration or earlier termination of this Lease.

ARTICLE XV. SUBLEASE

A. RAC SUBLEASING PROGRAM

- 1. As required under ARTICLE IV (USES), the Lessee must sublease the Consolidated Facility, by allocated exclusive-use area and common area, as

provided in this Article, to each and every RAC not in default of its Amended Concession Agreement. The Lessee may not refuse to sublease to any On Airport Car Rental Concessionaire in good standing. Each such Sublease is subject to prior consent of the Lessor, which consent will not be withheld with respect to a Sublease form that the Lessor has approved consistent with this Lease and any RAC not in default of its Amended Concession Agreement. A request for consent to a Sublease must be submitted in writing to the Lessor for approval. No subleasing other than to a RAC not in default of its Amended Concession Agreement is permitted except by approval of a Majority in Interest and consent by the Lessor.

2. The Sublease with each RAC will be identical to the Sublease with each other RAC, except as to the space identified as allocated to the RAC thereunder; however, the provisions of each Sublease concerning the mechanisms for allocating space shall be identical. Each Sublease for a RAC that results in a more than eight RAC Subleases shall impose on the added RAC no facility infrastructure expense. Any required additional infrastructure shall be installed by the Lessee and reimbursed from the Renewal and Replacement Fund established under the Trust Indenture.
3. Each Sublease shall terminate on the date that the signatory RAC's Amended Concession Agreement expires, terminates or is canceled. The Lessee shall take action to evict any RAC that fails to vacate promptly after its Sublease expires, terminates or is canceled.
4. The Lessee shall require through each RAC's Sublease that such RAC shall cooperate with all other RACs to facilitate and complete the move entailed in relocation of operations to the Consolidated Facility, at no cost to the Lessor, on or before Beneficial Occupancy or such other deadline established in the Lessee's written notice to the RACs of the projected date of Beneficial Occupancy. The Lessee acknowledges, and will require each RAC through its Sublease to acknowledge that the Lessor has no obligation to any RAC with respect to the Consolidated Facility other than to require the Lessee at Beneficial Occupancy to make available to each RAC for its use under a Sublease space in the Consolidated Facility under the terms of this Lease, and that neither the Lessee nor the RAC rely to any extent whatsoever on any representation or warranty by the Lessor with respect to any aspect of the Consolidated Facility.
5. The Lessee shall act (or refrain from acting) with respect to maintenance and management and repair of the Consolidated Facility, and discretionary acts not otherwise made mandatory under this Lease, in consultation with the RACs and by instruction from or approval of a Majority in Interest, except that
 - a. the Lessee shall, without the need for obtaining Majority in Interest approval, terminate the Sublease of and use of the Consolidated Rental Car Facility by any RAC that (i) is not collecting or remitting its CFCs

and/or FMCs as required by its Amended Concession Agreement or Sublease as the Lessee is notified by the Trustee, (ii) otherwise fails to make a payment under its Sublease within the grace period set forth therein, (iii) causes the imposition of a lien on the Consolidated Facility in violation of the Sublease or (iv) the Amended Concession Agreement of which has terminated; provided that the procedures set forth in subsection 9 of Section D of this Article must be followed; and

- b. the Lessee shall follow the instructions of the Lessor with respect to the exercise of remedies with respect to a default by a RAC under its Sublease other than a payment default.

D. SUBLEASE TERMS

12. The Amended Concession Agreements, ARTICLE XXI (CANCELLATION BY STATE), Section E (TERMINATION OF SUBLEASE) shall be interpreted to require the State to cancel a RAC's Amended Concession Agreement if the RAC's Sublease is terminated by its terms only if such termination is due to a default by the RAC. Termination of the Subleases due to termination of this Lease by Lessor for default of the Lessee will not be grounds for termination of the Amended Concession Agreements. In the event of a default of the Lessee as sublessor under the Sublease, the remedies of a RAC as sublessee may include any or all of:

- a. replacement of the Lessee/sublessor by a Majority in Interest and consent of the Lessor; or
- b. recovery of damages, specific performance or other equitable remedies from the Lessee/sublessor; but
- c. shall expressly exclude termination of the Sublease absent the consent of the Lessor and contractual provisions binding on the RAC that obligates the RAC to collect and remit CFCs and FMCs to the Trustee as if the Sublease remained in good standing without default by the Lessee/sublessor.

APPENDIX E

SELECTED PROVISIONS OF THE INDENTURE AND THE USE OF PROCEEDS AGREEMENT*

USE OF PROCEEDS AGREEMENT

The following is a compilation of certain provisions of the Use of Proceeds Agreement ("Agreement") dated as of September 1, 2005 by and between the Authority and the Company. This compilation is not a complete recital of the terms of the Agreement and is qualified by reference and is subject to the provisions of the Agreement in its entirety.

LENDING PROVISIONS

Issuance of Bonds

The Authority agrees to issue the Bonds for the purpose of permitting the Company to use the proceeds thereof as described below in this Agreement. In furtherance thereof, the Authority further agrees to cause the proceeds of the Bonds to be deposited with the Trustee and applied as provided in the Indenture. The Company hereby approves the sale, issuance, and delivery of the Bonds to the Original Purchasers and approves all the terms and provisions of the Indenture.

Use of Bond Proceeds by Company

The Company agrees that it will use the proceeds of the Bonds only for the purposes set forth in the Indenture.

Enforcement of Rights

The Company agrees to diligently enforce its powers and rights and perform its duties under the CFC Documents and otherwise to take all actions, within its powers as granted by the Lease and the Subleases, necessary to provide for the collection and remittance of CFCs in amounts and at times necessary to pay principal of and interest on the Bonds and any other obligations created under the Indenture when and as due in accordance with the Indenture.

* This Appendix E includes only selected provisions and sections of the Indenture and Use of Proceeds Agreement and is not intended to summarize in any other way such document. Certain Sections and Articles to the Indenture referenced in this Appendix may not be included herein.

TRUST INDENTURE

The following is a compilation of certain provisions of the Trust Indenture ("Indenture") dated as of September 1, 2005 by and between the Authority and the Trustee. This compilation is not a complete recital of the terms of the Indenture and is qualified by reference and is subject to the provisions of the Indenture in its entirety.

AUTHORIZATION, TERMS, AND ISSUANCE

Purpose

The Authority hereby authorizes the issuance of the Series 2005 Bonds to provide financing for the Project. To achieve that purpose, proceeds of the Series 2005 Bonds shall be deposited as provided below under "Application of Bond Proceeds - Application of Series 2005 Bond Proceeds."

Authorization, Designation and Series

Two Series of Series 2005 Bonds are hereby authorized to be issued in the aggregate original principal amount of \$62,825,573. The Series A Bonds are hereby authorized to be issued as Current Interest Bonds in the aggregate principal amount of \$49,530,000 and are hereby designated "Revenue Bonds, Series 2005A (Rental Car Facility Project at Ted Stevens Anchorage International Airport)." The Series B Bonds are hereby authorized to be issued as Capital Appreciation Bonds in the aggregate original principal amount of \$13,294,573 (and with an aggregate Maturity Value of \$42,626,434.50) and are hereby designated "Revenue Bonds, Series 2005B (Rental Car Facility Project at Ted Stevens Anchorage International Airport)." The Series 2005 Bonds shall be issued in fully registered form and only in Authorized Denominations.

Source of Payment and Security for Bonds

(A) The Bonds shall be equally and ratably paid solely from the Revenue Fund, into which shall be deposited, among other things, all Revenues.

(B) The Bonds shall be equally and ratably secured by a security interest in and a statutory lien and claim against the money and investments in the following Funds (subject only to the provisions of this Indenture permitting their use for other purposes): the Bond Fund, the Revenue Fund, the Administrative Expenses Fund, the Renewal and Replacement Fund, the Issuance Costs Fund, the Project Fund, and the Coverage Fund.

(C) Payment of the principal of, and the premium, if any, and interest on, the Bonds shall be further secured by the assignment to the Trustee, in trust and without recourse, of the Authority's right, title, and interest in, to, and under the Use of Proceeds Agreement. Payment of the principal of, and the premium, if any, and interest on, the Bonds shall also be secured by the Trustee CFC Rights.

(D) The Bonds and the interest thereon constitute limited obligations of the Authority and are payable solely from the Revenues (including the CFCs, which the Commissioner has irrevocably assigned to the Trustee so long as obligations under this Indenture remain outstanding) and any other funds available under this Indenture. The Bonds do not constitute an indebtedness or other liability of the State or of a political subdivision of the State, except the Authority (and, as to the Authority, only to the extent set forth herein). The Authority may not and does not pledge the faith or credit of the State or of a political subdivision of the State, and does not pledge the faith or credit of the Authority, to the payment of the Bonds. The issuance of the Bonds does not directly or indirectly or contingently obligate the State or a political subdivision of the State to apply money from, or levy or pledge, any form of taxation whatever to the payment of the Bonds.

Additional Bonds; Completion Bonds

(A) After the issuance of the Series A Bonds and the Series B Bonds and with the consent of the Bond Insurer, the Authority may, but shall not in any circumstance be required to, issue Additional Bonds in accordance with the requirements of this section. The Authority, in its complete and absolute discretion, may issue Additional Bonds for the purpose of (1) refunding Outstanding Bonds or (2) providing funds for an addition to or improvement of the Project. The Authority shall not issue any Additional Bonds unless at least the following conditions have been satisfied:

(i) The Authority's Board of Directors has approved such action by resolution;

(ii) The Commissioner and the Company, following delivery to the Trustee of an MII Consent Certificate authorizing the Company to consent to the issuance of the Additional Bonds, have consented to the issuance of the Additional Bonds in a writing provided to the Authority and have agreed to the collection of CFCs (in addition to the CFCs collected for payment of principal of, and premium, if any, and interest on, the Bonds that will remain Outstanding after the issuance of the Additional Bonds together with any reserve or other special account requirements contained in this Indenture) in an amount and for a period of time at least sufficient to provide for payment of principal of, and premium, if any, and interest on, the Additional Bonds for as long as such Additional Bonds will be Outstanding and sufficient to fund any additional reserve or other special account requirements contained in this Indenture and in any Supplemental Indenture authorizing the issuance of such Additional Bonds;

(iii) The Company delivers a Feasibility Report to the Trustee, accompanied by an MII Consent Certificate authorizing the Company to deliver such Feasibility Report, and a certificate of the Independent Rate Consultant certifying that the CFCs are or will be sufficient to satisfy the requirements stated in (iii) of this section; and

(iv) The Authority receives all other information, fees, indemnities, and assurances that it considers desirable in connection with the issuance of Additional Bonds.

(B) After the issuance of the Series A Bonds and the Series B Bonds, the Authority shall, upon written request from the Company signed by a Company Representative following delivery to the Authority of an MII Consent Certificate authorizing the Company to make such request, issue Completion Bonds in an aggregate principal amount (or original principal amount if the Completion Bonds are Capital Appreciation Bonds) stated in such written request, but in any event not greater than \$10,000,000, for the purpose of providing funds for the completion of the Project in accordance with the plans for the Project in use at the time of the issuance of the Series A Bonds and the Series B Bonds. Notwithstanding any statements to the contrary, the Authority will not issue Completion Bonds unless all of the conditions set forth in (A) of this section for the issuance of Additional Bonds have been satisfied with respect to such Completion Bonds (it being understood that the condition set forth in (A)(i) of this section was satisfied at the time the Authority adopted the resolution authorizing the issuance of the Series A Bonds and the Series B Bonds) and the Authority receives a written certificate of the Company signed by a Company Representative which

(i) states that all amounts allocated to pay for the costs of the Project under this Indenture immediately prior to the issuance of such Completion Bonds were so used;

(ii) contains a calculation of the amount by which the aggregate costs of the Project exceeds the sum of the costs of the Project paid to such date plus the money available at such date in the Project Fund; and

(iii) states that the issuance of such Completion Bonds is necessary to provide funds for the completion of the Project in accordance with the plans for the Project in use at the time of issuance of the Series A Bonds and the Series B Bonds.

(C) All Additional Bonds and all Completion Bonds shall be issued on a parity with all other Bonds and shall be equally and ratably secured by this Indenture.

APPLICATION OF BOND PROCEEDS

Application of Series 2005 Bond Proceeds

All of the proceeds of the Series 2005 Bonds received from the Original Purchaser thereof, net of the underwriters' discount, shall be paid to the Trustee on the Date of Issue in immediately available funds. Immediately upon receipt thereof, the Trustee shall apply such net proceeds of the Series 2005 Bonds as follows:

- (i) The sum of \$1,702,668.75 shall be deposited in the Coverage Fund;
- (ii) The sum of \$1,516,055.92 shall be deposited in Issuance Costs Fund;
- (iii) The sum of \$1,000,000 shall be deposited in the Renewal and Replacement Fund;

(iv) The sum of \$50,000 shall be deposited in the Administrative Expense Fund; and

(v) The balance of such proceeds, being the sum of \$54,823,687.22, shall be deposited in the Project Fund; immediately upon such deposit, the Trustee shall transfer \$1,515,960.45 from the Project Fund to the Bridge Lender as satisfaction in full of all outstanding obligations under the Bridge Loan.

(B) On the Date of Issue the Debt Service Reserve Account Surety Bond Provider will deliver the Debt Service Reserve Account Surety Bond to the Trustee, and the Trustee will accept the Debt Service Reserve Account Surety Bond and hold it in the Debt Service Reserve Account.

(C) On the Date of Issue, the Trustee shall deposit into the Project Fund, in addition to the amount set forth herein, \$1,494,930.00, representing the balance of the Bridge Loan proceeds held by the Trustee as trustee for the Bridge Loan, to the Project Fund.

FUNDS

Creation of Funds

(A) The Authority, with the consent of the Commissioner as set forth in the Commissioner's Approval, hereby authorizes and directs the Trustee to establish the following special funds, and the following accounts within such funds, designated as set forth below for the purposes stated herein:

- (1) Issuance Costs Fund;
- (2) Project Fund;
- (3) Revenue Fund;
- (4) Bond Fund;
 - (i) Interest Account;
 - (ii) Principal Account;
 - (iii) Redemption Account; and
 - (iv) Debt Service Reserve Account;
- (5) Administrative Expense Fund;
- (6) Coverage Fund;

- (7) Renewal and Replacement Fund;
- (8) Operations and Maintenance Fund; and
- (9) Insurance Proceeds Fund.

(B) The Trustee may establish, as it deems necessary, temporary funds or accounts on its records to facilitate the deposits and transfers set forth in this Indenture.

(C) The Trustee shall hold each of the foregoing funds, and each account within any of the foregoing funds, separate and apart from all other funds and accounts of the Authority and the Trustee. The Trustee shall maintain each of the foregoing funds (except as otherwise specifically provided for the Issuance Costs Fund), and each account within any of the foregoing funds, as long as any Bonds remain Outstanding. The Trustee shall hold the money and investments in each of the foregoing funds, and each account within any of the foregoing funds, except for the Operations and Maintenance Fund, in trust for the benefit of the Holders of the Bonds as described in the Granting Clauses, and shall apply such money and investments in accordance with this Article.

Issuance Costs Fund

(A) The Trustee shall maintain the Issuance Costs Fund until all Issuance Costs have been paid and the balance of the remaining funds in the Issuance Costs Fund have been transferred as provided in this section.

(B) Immediately upon the occurrence of an Event of Default or an event which, with the passage of time or the giving of notice, would constitute an Event of Default, the Trustee shall, unless otherwise directed by the Bond Insurer, transfer all amounts in the Issuance Costs Fund (a) first, to the Interest Account of the Bond Fund to pay all accrued interest on the Bonds on their next Interest Payment Date, and (b) second, to the Principal Account of the Bond Fund to pay principal of the Bonds on their next Principal Payment Date and, if any amounts remain available, on each subsequent Principal Payment Date thereafter; provided that, if such Event of Default is cured prior to the close of the Trustee's business on the date of any such transfer, the Trustee shall not transfer such funds to the Interest Account or the Principal Account but shall hold and apply such funds as provided in this section unless and until a new Event of Default occurs.

(C) Immediately upon receipt thereof, the Trustee shall deposit the amounts that are required to be deposited into the Issuance Costs Fund hereunder. The Authority has no obligation hereunder or under the Act to deposit any funds (other than the proceeds of the Series 2005 Bonds as provided in this Indenture) into the Issuance Costs Fund, or to apply any funds to the payment of the Issuance Costs except the funds in the Issuance Costs Fund or other funds specifically made available therefor by or on behalf of the Company.

(D) On the Date of Issue, the Trustee shall pay the Issuance Costs set forth in Exhibit G hereto from amounts deposited in the Issuance Costs Fund. Thereafter, the Trustee shall pay

any additional Issuance Costs, but only from the funds in the Issuance Costs Fund, within five Business Days following receipt by the Trustee of a written request for payment from the Company signed by a Company Representative following delivery to the Trustee of an MII Consent Certificate authorizing the Company to make such request, accompanied by the statements or billings pertaining to such Issuance Costs together with a certification (i) that five business days notices of such requisition has been provided to the Commissioner and (ii) that (a) such disbursement, together with prior disbursements, is consistent with the budget approved by the State as Exhibit C-1 to the Development Agreement, or (b) such disbursement, together with prior disbursements, is not consistent with that budget and that the State has approved such inconsistency; provided, however, that the Company may pay or cause to be paid any of such Issuance Costs, in which case the Trustee shall, following receipt of an MII Consent Certificate authorizing the Company to request such reimbursement, reimburse the Company from funds available in the Issuance Costs Fund within five Business Days of the Trustee's receipt of the written request of the Company signed by a Company Representative, accompanied by the statements or billings pertaining to such Issuance Costs and a certificate from the Company signed by a Company Representative that such Issuance Costs have been paid by or on behalf of the Company.

(E) All payments made from the Issuance Costs Fund pursuant to a written request for payment from the Company signed by a Company Representative, accompanied by an MII Consent Certificate authorizing the Company to make such request, shall be presumed to be made properly, and the Trustee shall not be required to confirm the application of any payments made from the Issuance Costs Fund or to inquire into the purposes for which withdrawals are being made from the Issuance Costs Fund.

(F) The date of completion of the payment of all Issuance Costs shall be the earlier of the date when the Trustee shall have expended all amounts in the Issuance Costs Fund or the date when the Trustee shall have received a certificate of the Company signed by a Company Representative, accompanied by an MII Consent Certificate authorizing the Company to deliver such certificate, to the effect that all Issuance Costs have been paid. As soon as practicable following receipt of said certificate and MII Consent Certificate by the Trustee, the Trustee shall transfer any money and investments remaining in the Issuance Costs Fund to the Principal Account and shall close the Issuance Costs Fund.

(G) The Trustee may, in its discretion, establish such Accounts within the Issuance Costs Fund, and subaccounts within any of such Accounts, as the Trustee may deem necessary or useful for the purpose of identifying more precisely the sources of payments into and disbursements from the Issuance Costs Fund and its Accounts, but the establishment of any such Account or subaccount shall not alter or modify any of the requirements of this Indenture with respect to a deposit or use of money in the Issuance Costs Fund, or result in commingling of funds not permitted hereunder.

Project Fund

(A) The Trustee shall use amounts on deposit in the Project Fund to pay, or to reimburse the Company for the payment of, Project Costs in accordance with a written

requisition in the form attached hereto as Exhibit D from the Company signed by a Company Representative following delivery to the Trustee of an MII Consent Certificate authorizing the Company to deliver each such requisition and certification that ADOT&PF has received five days prior notice of each such requisition. The Trustee shall rely fully on requisitions and certifications delivered pursuant to this section and shall not be required to make any investigation in connection therewith. Notwithstanding the foregoing, upon the occurrence of an Event of Default or an event which, with the passage of time or the giving of notice, would constitute an Event of Default, the Trustee shall, unless otherwise directed by the Bond Insurer, transfer amounts in the Project Fund (a) first, to the Interest Account of the Bond Fund to pay all accrued interest on the Bonds on their next Interest Payment Date, and (b) second, to the Principal Account of the Bond Fund to pay principal of the Bonds on their next Principal Payment Date and, if any amounts remain available, on each subsequent Principal Payment Date; provided that, if such Event of Default is cured prior to the close of the Trustee's business on the date of any such transfer, the Trustee shall not transfer such funds to the Interest Account or the Principal Account but shall hold and apply such funds as provided in this section unless and until a new Event of Default occurs.

(B) All payments made from the Project Fund pursuant to a written requisition from the Company signed by a Company Representative, following delivery to the Trustee of an MII Consent Certificate authorizing such requisition, shall be presumed to be made properly, and the Trustee shall not be required to confirm the application of any payments made from the Project Fund or to inquire into the purposes for which withdrawals are being made from the Project Fund.

(C) The date of completion of the payment of all Project Funds shall be the date when the Trustee shall have received a certificate of the Company signed by a Company Representative to that effect. As soon as practicable following receipt of said certificate by the Trustee, the Trustee shall transfer any money and investments remaining in the Project Fund first, to the Interest Account of the Bond Fund to pay all accrued interest on the Bonds on their next Interest Payment Date, and (b) second, to the Principal Account of the Bond Fund to pay principal of the Bonds on their next Principal Payment Date and, if any amounts remain available, on each subsequent Principal Payment Date.

Revenue Fund

(A) The Trustee shall deposit all CFCs in the Revenue Fund immediately upon receipt thereof by the Trustee. The Trustee shall deposit all other Revenues in the Revenue Fund at least once each month, except for the Revenues otherwise described in this Indenture which, notwithstanding the other provisions of this section, shall be transferred, deposited, and applied in accordance with those subsections. No later than the last Business Day of each month (or, with respect to a month preceding an Interest Payment Date or a Principal Payment Date, no later than the fourth Business Day before the last day of such month) and no earlier than the twentieth day of each month, the Trustee shall apply amounts in the Revenue Fund in the amounts set forth in this section. If, in any month, the amounts in the Revenue Fund are insufficient to satisfy the requirements of this section, the Trustee shall use the available amounts first to satisfy the other requirements of this section in the order listed.

(B) Each month the Trustee shall transfer from the Revenue Fund to the Interest Account an amount equal to any Deficiency Amount applicable to the Interest Account from the preceding month plus one-sixth of the amount of interest that will be due on the Bonds on the next Interest Payment Date; provided, however, that if, on the date that is three Business Days before any Interest Payment Date, the amount then on deposit in the Interest Account is not equal to the amount of interest that will be due on the Bonds on such Interest Payment Date, the Trustee shall then transfer from the Revenue Fund to the Interest Account the amount necessary to cause the amount on deposit in the Interest Account to equal the amount of interest that will be due on the Bonds on such Interest Payment Date; and provided, further, that, if in any month the amount on deposit in the Interest Account is at least equal to the amount of interest that will be due on the Bonds on the next Interest Payment Date, the Trustee shall not deposit any amount from the Revenue Fund to the Interest Account in such month.

(C) Each month the Trustee shall transfer from the Revenue Fund to the Principal Account an amount equal to any Deficiency Amount applicable to the Principal Amount from the preceding month plus one-twelfth of the amount of principal (including Accreted Value in the case of the Capital Appreciation Bonds) that will be due on the Bonds on the next Principal Payment Date; provided, however, that if, on the date that is three Business Days before any Principal Payment Date, the amount then on deposit in the Principal Account is not equal to the amount of principal (including Accreted Value) that will be due on the Bonds on such Principal Payment Date, the Trustee shall then transfer from the Revenue Fund to the Principal Account the amount necessary to cause the amount on deposit in the Principal Account to equal the amount of principal (including Accreted Value) that will be due on the Bonds on such Principal Payment Date; and provided, further, that, if in any month the amount on deposit in the Principal Account is at least equal to the amount of principal (including Accreted Value) that will be due on the Bonds on the next Principal Payment Date, the Trustee shall not deposit any amount from the Revenue Fund to the Principal Account in such month.

(D) Each month the Trustee shall transfer from the Revenue Fund to the Coverage Fund, but only if the amount on deposit in the Coverage Fund at such time is less than the Coverage Fund Requirement, an amount equal to any Deficiency Amount applicable to the Coverage Fund from the preceding month plus one-twelfth of the Coverage Fund Requirement or such lesser amount as is necessary to cause the amount on deposit in the Coverage Fund to equal the Coverage Fund Requirement.

(E) Each month the Trustee shall transfer from the Revenue Fund (i) to the Debt Service Reserve Account, if the Debt Service Reserve Account Requirement is not being satisfied by a Debt Service Reserve Account Surety Bond and if the amount on deposit in the Debt Service Reserve Account at such time is less than the Debt Service Reserve Account Requirement, an amount equal to any Deficiency Amount applicable to the Debt Service Reserve Account from the preceding month plus one-twelfth of the Debt Service Reserve Account Requirement or such lesser amount as is necessary to cause the amount on deposit in the Debt Service Reserve Account to equal the Debt Service Reserve Account Requirement or (ii) to the Debt Service Account Surety Bond Provider, if the Debt Service Reserve Account Requirement is being satisfied by a Debt Service Reserve Account Surety Bond and the amount available to be

drawn under the Debt Service Reserve Account Surety Bond is less than the Debt Service Reserve Account Requirement, such amount as is required by the Debt Service Reserve Account Surety Policy, or the agreement pursuant to which the Debt Service Reserve Account Surety Bond was issued, to reinstate the Debt Service Reserve Account Surety Bond to its full coverage and reimburse the Debt Service Reserve Account Surety Bond Provider in full in accordance with the Debt Service Reserve Account Surety Bond or such agreement; provided, that, if there is more than one Debt Service Reserve Account Surety Bond Provider, such amount described in clause (ii) above shall be paid to each Debt Service Reserve Account Surety Bond Provider, and, if there are insufficient Revenues to make such payments in full, then such amount shall be paid on a pro rata basis (by reference to the aggregate amount initially available to be paid from each Debt Service Reserve Account Surety Bond) to each such Debt Service Reserve Account Surety Bond Provider.

(F) RESERVED.

(G) Each month the Trustee shall transfer from the Revenue Fund to the Administrative Expense Fund, but only if the amount on deposit in the Administrative Expense Fund at such time is less than the Administrative Expense Fund Maximum Level, an amount equal to any Deficiency Amount applicable to the Administrative Expense Fund from the preceding month plus one-twelfth of the Administrative Expense Fund Maximum Level or such lesser amount as is necessary to cause the amount on deposit in the Administrative Expense Fund to equal the Administrative Expense Fund Maximum Level; provided, however, that if the Trustee has requested an adjustment to the CFC level under this Indenture, then, from and after the date of any adjustment to the CFC level made in response to such request and until the amount in the Administrative Expense Fund is equal to the Administrative Expense Fund Required Level, the Trustee shall transfer from the Revenue Fund to the Administrative Expense Fund an amount equal to any Deficiency Amount applicable to the Administrative Expense Fund plus either one-sixth or one-twelfth (depending on the CFC adjustment made under Section this Indenture) of the Administrative Expense Fund Required Level and thereafter shall make transfers to the Administrative Expense Fund as described in the part of this subsection preceding this proviso.

(H) Each month the Trustee shall transfer from the Revenue Fund to the Renewal and Replacement Fund, but only if the amount on deposit in the Renewal and Replacement Fund at such time is less than the Renewal and Replacement Fund Required Level, an amount equal to any Deficiency Amount applicable to the Renewal and Replacement Fund from the preceding month plus one-twelfth of the Renewal and Replacement Fund Required Level or such lesser amount as is necessary to cause the amount on deposit in the Renewal and Replacement Fund to equal the Renewal and Replacement Fund Required Level; provided, however, that if the Trustee has requested an adjustment to the CFC level hereunder, then, from and after the date of any adjustment to the CFC level made in response to such request and until the amount in the Renewal and Replacement Fund is equal to the Renewal and Replacement Fund Required Level, the Trustee shall transfer from the Revenue Fund to the Renewal and Replacement Fund an amount equal to any Deficiency Amount applicable to the Renewal and Replacement Fund plus either one-twelfth or one-eighteenth (depending on the CFC adjustment made hereunder) of the Renewal and Replacement Fund Required Level and thereafter shall make transfers to the

Renewal and Replacement Fund as described in the part of this subsection preceding this proviso.

(I) Each month, if an Optional Redemption Date will occur during that month or during the following month and if the amount in the Redemption Account on the date that is three Business Days before such Optional Redemption Date is not at least equal to the Redemption Payment that will be due on such Optional Redemption Date, the Trustee shall transfer from the Revenue Fund to the Redemption Account the amount necessary to cause the amount on deposit in the Redemption Account to equal such Redemption Payment.

(J) In each month, if there is money remaining in the Revenue Fund after the Trustee has satisfied the requirements of this section, the Trustee shall hold such money in the Revenue Fund until the next month.

Bond Fund: Interest Account

The Trustee shall use the money and investments in the Interest Account for the payment of interest on the Outstanding Bonds coming due on the next Interest Payment Date. The Trustee shall return any amounts remaining in the Interest Account immediately after each Interest Payment Date to the Revenue Fund.

Bond Fund: Principal Account

The Trustee shall use the money and investments in the Principal Account for the payment of the principal of the Outstanding Bonds coming due on the next Principal Payment Date. Except as otherwise provided in this section, the Trustee shall return any amounts remaining in the Principal Account immediately after each Principal Payment Date to the Revenue Fund.

Bond Fund: Redemption Account

(A) Immediately upon receipt thereof, the Trustee shall deposit into the Redemption Account (i) amounts received from the Company, including, but not limited to, proceeds of bonds issued to redeem any Bonds, following delivery to the Trustee of an MII Consent Certificate authorizing the Company to deliver such amounts to the Trustee, for the redemption of Bonds hereunder provided that such amounts are sufficient to pay the Redemption Price, plus accrued interest, on the Optional Redemption Date for such Bonds (taking into account any amounts on deposit in the Interest Account available for payment of interest on such Bonds on such Redemption Date) and (ii) insurance proceeds required to be transferred to the Redemption Account pursuant to this Indenture.

(B) The Trustee shall use the money and investments in the Redemption Account to pay the Redemption Price, plus accrued interest, on Bonds on any Optional Redemption Date; provided, however, that if, two Business Days before any regularly scheduled Interest Payment Date or any regularly scheduled Principal Payment Date, the amounts in the Principal Account, the Interest Account, and the Coverage Fund (taking into account amounts scheduled to be

received from Authorized Investments held in such Funds and Accounts or from any other Revenues at any time before such Interest Payment Date or Principal Payment Date) shall be less than the amount required for the payment of all principal (including Accreted Value) of and interest on the Bonds due on such Interest Payment Date or Principal Payment Date, the Trustee shall immediately notify the Notice Parties of such event and shall apply amounts from the Redemption Account to the extent necessary to make good the deficiency. If the amount in the Redemption Account is not sufficient to make good the deficiency, the Trustee shall also notify the Notice Parties of that fact and shall then apply amounts in the Debt Service Reserve Account as provided herein.

(C) Upon transferring insurance proceeds to the Redemption Account pursuant to this Indenture, the Trustee shall apply such amounts in accordance with a plan for defeasance of the Bonds that complies herewith delivered to the Trustee by the Commissioner. In the absence of receipt of such a defeasance plan and until the Trustee receives such a defeasance plan, the Trustee shall apply such amounts as follows: (i) first, to transfers to the Interest Account in the amounts and at the times required to avoid a transfer to the Interest Account from the Coverage Fund hereunder; (ii) second, to transfers to the Principal Account in the amounts and at the times required to avoid a transfer to the Principal Account from the Coverage Fund hereunder; and (iii) to the redemption of Bonds hereunder in the maximum principal amount (including redemption premium, if any) and at the earliest time possible. The Trustee shall deliver notice of any redemption of Bonds pursuant to the preceding sentence in accordance with the notice requirements of this Indenture but without the need for any instruction or consent from the Company, any of the RACs, or any other person.

Administrative Expense Fund

(A) The Trustee shall use amounts in the Administrative Expense Fund to pay for, or to reimburse itself for, Administrative Expenses. If the amount in the Administrative Expense Fund is insufficient to pay Administrative Expenses when needed by the Trustee, the Trustee shall transfer the amount needed for such purpose from the Operations and Maintenance Fund; provided, however, that the amount so transferred from the Operations and Maintenance Fund during any Bond Year may not exceed \$50,000.

(B) On each Valuation Date, the Trustee shall determine whether the amount on deposit in the Administrative Expense Fund is less than the Administrative Expense Fund Required Level. If the Trustee determines that the amount in the Administrative Expense Fund is less than the Administrative Expense Fund Required Level and that, based upon the most recent Feasibility Report, the monthly deposit of Revenues into the Administrative Expense Fund pursuant to this Indenture will not be sufficient to cause the amount in the Administrative Expense Fund to equal the Administrative Expense Fund Required Level within twelve months after the date of such determination, the Trustee shall immediately notify the Notice Parties of such determination and (i) if the Trustee determines that the amount on deposit in the Administrative Expense Fund is equal to or greater than 50% of the Administrative Expense Fund Required Level, shall request the Commissioner to increase the size of the CFCs, based on the feasibility report described in the next sentence, so that the CFCs will be sufficient to provide equal monthly payments which, over the following six-month period, will cause the amount in

the Administrative Expense Fund to equal the Administrative Expense Fund Required Level or (ii) if the Trustee determines that the amount on deposit in the Administrative Expense Fund is less than 50% of the Administrative Expense Fund Required Level, shall request the Commissioner to increase the size of the CFCs, based on the feasibility report described in the next sentence, so that the CFCs will be sufficient to provide equal monthly payments which, over the following six-month period, will cause the amount in the Administrative Expense Fund to equal the Administrative Expense Fund Required Level. Before making any request of the Commissioner pursuant to the preceding sentence, the Trustee shall request the Company to obtain a feasibility report from the Independent Rate Consultant in accordance with the CFC Documents, or, if the Company fails to obtain such feasibility report within 60 days after the Trustee makes such request of the Company, the Trustee shall obtain a feasibility report from the Independent Rate Consultant, and shall include a copy of such feasibility report in its request to the Commissioner to increase the size of the CFCs; and provided, however, that, notwithstanding the preceding sentence, if the feasibility report indicates that no increase in the CFCs is necessary to cause the amount in the Administrative Expense Fund to equal the Administrative Expense Fund Required Level within the period of time required, the Trustee shall not request the Commissioner to increase the size of the CFCs.

(C) If, two Business Days before any Interest Payment Date or any Principal Payment Date, the amounts in the Principal Account, the Interest Account, the Coverage Fund, the Debt Service Reserve Account, and the Redemption Account (taking into account amounts scheduled to be received from Authorized Investments held in such Accounts or from any other Revenues at any time before such Interest Payment Date or Principal Payment Date) shall be less than the amount required for the payment of all principal (including Accreted Value) of and interest on the Bonds due on such Interest Payment Date or Principal Payment Date, the Trustee shall immediately notify the Notice Parties of such event and shall apply amounts from the Administrative Expense Fund to the extent necessary to make good the deficiency. If the amount in the Administrative Expense Fund is not sufficient to make good the deficiency, the Trustee shall also notify the Notice Parties of that fact and shall then apply amounts in the Renewal and Replacement Fund as provided in this Indenture.

Insurance Proceeds Fund

The Trustee shall deposit into the Insurance Proceeds Fund, immediately upon receipt thereof, all amounts received by the Trustee as an insured or co-insured under any policy of insurance applicable to the Consolidated Facility. The Trustee shall apply amounts in the Insurance Proceeds Fund in accordance with written instructions from the Lessor and the Lessee under the Lease delivered pursuant to Article XII, Section A, paragraph 7 of the Lease.

Coverage Fund; Bond Fund - Debt Service Reserve Account

(A) If, two Business Days before any Interest Payment Date or Principal Payment Date, the amount in the Principal Account or the Interest Account (taking into account amounts scheduled to be received from Authorized Investments held in such Accounts or from any other Revenues at any time before such Interest Payment Date or Principal Payment Date) shall be less than the amount required for the payment of all principal (including Accreted Value) of and

interest on the Bonds due on such Interest Payment Date or Principal Payment Date, the Trustee shall immediately notify the Notice Parties of such event and shall apply amounts from the Coverage Fund to the extent necessary to make good the deficiency. If the amount in the Coverage Fund is not sufficient to make good the deficiency, the Trustee shall also notify the Notice Parties of that fact and shall then apply amounts from the Redemption Account as provided herein. If amounts in the Redemption Account are not sufficient to make good the deficiency, the Trustee shall also notify the Notice Parties of that fact and shall then apply amounts in the Debt Service Reserve Account (or, if there is a Debt Service Reserve Account Surety Bond in the Debt Service Reserve Account, the Trustee shall first apply any money in the Debt Service Reserve Account and then shall apply the proceeds of a drawing against the Debt Service Reserve Account Surety Bond, and, if there is more than one Debt Service Reserve Account Surety Bond in the Debt Service Reserve Account, the Trustee shall first apply any money in the Debt Service Reserve Account and then shall draw against each such Debt Service Reserve Account Surety Bond on a pro rata basis by reference to the initial aggregate amount available to be drawn under such Debt Service Reserve Account Surety Bonds and shall apply the proceeds of such drawings) to make good the deficiency. If the amount in the Debt Service Reserve Account is not sufficient to make good the deficiency, the Trustee shall also notify the Notice Parties of that fact and shall then apply amounts in the Administrative Expense Fund as provided in this Indenture.

(B) RESERVED.

(C) On each Valuation Date, the Trustee shall determine whether the amount on deposit in the Coverage Fund is less than the Coverage Fund Requirement. If the Trustee determines that the amount in the Coverage Fund is less than the Coverage Fund Requirement, the Trustee shall immediately notify the Notice Parties of such determination and shall request the Commissioner to increase the size of the CFCs so that the CFCs will be sufficient to provide equal monthly payments which, over the following twelve-month period, will cause the amount in the Coverage Fund to equal the Coverage Fund Requirement; provided, however, that (i) before making any such request of the Commissioner, the Trustee shall request the Company to obtain a feasibility report from the Independent Rate Consultant in accordance with the CFC Documents, or, if the Company fails to obtain such feasibility report within 60 days after the Trustee makes such request of the Company, the Trustee shall obtain a feasibility report from the Independent Rate Consultant, and shall include the results of such feasibility report in its request to the Commissioner to increase the size of the CFCs; and provided, further, that if the feasibility report referred to in the preceding proviso indicates that no increase in the CFCs is necessary to cause the amount in the Coverage Fund to equal the Coverage Fund Requirement within the following twelve-month period, the Trustee shall not request the Commissioner to increase the size of the CFCs.

(D) On each Valuation Date, the Trustee shall determine whether the amount on deposit in the Debt Service Reserve Account is less than the Debt Service Reserve Account Requirement. If the Trustee determines that the amount in the Debt Service Reserve Account is less than the Debt Service Reserve Account Requirement, the Trustee shall immediately notify the Notice Parties of such determination and shall request the Commissioner to increase the size of the CFCs so that the CFCs will be sufficient to provide equal monthly payments which, over

the following twelve-month period, will cause the amount in the Debt Service Reserve Account to equal the Debt Service Reserve Account Requirement; provided, however, that (i) before making any such request of the Commissioner, the Trustee shall request the Company to obtain a feasibility report from the Independent Rate Consultant in accordance with the CFC Documents, or, if the Company fails to obtain such feasibility report within 60 days after the Trustee makes such request of the Company, the Trustee shall obtain a feasibility report from the Independent Rate Consultant, and shall include the results of such feasibility report in its request to the Commissioner to increase the size of the CFCs; and provided, further, that if the feasibility report referred to in the preceding proviso indicates that no increase in the CFCs is necessary to cause the amount in the Debt Service Reserve Account to equal the Debt Service Reserve Account Requirement within the following twelve-month period, the Trustee, at the direction of the Bond Insurer, shall decide whether to request the Commissioner to increase the size of the CFCs.

(E) Except as otherwise provided in this section, if, on any Valuation Date, the Trustee determines that the amount on deposit in the Coverage Fund is greater than the Coverage Fund Requirement or if the amount on deposit in the Debt Service Reserve Account is greater than the Debt Service Reserve Account Requirement, the Trustee shall transfer the amount of such excess to the Principal Account.

(F) Whenever the Authority, at the written direction of the Company signed by a Company Representative, following delivery to the Trustee of an MII Consent Certificate authorizing the Company to give such direction, shall deliver instructions to the Trustee to redeem Bonds and such redemption is to be made from amounts then on deposit in any Fund or Account other than the Coverage Fund or the Debt Service Reserve Account, the Trustee shall calculate the amount by which the amount on deposit in the Coverage Fund will exceed the Coverage Fund Requirement and the amount by which the amount on deposit in the Debt Service Reserve Account will exceed the Debt Service Reserve Account Requirement immediately following the redemption of the Bonds specified in such instructions, and the Trustee shall transfer such excess amount, on the Redemption Date specified in such instructions, into the Redemption Account; provided, however, that in no event shall the Trustee transfer the Debt Service Reserve Account Surety Bond.

(G) Whenever the amounts in the Coverage Fund and the Debt Service Reserve Account (not counting the Debt Service Reserve Account Surety Bond), together with the amounts in the Interest Account and the Principal Account, are sufficient to fully pay the principal (including Accreted Value) of and interest on all Outstanding Bonds in accordance with their terms, the Trustee, at the written direction of the Company signed by a Company Representative, following delivery to the Trustee of an MII Consent Certificate authorizing the Company to give such direction, shall transfer such amounts from the Coverage Fund and from the Debt Service Reserve Account to the Principal Account, the Redemption Account, or the Interest Account, as necessary to make such payments of principal (including Accreted Value) of and interest on all Outstanding Bonds. Prior to any such transfer, the Trustee shall liquidate investments held in the Coverage Fund and investments held in the Debt Service Reserve Account (not including the Debt Service Reserve Account Surety Bond) in the amounts necessary to make said transfer.

(H) The Trustee shall sell or redeem Authorized Investments to the extent necessary to provide money to make any required payment pursuant to this section and, at the written direction of the Company signed by a Company Representative, following delivery to the Trustee of an MII Consent Certificate authorizing the Company to give such direction, shall sell or redeem Authorized Investments to make any deposit, purchase, payment, or redemption as permitted pursuant to this section.

(I) The Company may, at any time, satisfy the Debt Service Reserve Account Requirement by depositing into the Debt Service Reserve Account, either in addition to other assets then in the Debt Service Reserve Account or in replacement thereof, Eligible Debt Service Reserve Account Assets. At any time that the Company makes a deposit to the Debt Service Reserve Account, the Trustee shall provide written notice of such deposit to the Rating Agencies and the Bond Insurer.

Renewal and Replacement Fund

(A) The Trustee shall use amounts in the Renewal and Replacement Fund to pay for costs of capital repairs, replacements, and additions to the Project upon written request and requisition in the form attached hereto as Exhibit D from the Company signed by a Company Representative following delivery to the Trustee of an MII Consent Certificate authorizing the Company to make such request and requisition together with a certification (i) that five business days notice of such requisition has been provided to the Commissioner and (ii) that such requisition, together with prior requisitions, is consistent with the purposes and amounts approved by the commissioner under the Lease or otherwise in writing for payment from the Renewal and Replacement Fund. The Trustee shall rely fully on any request and requisition and any other writing or certification delivered pursuant to this section and shall not be required to make any investigation in connection therewith.

(B) At any time and from time to time after the Date of Issue, the Company may deliver to the Trustee, with an MII Consent Certificate permitting the Company to make such delivery and with the consent of the Commissioner, a written certificate establishing a new Renewal and Replacement Fund Required Level. From and after the date of delivery of such certificate and until the date of delivery of another such certificate, the amount set forth in such certificate shall become the Renewal and Replacement Fund Required Level without any further action required under this Indenture or otherwise. On each Valuation Date, the Trustee shall determine whether the amount on deposit in the Renewal and Replacement Fund is less than the Renewal and Replacement Fund Required Level. If the Trustee determines that the amount in the Renewal and Replacement Fund is less than the Renewal and Replacement Fund Required Level, the Trustee shall immediately notify the Notice Parties of such determination and (i) if the Trustee determines that the amount on deposit in the Renewal and Replacement Fund is equal to or greater than 50% of the Renewal and Replacement Fund Required Level, shall request the Commissioner to increase the size of the CFCs so that the CFCs will be sufficient to provide equal monthly payments which, over the following twelve-month period, will cause the amount in the Renewal and Replacement Fund to equal the Renewal and Replacement Fund Required Level or (ii) if the Trustee determines that the amount on deposit in the Renewal and Replacement Fund is less than 50% of the Renewal and Replacement Fund Required Level, shall

request the Commissioner to increase the size of the CFCs so that the CFCs will be sufficient to provide equal monthly payments which, over the following eighteen-month period, will cause the amount in the Renewal and Replacement Fund to equal the Renewal and Replacement Fund Required Level; provided, however, that (i) before making any such request of the Commissioner, the Trustee shall request the Company to obtain a feasibility report from the Independent Rate Consultant in accordance with the CFC Documents, or, if the Company fails to obtain such feasibility report within 60 days after the Trustee makes such request of the Company, the Trustee shall obtain a feasibility report from the Independent Rate Consultant, and shall include the results of such feasibility report in its request to the Commissioner to increase the size of the CFCs; and provided, further, that if the feasibility report referred to in the preceding proviso indicates that no increase in the CFCs is necessary to cause the amount in the Renewal and Replacement Fund to equal the Renewal and Replacement Fund Required Level within the period of time required, the Trustee shall not request the Commissioner to increase the size of the CFCs.

(C) If, two Business Days before any Interest Payment Date or any Principal Payment Date, the amounts in the Principal Account, the Interest Account, the Coverage Fund, the Debt Service Reserve Account, the Redemption Account, and the Administrative Expense Fund (taking into account amounts scheduled to be received from Authorized Investments held in such Accounts or from any other Revenues at any time before such Interest Payment Date or Principal Payment Date) shall be less than the amount required for the payment of all principal (including Accreted Value) of and interest on the Bonds due on such Interest Payment Date or Principal Payment Date, the Trustee shall immediately notify the Notice Parties of such event and shall apply amounts from the Renewal and Replacement Fund to the extent necessary to make good the deficiency. If the amount in the Renewal and Replacement Fund is not sufficient to make good the deficiency, the Trustee shall also notify the Notice Parties of that fact and shall then apply amounts in the Insurance Proceeds Fund as provided herein.

(D) Upon the termination of this Indenture, the Trustee shall transfer any amounts remaining in the Renewal and Replacement Fund to ADOT&PF.

Operations and Maintenance Fund

(A) The money and investments in the Operations and Maintenance Fund shall be applied in accordance with this section and shall not be held for the benefit of the Holders of the Bonds.

(B) The Trustee shall deposit the FMCs when and as received in the Operations and Maintenance Fund. The Trustee shall use amounts in the Operations and Maintenance Fund to pay for costs of non-capital expenses for the operations and maintenance of the Project, including, but not limited to, fees and expenses of the Company, upon written request and requisition in the form attached hereto as Exhibit D from the Company signed by a Company Representative, following delivery to the Trustee of an MII Consent Certificate authorizing the Company to make such request and requisition together with a certification (i) that five Business Days notice of such requisition has been provided to the State and (ii) that (a) such requisition, together with prior requisitions, is consistent with the purposes and amounts approved by the

Commissioner for payment from the Operations and Maintenance Fund in the Company's budget approved under the Lease or (b) such disbursement, together with prior disbursements, is not consistent with that budget and that the Commissioner has approved such inconsistency. The Trustee shall rely fully on any such request delivered pursuant to this section and shall not be required to make any investigation in connection therewith. The Trustee shall also use amounts in the Operations and Maintenance Fund as described in this section.

(C) On each Valuation Date, the Trustee shall determine whether the amount on deposit in the Operations and Maintenance Fund is less than the Operations and Maintenance Fund Required Level. If the Trustee determines that the amount in the Operations and Maintenance Fund is less than the Operations and Maintenance Fund Required Level, the Trustee shall immediately notify the Notice Parties of such determination and (i) if the Trustee determines that the amount on deposit in the Operations and Maintenance Fund is equal to or greater than 50% of the Operations and Maintenance Fund Required Level, shall request the Commissioner to increase the size of the FMCs so that the FMCs will be sufficient to provide equal monthly payments which, over the following 12-month period, will cause the amount in the Operations and Maintenance Fund to equal the Operations and Maintenance Fund Required Level or (ii) if the Trustee determines that the amount on deposit in the Operations and Maintenance Fund is less than 50% of the Operations and Maintenance Fund Required Level, shall request the Commissioner to increase the size of the FMCs so that the FMCs will be sufficient to provide equal monthly payments which, over the following 18-month period, will cause the amount in the Operations and Maintenance Fund to equal the Operations and Maintenance Fund Required Level; provided, however, that (i) before making any such request of the Commissioner, the Trustee shall request the Company to obtain a feasibility report from the Independent Rate Consultant in accordance with the CFC Documents, or, if the Company fails to obtain such feasibility report within 60 days after the Trustee makes such request of the Company, the Trustee shall obtain a feasibility report from the Independent Rate Consultant, and shall include the results of such feasibility report in its request to the Commissioner to increase the size of the FMCs; and provided, further, that if the feasibility report referred to in the preceding proviso indicates that no increase in the FMCs is necessary to cause the amount in the Operations and Maintenance Fund to equal the Operations and Maintenance Fund Required Level within the period of time required, the Trustee shall not request the Commissioner to increase the size of the FMCs.

(D) Upon the termination of this Indenture, the Trustee shall transfer any amounts remaining in the Operations and Maintenance Fund to ADOT&PF.

Investment of Money in Funds; Valuation of Amounts in Funds and Accounts; Adjustments to CFCs and FMCs

(A) Pending application as provided in this Article, the money in all Funds shall be invested and reinvested by the Trustee in accordance with the requirements of this Indenture.

(B) On the next Business Day after each Interest Payment Date, each Principal Payment Date, each Redemption Date, and each date on which the Trustee makes a withdrawal from the Coverage Fund, or the Debt Service Reserve Account, the Trustee shall determine the

value of amounts then on deposit in each Fund and Account. At any time that the Trustee is required to determine the amount on deposit in any Fund or Account under this Indenture, the Trustee shall make such determination based upon the market value at the time of such determination of the investments held in such Fund or Account.

(C) In any circumstance under this Indenture in which the Trustee or the Company requests that the Commissioner increase or otherwise modify the CFC rate or level or the FMC rate or level, there is no expectation that the Commissioner should make a determination of an appropriate rate or level, or modify the CFC or FMC in any way, except as and to the extent recommended by the Independent Rate Consultant after request by the Trustee or the Company.

INVESTMENT OF FUNDS

Investment of Funds

(A) So long as there is no Event of Default which has not been cured or waived as provided herein, the Trustee shall invest and reinvest the money, if any, on deposit in any Fund, to the extent practicable, only in such Authorized Investments as are directed in writing by the Company signed by a Company Representative, following delivery to the Trustee of an MHI Consent Certificate authorizing the Company to give such direction; but in the event of any such Event of Default the Trustee shall, to the extent practicable, invest or reinvest money on deposit in any Funds in such Authorized Investments as the Trustee, in its discretion, shall choose. In the event of the failure of the Company to provide timely direction signed by a Company Representative, the Trustee shall invest in Authorized Investments described in paragraph 8 of the definition of Authorized Investments attached hereto as Exhibit E. The Trustee shall be entitled to rely conclusively on the written instructions of the Company directing investments in Authorized Investments as to the fact that each such investment is permitted by the laws of the State, and the Trustee shall not be required to make further investigation with respect thereto.

(B) All gain and loss resulting from the sale of any investments in any fund, account, or subaccount shall be charged, and the net income received in respect of such investments shall be deposited and credited upon receipt, as follows:

(i) All gain and loss resulting from the sale of any investments in any specified fund, account or subaccount shall be charged when realized to the fund, account or subaccount, respectively, from which such gain or loss arose;

(ii) The net income realized on the investment of money in any fund, account, or subaccount shall, upon receipt, be deposited in and credited to the Bond Fund, except that the net income realized on the investment of money in the Project Fund shall, upon receipt be deposited in and credited to the Project Fund, and the net income realized on the investment of money in the Renewal and Replacement Fund shall, upon receipt be deposited in and credited to the Renewal and Replacement Fund.

(C) Whenever any transfer or payment is required to be made from any particular fund or account, such transfer or payment shall be made from such combination of maturing

principal, redemption or repurchase prices, liquidation proceeds and withdrawals of principal as the Trustee deems appropriate for such purpose, after taking into account such factors as the Trustee may deem appropriate.

(D) Neither the Authority nor the Trustee shall be accountable for any depreciation in the value of the investments or any losses incurred upon any authorized disposition thereof.

(E) The Trustee, unless otherwise directed by the Company in a writing signed by a Company Representative, following delivery to the Trustee of an MII Consent Certificate authorizing the Company to give such direction and after giving notice to ADOT&PF, may make any and all investments of funds under this Article through its own investment department or that of its affiliates.

(F) The Authority acknowledges, and the Company (by its execution of the Use of Proceeds Agreement) has acknowledged, that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory agency grant the Authority or the Company the right to receive brokerage confirmations of security transactions as they occur, the Authority waives, and the Company (by its execution of the Use of Proceeds Agreement) has waived, receipt of such confirmations. The Trustee shall furnish to the Company periodic statements that include detail of all investment transactions made by the Trustee.

PROVISIONS RELATING TO BOND INSURANCE

Default-Related Provisions

(A) In determining whether an Event of Default described in this Indenture (A) or (B) has occurred or whether a payment on the Bonds has been made under this Indenture, no effect shall be given to payments made under the Bond Insurance Policy.

(B) Any annulment of the Bonds shall be subject to the prior written consent of the Bond Insurer (if it has not failed to comply with its payment obligations under the Bond Insurance Policy).

(C) The Trustee shall give the Bond Insurer immediate notice of any Event of Default described in this Indenture, and the Trustee or the Authority, as the case may be, shall give the Bond Insurer notice of any other Event of Default known to the Trustee or the Authority within 30 days of the Trustee's or the Authority's knowledge thereof.

(D) For all purposes of this Indenture and the provisions herein governing Events of Default and remedies, except the giving of notice of an Event of Default to Bondholders, the Bond Insurer shall be deemed to be the sole holder of the Bonds it has insured for so long as it has not failed to comply with its payment obligations under the Bond Insurance Policy.

(E) If the Trustee waives any Event of Default, such waiver shall be subject to the prior written consent of the Bond Insurer.

(F) The Bond Insurer shall be included as a party in interest and as a party entitled to (i) notify the Authority, the Trustee, if any, or any applicable receiver of the occurrence of an Event of Default and (ii) request the Trustee or receiver to intervene in judicial proceedings that affect the Bonds or the security therefor. The Trustee or receiver shall accept notice of an Event of Default from the Bond Insurer.

Amendments and Supplements

Any acceleration or amendment or supplement to this Indenture or any CFC Document shall be subject to the prior written consent of the Bond Insurer. Any rating agency rating the Bonds must receive notice of each amendment and a copy thereof at least 15 days in advance of its execution or adoption. The Bond Insurer shall be provided with a full transcript of all proceedings relating to the execution of any such amendment or supplement. Successor Trustees, Etc.

No resignation or removal of the Trustee or Paying Agent shall become effective until a successor has been appointed and has accepted the duties of Trustee or Paying Agent, as applicable. The Bond Insurer shall be furnished with written notice of the resignation or removal of the Trustee or Paying Agent and the appointment of any successor thereto. Defeasance Provisions

Only cash, direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AAA by S&P or Aaa by Moody's (or any combination of the foregoing) shall be used to effect defeasance of the Bonds pursuant to this Indenture unless the Bond Insurer otherwise approves. In the event of an advance refunding, the Company, but only following delivery to the Trustee of an MII Consent Certificate authorizing the Company to do so, shall cause to be delivered a verification report of an independent certified public accountant. If a forward supply contract is employed in connection with the refunding, (i) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement (or the authorizing document, if no separate escrow agreement is utilized), the terms of the escrow agreement or authorizing document, if applicable, shall be controlling.

Reporting Requirements

The Trustee shall provide the Bond Insurer with the following: (i) notice of the redemption, other than mandatory sinking fund redemption, of any of the Bonds, or of any advance refunding of the Bonds, including the principal amount or Accreted Value, maturities, and CUSIP numbers thereof; (ii) notice of any material events pursuant to the Rule; and (iii) such additional information as the Bond Insurer may reasonably request from time to time.

COVENANTS OF THE AUTHORITY

Faithful Performance

The Authority will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture and in each and every Bond executed, authenticated and delivered hereunder.

Extension of Payment of Bonds

The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of claims for the interest on such Bonds without the consent of the Holders of all Outstanding Bonds and the written consent of the Bond Insurer and the written consent of the Company signed by a Company Representative and accompanied by an MII Consent Certificate authorizing the Company to give such consent.

Validity of Authority Actions

The Authority is duly authorized under the constitution and laws of the State to create and issue the Bonds, to make the proceeds thereof available to the Company for the benefit of the Company for the Project, and to execute this Indenture. All necessary action and proceedings on its part to be taken for the creation and issuance of the Bonds and the execution and delivery of this Indenture have been duly and effectively taken, and the Bonds in the hands of the Holders thereof are and will be valid and enforceable special obligations of the Authority in accordance with their terms.

Concerning the Use of Proceeds Agreement

The Authority shall do or cause to be done all things on its part to be performed under the Use of Proceeds Agreement so that the obligations of the Company thereunder shall not be impaired or excused.

Limitations on Authority's Obligations to Observe All Covenants and Terms

The Authority will not issue or permit to be issued any Bonds hereunder in any manner other than in accordance with the provisions of this Indenture and the agreements in that behalf herein referred to and will not suffer or permit any default by it to occur under this Indenture but will faithfully observe and perform all of its conditions, covenants and requirements hereof. Under the Act and the CFC Documents, and it is expressly agreed that, the Authority has (i) no authority or obligation to levy taxes for, or make any advance or payment or incur any expense or liability on behalf of, the State in performing any of the conditions, covenants, or requirements of the Bonds or of this Indenture, or (ii) no authority to collect, adjust, or remit the CFCs or to enforce the collection, adjustment, or remittance of the CFCs, or (iii) no obligation to make any payment on the Bonds or otherwise under this Indenture except from Revenues; and the

Authority shall incur no liability for failure to perform any such conditions, covenants, and requirements hereof for lack of funds available therefor.

Lien of Indenture

The Authority will not create or suffer to be created any lien having priority or preference over the lien of this Indenture upon the Trust Estate or any part thereof, other than the security interests granted by it or by ADOT&PF or the Commissioner to the Trustee. The Authority agrees that no obligations, the payment of which are secured by Revenues, will be issued by it except in accordance with the provisions of this Indenture.

Instruments of Further Assurance

The Authority will do, execute, acknowledge, and deliver, or cause to be done, executed, acknowledged, and delivered, such indentures supplemental hereto and such further acts, instruments, and transfers for the better conveying, assuring, transferring, assigning, pledging, and hypothecating unto the Trustee the right, title, and interest of the Authority in the Use of Proceeds Agreement, as security for the payment of the principal (including Accreted Value) of, and premium, if any, and interest on, the Bonds in the manner and to the extent contemplated herein.

EVENTS OF DEFAULT AND REMEDIES

Events of Default

Any one or more of the following events shall constitute an "Event of Default" hereunder:

(A) failure to pay interest on any Bonds when due and payable;

(B) failure to pay any principal (including Accreted Value) of or premium on any Bond when due and payable, whether at stated maturity or pursuant to any redemption requirement under this Indenture;

(C) failure by a CFC Party to observe or perform any covenant, condition, or agreement relating to CFCs required to be observed or performed by such CFC Party in a CFC Document for a period of 30 days after written notice of such failure shall have been given to such CFC Party by the Trustee; provided, however, that if such observance or performance requires work to be done, actions to be taken, or conditions to be remedied which by its or their nature cannot reasonably be done, taken, or remedied, as the case may be, within such 30-day period, no Event of Default under this clause (C) shall be deemed to have occurred or to exist if and so long as such CFC Party shall have commenced such work, action, or remediation within such 30-day period and provided written notice thereof to the Trustee and shall diligently and continuously prosecute the same to completion and if the Bond Insurer consents to such extension;

- (D) any default under the Use of Proceeds Agreement or under any CFC Document.

Notices of Default, Cure, or Waiver

(A) The Trustee shall cause written notice to be given to the Notice Parties and to the Holders of all Bonds by first-class mail, postage prepaid, within five Business Days of the date upon which the Trustee has received notice from any source of any Event of Default.

(B) The Trustee shall cause written notice to be given to the Notice Parties and to the Holders of all Bonds by first-class mail, postage prepaid, within five Business Days of the date upon which the Trustee has received notice from any source (or is deemed to have notice, pursuant to this Indenture hereof) of any cure or waiver of Event of Default.

Enforcement of Covenants and Conditions

(A) Subject to (D) of this section, upon the occurrence of any Event of Default described in this Indenture which has not been waived as permitted herein, the Trustee's sole remedy, which the Trustee shall pursue unless directed otherwise in writing by the Bond Insurer, shall be to take appropriate action, including, but not limited to, the commencement and prosecution of appropriate legal or equitable proceedings, to protect the Trustee CFC Rights and to compel the CFC Party, in the case of a default or other failure to perform under a CFC Document, or the Company, in the case of a default under the Use of Proceeds Agreement, to perform its obligations.

(B) Subject to this section, upon the occurrence of an Event of Default described in this Indenture which has not been waived as permitted herein, the Trustee may proceed to enforce any such appropriate legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce any of its rights or any of the rights of the Holders, including, but not limited to, the following:

(i) Proceeding forthwith by suits at law or in equity or by any other appropriate remedy to enforce (A) payment of the Bonds; (B) the application to such payment of the funds, revenues, and income appropriated thereto by this Indenture and by the Bonds; (C) the Trustee CFC Rights, and (D) the rights of the Trustee under this Indenture;

(ii) Pursuing all remedies of a secured creditor under the applicable laws of the State.

(C) The Trustee may proceed to take the action permitted by this Indenture hereof and the actions permitted by the Use of Proceeds Agreement in its discretion, and must proceed to take such action upon the written request of the Bond Insurer or the Holders of not less than 25% in aggregate principal amount (including only Accreted Value of Capital Appreciation Bonds) of the Outstanding Bonds.

(D) Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Holders of the Bonds, as aforesaid, unless the Holders shall have offered to

the Trustee security and indemnity satisfactory to it against the fees, costs, expenses (including reasonable attorneys' fees) and liabilities to be incurred by the Trustee therein or thereby.

(E) The Trustee shall coordinate and cooperate with the Commissioner, the Airport, the Company, the RACs, and ADOT&PF, to the extent that such parties are not a cause of any Event of Default, in pursuing remedies under this section.

Application of Money Held in Funds Upon Payment Default

All money received by the Trustee pursuant to any right given, remedy pursued, or action taken under the provisions of this Article or by virtue of action taken under provisions of the Use of Proceeds Agreement, after payment of the costs and expenses of the proceedings resulting in the collection of such money and of the fees, expenses, liabilities, and advances incurred or made by the Trustee and after provision satisfactory to the Trustee for payment of the fees and expenses to be incurred in the future by the Trustee, shall be applied as follows:

(i) the Trustee shall first pay the payment of interest on any Bonds then due, in the order of the maturity of the installments of such interest, such payments to be made ratably to the Persons entitled thereto, without discrimination or preference, until all interest then due is paid, and the Trustee shall apply any excess remaining to the payment of any Bonds then due, such payments to be made ratably to the Persons entitled thereto, without discrimination or preference;

(ii) Whenever all principal (including Accreted Value) of and interest on all Outstanding Bonds have been paid under the provisions of this section and all fees, expenses, and charges of the Trustee, the Bond Insurer, and the Authority then required to be paid hereunder or pursuant to the Use of Proceeds Agreement have been paid, the Trustee shall pay any balance remaining with the Trustee to the State in accordance with written instructions to the Trustee from the Commissioner.

Right of Trustee to Act Without Possession of Bonds

All rights of action (including the right to file any proof of claim) under this Indenture or the Use of Proceeds Agreement may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Holders hereby secured, and any recovery on any judgment shall be for the equal benefit of the Holders of all Outstanding Bonds as herein provided.

Limitation on Suits by Holders

The Holders of Outstanding Bonds shall have no right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture, for the execution of any trust hereof or for any other remedy hereunder unless: (a) a default has occurred and is continuing of which the Trustee has been given notice in writing or of which it is deemed to have

notice under this Indenture; (b) such default shall have become an Event of Default which has not been waived under this Indenture; and (c) the Holders of not less than 25% in aggregate principal amount (including only the Accreted Value of any Capital Appreciation Bonds) of Outstanding Bonds shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; and also shall have offered to the Trustee indemnity and payment of fees and expenses as provided hereinafter; and such notification, request and offer of indemnity and payment of fees and expenses are hereby declared in every such case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture and to any action or cause of action for enforcement or for any other remedy hereunder, it being understood and intended that the Holders of Outstanding Bonds shall have no right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of the Holders of all Outstanding Bonds, as herein provided. Nothing in this Indenture contained, however, shall affect or impair the right of any Holder of Bonds, which is absolute and unconditional, to enforce and bring suit for the payment of the principal of and interest on any Bond at and after the maturity thereof or the obligations of the Authority to cause the Trustee to pay the principal of and interest on each of the Bonds issued hereunder to the respective Holders thereof at the time and place expressed in said Bonds, in accordance with the terms of the Bonds.

Waiver by Holders

Upon the written request of the Holders of not less than a majority in aggregate principal amount (including only the then Accreted Value of Capital Appreciation Bonds) of all Outstanding Bonds, the Trustee shall waive any Event of Default hereunder and its consequences. Notwithstanding the foregoing, an Event of Default described in this Indenture shall not be waived by the Trustee unless, prior to such waiver, all arrears of principal and interest, and all expenses of the Trustee, shall have been paid or shall have been provided for by deposit with the Trustee of a sum sufficient to pay the same. In case of any waiver under this section, the Authority, the Trustee, the Company, and the Holders shall be restored to their former positions and rights hereunder respectively. No such waiver shall extend to any subsequent or other default or any Event of Default or impair any right consequent thereon.

Remedies Cumulative, Delay Not to Constitute Waiver

(A) No remedy conferred upon or reserved to the Trustee or the Holders by the terms of this Indenture or the Use of Proceeds Agreement is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

(B) No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

(C) No waiver of any default or Event of Default hereunder, whether by the Trustee or the Holders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Restoration of Rights Upon Discontinuance of Proceedings

In case the Trustee or the Holders shall have proceeded to enforce any right under this Indenture and any proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or any Holder, as appropriate, then and in every such case the Authority, the Company, the Trustee, and the Holders shall be restored to their former positions and rights hereunder with respect to all rights, remedies, and powers of the Trustee or the Holders, which shall continue as if no such proceedings had been taken.

DISCHARGE OF LIEN OF INDENTURE

Discharge of Lien of Indenture by Payment of Bonds

At such time as all of the principal of, and all of the premium, if any, and interest on, all or any part of the Bonds has been fully paid as and when the same is due and payable, then said Bonds shall cease to be entitled to any lien, benefit, or security of this Indenture.

Discharge of Lien of Indenture by Defeasance

(A) Any or all Outstanding Bonds, prior to the maturity thereof, shall be deemed to have been paid and not Outstanding under this Indenture and shall cease to be entitled to any lien, benefit, or security of this Indenture and of the Trust Estate held hereunder or any lien, benefit, or security of the Use of Proceeds Agreement except the right to receive the money and the proceeds and income of the noncallable Government Obligations that are not subject to redemption prior to maturity set aside and pledged in the manner hereafter described, if:

(i) In the event that any or all of said Bonds are to be redeemed prior to their maturity, either (a) the Company following delivery to the Trustee of an MII Consent Certificate authorizing the Company to give irrevocable instructions to the Trustee to give notice of redemption of such Bonds, or (b) the Trustee shall be required to redeem Bonds with insurance proceeds pursuant to this Indenture;

(ii) There shall have been made a deposit irrevocably and in trust, with the Trustee or another corporate fiduciary qualified to do business in this State, of either money in an amount which shall be sufficient, or noncallable Government Obligations that are not subject to redemption prior to maturity maturing at such time or times and bearing such interest to be earned thereon, and without taking into consideration any earnings on the 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 all of the principal of, and all of the redemption premium, if any, and interest on, such Bonds when due in accordance with their terms, or upon the earlier redemption or prepayment thereof in accordance with a refunding plan; and such

money and the principal of and interest on such obligations are irrevocably set aside and pledged for the purpose of effecting such payment, redemption, or prepayment;

(iii) There shall have been delivered to the Notice Parties and the Trustee a letter addressed to the Notice Parties and the Trustee from a firm of independent certified public accountants verifying the computations which indicate that such noncallable Government Obligations that are not subject to redemption prior to maturity and other money to be irrevocably deposited in trust, as described pursuant to clause (ii) of this section, are sufficient to provide for the payment of all of the principal of, and all of the redemption premium, if any, and interest on, such Bonds when due in accordance with their terms, or upon the earlier redemption or prepayment thereof in accordance with a refunding plan; and

(iv) There shall have been delivered to the Notice Parties and the Trustee an Opinion of Bond Counsel, addressed to the Notice Parties and the Trustee, to the effect that, upon such defeasance, such defeased Bonds shall not be entitled to any lien, benefit, or security under this Indenture or of the Trust Estate held hereunder, and the interest on any Bonds being discharged by such defeasance will not become subject to federal income taxation by reason of such defeasance.

(B) Nothing contained in this section shall be construed to prohibit the partial defeasance of the lien of this Indenture by providing for the payment of one or more, but not all, of the Outstanding Bonds. In the event of such partial defeasance, this Indenture shall be discharged only as to the particular Bonds defeased, and the Trustee shall return to ADOT&PF only those moneys and investments in excess of money and investments required by this Indenture to be held by the Trustee for the Bonds for which payment has not been provided.

(C) The Trustee shall give or cause to be given to each Rating Agency and the Holders of any Bonds which are defeased as provided in this section written notice of such defeasance, within 30 days following the effective date of such defeasance, which written notice shall contain applicable information to be included in the notice of redemption described in this Indenture.

Effect of Discharge of Lien of Indenture

Upon payment or defeasance of all the Outstanding Bonds and any other obligations created under this Indenture, as described in this Indenture, upon payment (or provision therefor satisfactory to the Trustee) of all fees and expenses of the Trustee, the Bond Insurer, and the Authority then required to be paid hereunder or pursuant to the Use of Proceeds Agreement, then:

(A) The right, title and interest of the Trustee in and to the Trust Estate and all of the covenants, agreements, and other obligations to the Holders of said Bonds under this Indenture shall thereupon cease, terminate, and be discharged and satisfied; provided, however, that the covenants, agreements, and other obligations of the Trustee shall cease, terminate, and be discharged and satisfied only upon final payment of all Outstanding Bonds;

(B) The Trustee shall transfer all funds (except any held by it for the defeasance of Bonds under this Indenture) then held by the Trustee in the Bond Fund, the Revenue Fund, the Administrative Expense Fund, the Coverage Fund, the Renewal and Replacement Fund, the Operations and Maintenance Fund, and the Issuance Costs Fund, and all other money and property held by the Trustee pursuant to this Indenture, upon such discharge to ADOT&PF;

(C) The Trustee shall apply amounts held by it for the defeasance of Bonds pursuant to this Indenture to the payment or redemption of such defeased Bonds, together with interest and premium, if any, thereon, as specified in the instructions delivered to the Trustee as described in this Indenture; and

(D) The Trustee shall release all liens and security interests granted pursuant to the Use of Proceeds Agreement and this Indenture.

Unclaimed Money to be Returned

(A) If any Bond shall not be presented for payment when due, or if any valid check or draft on any Bond shall not be presented for payment, and if funds sufficient for the payment thereof shall have been deposited with the Trustee, all liability of the Authority to the Holders thereof for the payment of such principal and interest shall forthwith cease, determine, and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such unclaimed money for a period of three years, without liability for interest thereon, for the benefit of the Holders of such Bonds, who shall during such time be restricted exclusively to such unclaimed money for any claim of whatever nature on their part under this Indenture or on, or with respect to, said Bonds.

(B) Any unclaimed money that remains unclaimed for a period of three years shall be delivered to ADOT&PF.

SUPPLEMENTAL INDENTURES

Modification of Indenture Without Consent of Holders

(A) After the Date of Issue and subject to the conditions and restrictions contained in this Indenture, the Authority and the Trustee, with prior written consent of the other Notice Parties (signed, in the case of the Company, by a Company Representative), following delivery to the Trustee of an MII Consent Certificate authorizing the Company to give such consent, but without the consent of any Holder, may enter into such indentures supplemental hereto as may or shall by them be deemed necessary or desirable, from time to time and at any time, for any one or more of the following purposes:

(i) To add covenants and agreements to this Indenture for the protection of the Holders;

(ii) To cure any ambiguity or correct any defect or inconsistent provision in this Indenture;

(iii) To make subject to the lien of this Indenture additional revenue, properties or collateral;

(iv) To qualify this Indenture under the Trust Indenture Act of 1939, as amended, or the securities laws of any state, if such is necessary in the Opinion of Counsel;

(v) To provide for any administrative or procedural provisions necessitated if the Company, following delivery to the Trustee of an MII Consent Certificate authorizing the Company to obtain a liquidity facility, insurance policy, or other credit support device in replacement of the Bond Insurance Policy, obtains a liquidity facility, insurance policy, or other credit support device in replacement of the Bond Insurance Policy, if, in the written opinion of the Trustee (which opinion shall not address the need or sufficiency of the credit support device), delivered to the Notice Parties such supplemental indenture is not to the prejudice of the Trustee or the Holders;

(vi) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee;

(vii) To evidence the appointment of a separate or co-trustee or the succession of a new Trustee hereunder;

(viii) To correct any description of, or to reflect changes in, any of the properties comprising the Trust Estate;

(ix) To make any revisions of this Indenture that shall be required by Moody's or S&P in order to obtain or maintain an investment grade rating on a Series of Bonds;

(x) To provide for an uncertified system of registering a Series of Bonds or to provide for changes to or from the Book Entry system;

(xi) To provide additional or different terms in connection with the issuance of Completion Bonds or Additional Bonds provided that such supplemental indenture will not adversely affect the ratings on any Bonds that will remain Outstanding after the date of issuance of such Completion Bonds or Additional Bonds (including the ratings that would apply to such Bonds without taking into consideration the Bond Insurance Policy or any other insurance policy that may apply to such Bonds) and also provided that the Bond Insurer consents to the supplemental indenture;

(xii) To make any other change which, in the written opinion of the Trustee, delivered to the Notice Parties is not to the material prejudice of the Trustee or the Holders.

(B) In each and every case provided for in this section, the Trustee shall be under no responsibility or liability to the Notice Parties or to any Holder or other Person whatsoever for any act or thing which it may do or decline to do in good faith, in the exercise of such discretion.

Modification of Indenture With Consent of Majority of Holders

Except for supplemental indentures necessary or desirable to accomplish the purposes set forth in this Indenture, neither the Authority nor the Trustee shall enter into any other indenture supplemental hereto without the prior written consent of (a) the Bond Insurer, (b) the Company signed by a Company Representative following delivery to the Trustee of an MII Consent Certificate authorizing the Company to consent to a supplemental indenture under this section, (c) ADOT&PF, and (d) the Holders of not less than a majority in aggregate principal amount (including only the Accreted Value of Capital Appreciation Bonds) of Outstanding Bonds, or, if the supplemental indenture only relates to a Series of the Bonds, the Holders of not less than a majority in aggregate principal amount (including only the Accreted Value of Capital Appreciation Bonds) of Outstanding Bonds of such Series; provided, that no such amendment, change, or modification shall ever affect the unconditional obligation of the Company to diligently enforce its rights under the CFC Documents with respect to the collection and remittance of CFCs and FMCs or the unconditional obligation of the Trustee to diligently enforce the Trustee CFC Rights. If the Holders of not less than a majority in aggregate principal amount (including only the Accreted Value of any Capital Appreciation Bonds) of Outstanding Bonds (of a Series, if applicable) shall have consented to and approved the execution thereof as herein provided, no Holder shall have any right to object to any of the terms and provisions contained therein, or to the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee, the Authority or the Company, from executing the same or from taking any action pursuant to the provisions thereof.

Modification of Indenture With Consent of All Holders

Without the prior written consent of (a) the Bond Insurer, (b) the Company signed by a Company Representative following delivery to the Trustee of an MII Consent Certificate authorizing the Company to consent to a supplemental indenture as described in this section, (c) ADOT&PF and (d) the Holders of all Outstanding Bonds, no supplemental indenture shall change the terms of redemption or maturity of the principal of any Bonds or of any installment of interest on any Bonds; shall deprive any Holder of a Bond then Outstanding of the lien or right created by this Indenture; shall give priority to any Bond over any other Bond; or shall reduce the percentage of Holders whose consent is required to any action taken under, or for amendment of, this Indenture.

Execution of Supplemental Indenture

The Trustee is authorized to join with the Authority in the execution of any such supplemental indenture, to make further agreements and stipulations which may be therein contained, and to accept the conveyance, transfer and assignment of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects its rights, duties or immunities under this Indenture.

Supplemental Indenture to be Part of Indenture

Any supplemental indenture executed in accordance with any of the provisions of this Article shall thereafter form a part of this Indenture and all the terms and conditions contained in any such supplemental indenture, as to any provisions authorized to be contained therein, shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes, and the respective rights, duties and obligations under this Indenture of the Authority, the Bond Insurer, the Trustee and all Holders of all Outstanding Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments. If deemed necessary or desirable by the Trustee, reference to any such supplemental Indenture or any of such terms or conditions thereof may be set forth in reasonable and customary manner in the text of the Bonds or in a legend stamped on the Bonds.

Notice of Supplemental Indenture

The Trustee shall cause notice of the proposed execution and delivery of any supplemental indenture, together with a copy of the proposed supplemental indenture, to be mailed to the Notice Parties and each Rating Agency at least 30 days prior to the proposed date of execution and delivery of any such supplemental indenture, or such lesser time period as agreed in writing by the Notice Parties (signed, in the case of the Company, by a Company Representative) following delivery to the Trustee of an MII Consent Certificate authorizing the Company to agree to such lesser time.

APPENDIX F
FORM OF BOND COUNSEL OPINION

September __, 2005

Alaska Industrial Development and Export Authority
813 West Northern Lights Boulevard
Anchorage, Alaska 99503

Ladies and Gentlemen:

We have acted as bond counsel to the Alaska Industrial Development and Export Authority (the "Authority") and have examined a record of proceedings relating to the authorization, sale and delivery by the Authority of its Revenue Bonds, Series 2005A (Rental Car Facility Project at Ted Stevens Anchorage International Airport) in an aggregate principal amount of \$49,530,000 (the "Series A Bonds"), and its Revenue Bonds, Series 2005B (Rental Car Facility Project at Ted Stevens Anchorage International Airport) in an aggregate principal amount of \$13,294,573 (together with the Series A Bonds, the "Bonds"). In that regard, we have, in particular, reviewed the following: (i) the Trust Indenture dated as of September 1, 2005 (the "Indenture"), by and between the Authority and The Bank of New York Trust Company, N.A. (the "Trustee"); (ii) the Use of Proceeds Agreement dated as of September 1, 2005, by and between the Authority and Anchorage RAC Center, LLC ("ARC"); (iii) the Bond Purchase Agreement dated September 8, 2005 (the "Bond Purchase Agreement"), by and among RBC Dain Rauscher, Inc. (the "Underwriter"), the Authority, ARC, and Venture Development Group, LLC ("Venture"); (iv) certificates of the Authority, (v) certificates of ARC and others; and (vii) other documents, opinions, and matters to the extent we deemed necessary to render the opinions set forth herein.

Various other issues are addressed in (i) the opinion of Ashburn and Mason, counsel to ARC and Venture, (ii) the opinion of Brownstein Hyatt & Farber, counsel to the Underwriter of the Bonds, (iii) the opinion of the Department of Law of the State of Alaska, and (iv) the opinions of counsel for each of the rental car operators, dated this date; and we express no opinions with respect to any of those issues.

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. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) by any parties other than the Authority and the due and legal execution and delivery thereof by any parties other than the Authority. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the preceding paragraph. We call attention to the fact that the rights and obligations under the

Bonds, the Bond Purchase Agreement, the Indenture, and the Use of Proceeds Agreement may be subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, or waiver provisions contained in the foregoing documents. Finally, we express no opinion herein as to any offering materials relating to the Bonds.

The Bonds are issued pursuant to the Alaska Industrial Development and Export Authority Act (Chapter 88, Title 44 of the Alaska Statutes, as amended) (the "Act"), Resolution No. G05-03 of the Authority adopted on August 8, 2005 (as amended by Resolution G05-03A adopted on August 31, 2005) authorizing the issuance of the Bonds (the "Resolution") and the Bond Purchase Agreement.

The Bonds are registered in form, are in the denominations, bear interest, and mature as provided in the Bond Purchase Agreement. The Bonds are dated September 22, 2005.

Based on the foregoing, it is our opinion that:

1. The Authority has duly performed all obligations to be performed by it on or prior to the closing pursuant to the Resolution, the Bond Purchase Agreement, the Indenture, and the Use of Proceeds Agreement.
2. Neither the adoption of the Resolution nor the compliance by the Authority with the terms and conditions of the Bond Purchase Agreement, the Indenture, or the Use of Proceeds Agreement conflicts with or results in a breach of or will conflict with or result in a breach of, any of the terms or provisions of Alaska law in force on the date of this opinion.
3. All required authorizations, approvals, consents, orders, or other actions by or filings with the Authority and any governmental authority or agency for the valid adoption, authorization, execution and delivery by the Authority of the Bonds, the Resolution, the Bond Purchase Agreement, the Indenture, and the Use of Proceeds Agreement or the performance by the Authority of any transaction contemplated thereby have been secured, and no other authorizations, approvals, consents, orders or other actions by any governmental authority or agency or of any electorate are required therefor.
4. The collection of customer facility charges by all rental car companies operating from on-airport property owned or controlled by the State of Alaska at the Ted Stevens Anchorage International Airport, until there are no obligations outstanding under the Indenture, is validly authorized under AS 02.15.090, an order issued by the Alaska Commissioner of Transportation and Public Facilities under AS 02.15.090, and the concession agreements between the rental car companies and the State.
5. Interest on the Bonds is not excluded from gross income for Federal income tax purposes.

6. Interest on the Bonds is exempt from taxation by the State of Alaska except for transfer, estate and inheritance taxes.

Sincerely,

BIRCH, HORTON, BITTNER and CHEROT

Kenneth E. Vassar

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APPENDIX G

Accreted Value Table

	03/01/2011	03/01/2012	03/01/2013	03/01/2014	03/01/2015	03/01/2025
	@	@	@	@	@	@
DATE	4.6700830%	4.8002072%	4.9000869%	4.9700295%	5.0400934%	5.2100090%
09/22/2005	3,889.30	3,683.55	3,487.50	3,303.60	3,125.10	1,839.50
03/01/2006	3,969.41	3,761.54	3,562.87	3,376.01	3,194.56	1,881.76
09/01/2006	4,062.10	3,851.82	3,650.16	3,459.91	3,275.07	1,930.78
03/01/2007	4,156.95	3,944.26	3,739.59	3,545.89	3,357.60	1,981.08
09/01/2007	4,254.02	4,038.93	3,831.21	3,634.00	3,442.22	2,032.69
03/01/2008	4,353.35	4,135.87	3,925.08	3,724.31	3,528.96	2,085.64
09/01/2008	4,455.00	4,235.13	4,021.25	3,816.86	3,617.89	2,139.97
03/01/2009	4,559.03	4,336.78	4,119.77	3,911.71	3,709.07	2,195.72
09/01/2009	4,665.49	4,440.87	4,220.70	4,008.91	3,802.54	2,252.92
03/01/2010	4,774.43	4,547.46	4,324.11	4,108.54	3,898.36	2,311.61
09/01/2010	4,885.91	4,656.60	4,430.06	4,210.63	3,996.60	2,371.82
03/01/2011	5,000.00	4,768.36	4,538.59	4,315.27	4,097.32	2,433.61
09/01/2011	-	4,882.81	4,649.79	4,422.50	4,200.57	2,497.00
03/01/2012	-	5,000.00	4,763.71	4,532.40	4,306.43	2,562.05
09/01/2012	-	-	4,880.43	4,645.03	4,414.95	2,628.79
03/01/2013	-	-	5,000.00	4,760.46	4,526.21	2,697.27
09/01/2013	-	-	-	4,878.76	4,640.27	2,767.54
03/01/2014	-	-	-	5,000.00	4,757.21	2,839.63
09/01/2014	-	-	-	-	4,877.09	2,913.60
03/01/2015	-	-	-	-	5,000.00	2,989.50
09/01/2015	-	-	-	-	-	3,067.38
03/01/2016	-	-	-	-	-	3,147.29
09/01/2016	-	-	-	-	-	3,229.27
03/01/2017	-	-	-	-	-	3,313.40
09/01/2017	-	-	-	-	-	3,399.71
03/01/2018	-	-	-	-	-	3,488.27
09/01/2018	-	-	-	-	-	3,579.14
03/01/2019	-	-	-	-	-	3,672.38
09/01/2019	-	-	-	-	-	3,768.04
03/01/2020	-	-	-	-	-	3,866.20
09/01/2020	-	-	-	-	-	3,966.92
03/01/2021	-	-	-	-	-	4,070.26
09/01/2021	-	-	-	-	-	4,176.29
03/01/2022	-	-	-	-	-	4,285.08
09/01/2022	-	-	-	-	-	4,396.70
03/01/2023	-	-	-	-	-	4,511.24
09/01/2023	-	-	-	-	-	4,628.76
03/01/2024	-	-	-	-	-	4,749.34
09/01/2024	-	-	-	-	-	4,873.06
03/01/2025	-	-	-	-	-	5,000.00
09/01/2025	-	-	-	-	-	-
03/01/2026	-	-	-	-	-	-
09/01/2026	-	-	-	-	-	-
03/01/2027	-	-	-	-	-	-
09/01/2027	-	-	-	-	-	-
03/01/2028	-	-	-	-	-	-
09/01/2028	-	-	-	-	-	-
03/01/2029	-	-	-	-	-	-
09/01/2029	-	-	-	-	-	-
03/01/2030	-	-	-	-	-	-
09/01/2030	-	-	-	-	-	-
03/01/2031	-	-	-	-	-	-
09/01/2031	-	-	-	-	-	-
03/01/2032	-	-	-	-	-	-
09/01/2032	-	-	-	-	-	-
03/01/2033	-	-	-	-	-	-
09/01/2033	-	-	-	-	-	-
03/01/2034	-	-	-	-	-	-
09/01/2034	-	-	-	-	-	-
03/01/2035	-	-	-	-	-	-

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